Paths Forward to Salary Parity for New York

National Models for Equity in Early Childhood Education Compensation

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LEARNING STARTS AT BIRTH

Day Care Council of New York
Educated Children Are Our Future

Introduction

Public support for high-quality child care remains high following the pandemic-led child care crisis and subsequent awareness of the need for investments in our child care infrastructure. Nationally, 86% of voters agree that improving the quality of child care and early learning programs, and making them more affordable, is a good investment of taxpayers' money.[1] Here in New York, voters rank strengthening education and child care as among the top priorities for the state to address, with 85% saying they support the state investing more public funds to expand access to high-quality, affordable child care.[2] In addition, more than 90% of business leaders support investing more public funds for child care for New York families.[3]

For these investments to succeed, the salary gap between teachers, directors, and staff in community-based organizations and their counterparts in public schools must be closed. These same benefits must also be extended to reach all educators across our mixed-delivery system in New York State including family child care and those without contracts. This must be done without raising the cost to parents.

90%
of child care programs across New York State are understaffed

Pay parity between early childhood and elementary school educators is critical to reducing turnover, achieving a more equitable child care system, and realizing the benefits of quality early learning.[4] Programs are unable to meet demand due to widespread staffing challenges. As of March 2023, 90% of child care programs across New York State are understaffed, leaving 28,462 children without care.[5] A statewide survey revealed that providers are "unable to compete with school districts, warehouses, retail, and food service, all of which can offer higher salaries and better benefits than our broken child care market." The survey adds that, "roles go unfilled for months with no applicants and turnover rates have dramatically increased, destabilizing the relationships children need to thrive."[6]

With 98% of occupations paying more than child care in New York City, it is time for New York State and City to expand investments in the early childhood workforce by charting an aggressive path toward pay parity for all providers across all birth to five early childhood settings. Bank Street College of Education and the Day Care Council of New York join together to call for bolder action.

Inadequate Compensation for New York's Early Childhood Workforce

New York's early childhood educators — nearly all women, largely women of color — live in poverty at more than twice the rate of New York workers in general.[7]

In New York State, at least 65% of the child care workforce is receiving some type of public benefit due to low wages.[8]

A certified early childhood educator in a CBO may earn only 53% of what a similarly experienced certified teacher earns for the same work in a public school setting. Over a 25-year career, a certified teacher will sacrifice more than $700,000 in earning power.[9]

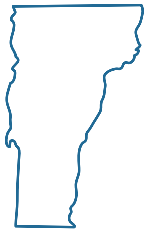
New York must continue to lead in early childhood and, by doing so, demonstrate what is possible for all children and families when we invest in the early years. Our advocates, policymakers, providers, families, and community leaders need to unite and chart a path toward meaningful and sustainable compensation reform by making immediate changes and creating a long-term plan for recognizing the value we place on this important work.

Fortunately, we have a strong foundation from which to build. New York City has historically been a national leader in leveraging contracts to fund early childhood education programs.

The administration of Fiorello LaGuardia partnered with community-based organizations to launch the nation's first municipal, contracted child care programs during WWII. This system served as a model and inspiration for Federal investments in Head Start. The 2019 Collective Bargaining Agreement between Day Care Council of New York and Head Start Sponsoring Board Council with District Council 37 put New York City on a path to salary parity for community-based certified teachers. The New York State Office of Children and Family Services has also effectively used ARPA funds for key investments such as Child Care Stabilization and Retention Grants. New York State's FY 2024 Budget also contained important new investments to increase eligibility for child care subsidies and cap parent co-pays. However, these reforms don't go far enough.[10]

Our community-based organizations continue to experience talent drain because of the ongoing inequalities with school-based settings. Recent wins to increase reimbursement rates don't go far enough to close the gap for family child care providers and other programs without contracts. And programs across the State struggle to pay providers a living wage.

At the same time, bright spots have emerged across the country as State and local governments recognize the benefits that result from strengthening investment in early childhood through compensation reform. Many have taken steps to self-finance these changes**.** Others have leveraged ARPA funds to demonstrate what is possible and are now citing those successes in order to advocate for State or local financing, which is urgent as funding cliffs from ARPA funds approach. For example, in 2022, Maine signed a bipartisan budget bill that included funds to extend the $200 monthly stipends originally funded by ARPA. A new 2023 bill proposes doubling that child care work stipend for an average of $400 per person each month. Vermont's 2023 Child Care Bill (Act 76) makes a $125 million investment in child care annually.



Vermont

Vermont passed a bill (Act 76) that makes a $125 million investment in child care annually. This sustainable funding will support compensation as well as benefits and professional development for early childhood educators. One of the ways that Vermont will increase compensation is through increases in reimbursement rates for both centers and home-based programs, regardless of STARS ratings. The 2023 Child Care Bill also sets the stage for minimum pay standards which will align with minimum compensation recommendations from VTAEYC's *Advancing ECE as Profession* work. These minimum pay standards are higher than the current Vermont living wage for a single adult with no children, according to the **MIT Living Wage Calculator**. The funds come from a 0.44% increase in the state's payroll tax. Employers will pay three-quarters (0.33%) and employees will pay one-quarter (0.11%).

Maine

With ARPA funds, Maine introduced the Child Care Stabilization grant, which paid $200 each month to anyone working in child care from 2021-2022. In 2022, the governor signed a bipartisan budget bill that included $12 million in state general funds to continue the $200 monthly stipends. In the summer of 2023, the stipend model transitioned to a three- tiered system that considers experience and education. The new bill proposes a $35 million increase in state spending and will go toward doubling the child care work stipend (for an average of $400/ month) and expanding parental eligibility child care subsidies.

To foster a conversation about what is possible, this brief offers several examples of efforts from across the country for both financing and structuring compensation reform. They are not intended to serve as full-scale solutions or options that can be simply adopted for New York. Aspects of some plans fall short. And, at first glance, a given approach used in another community may not seem "right" for New York, or a given financing mechanism not possible after being deemed unpopular in previous years.

Bold reform requires advocates and providers to make a compelling case for public funding. It also requires collaboration with policymakers to devise the right mechanisms for implementing these policy changes in ways that center equity and quality for all. To achieve this, we must answer two questions: How can systems guarantee continued funding for a fairly compensated workforce? How can systems implement reforms that are both equitable and stable?

Still, we turn to these outside models as a means to present ideas and alternate possibilities as we work in partnership with providers, policy-makers, and other community stakeholders to imagine the right mix of solutions for our New York State.

The work ahead will involve analyzing the possibilities, weighing the pros and cons of different options, and then elevating and adapting the most promising approaches. Charting a path forward will require significant commitment, bold action, and trade-offs as we balance the competing needs in the field. We owe it to our youngest children to develop a system that is capable of realizing their individual potential. At the same time, such systems must fairly compensate the dedicated workforce of caregivers, who are disproportionately women of color. These dedicated staff deserve respect, dignity, and equality. Bank Street and the Day Care Council of New York invite you to partner with us to do this urgent and important work.

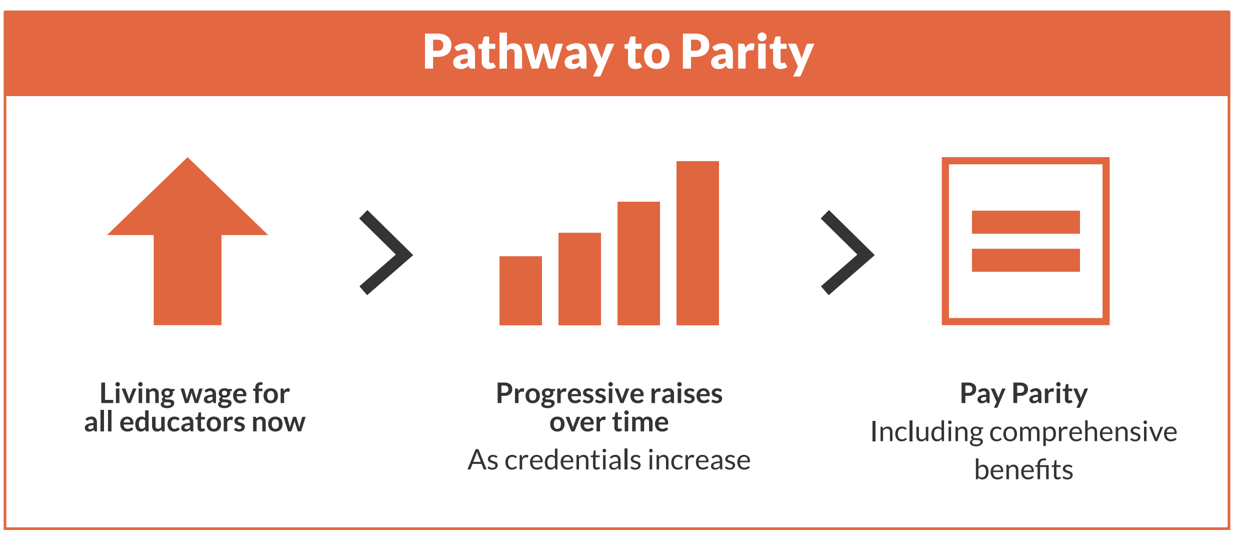
Starting with the End in Mind: Pay Parity

Bank Street's Learning Starts At Birth (LSAB) initiative is committed to creating the conditions necessary to provide equitable, high-quality early learning experiences for all young children and families. Similarly, the Day Care Council of New York, a membership organization of New York City's early childhood provider organizations, works toward a City where every child has access to high-quality early care and education.

We believe that the most critical lever for this change includes stronger investments in the ECE workforce. This includes a comprehensive approach that ties together access to high-quality professional learning and credentials with meaningful increases in compensation.[11]

Our recommendations start with New York City funding a new Labor Agreement which brings teachers, staff and educators in contracted community-based organizations to parity with their colleagues in public school programs. We also call for the City and State to take broader action to support providers across our early childhood system.

While we acknowledge that achieving this vision across our mixed-delivery system may take time, we begin by sharing the below framework in order to anchor our discussions in a vision for the future that reflects our goal, not just the first steps we can take today.



Call to Action

Equitable Implementation

New York must move beyond short-term measures, like bonuses, and finance a state-wide commitment to a living wage and true pay parity for all workers across our mixed-delivery system.

To do this, New York needs to fully finance early childhood (including Pre-K) compensation reform through a mix of new and existing revenue streams that include local and/or state financing to provide sustainable funding on par with our commitment to other public goods, like K-12 education. The need is too great — we cannot wait for the Federal government to act. Together, we must...

- → Commit existing public revenue for ECE to compensation reform before expanding to new needs
- → Identify additional state or local revenue streams that can create a sustainable path to fair compensation for all ECE staff across mixed-delivery systems

Sustainable funding should be used to:

1 Set wage floors and consistent expectations for entry-level and experienced educators across our mixed delivery system.

- Commit to a minimum floor of a $25/ hour living wage[12] for all positions in early childhood settings across NY State and identify strategies to minimize benefit cliffs and compression issues as the change is implemented.
- Adopt parity models across our mixed-delivery system statewide with K-12 educators.
- Stabilize NYC child care contracts and use them as a model statewide.
    - Achieve true pay parity through city contracts for all staff in NYC-funded child care programs — including support staff and directors — by closing the gap in starting pay and implementing incremental raises that align with longevity increases for K-12 teachers.
- Provide a mechanism for non-contracted providers or those not receiving subsidy care — including family childcare — to obtain raises and benefits.
- Protect infant and toddler seats.
    - As systems move towards pay parity, we must take intentional steps to ensure adequate financial support for those who care for the youngest children. This is especially important given the high staffing demands required to maintain safe

teacher/child ratios and the ongoing shortage of infant and toddler seats that already exist. Sustainable financial investments designated specifically for infant and toddlers seats can provide a critical lifeline for programs, especially home-based programs which tend to be smaller.

To Do This, Consider:

- **Creating a simplified contracting process that attracts** additional providers, including Family Child Care providers, who currently do not have the capacity to manage the complexity of the existing grants process. Through these contracts:
    - Adopt an equity model that increases funding for providers that serve subsidy families, like Washington, DC, and San Francisco.
    - Fund by enrollment and capacity, not attendance.
    - Eliminate burdensome reimbursement rate structures.
- **Further increasing subsidy rates and alter eligibility criteria** to cover the cost of fair compensation for all providers, including family child care providers, without raising costs for families.
- **Establishing a fund** — learning from the experience of other localities like New Mexico and Washington, DC — to allow licensed providers to apply for compensation increases to fill gaps in public funding.

Examples of Child Care Funds

Washington, DC: The money for the DC fund is the result of a multi-year philanthropy-funded advocacy campaign that led to increased income taxes for DC's highest earners. The Homes and Hearts Amendment of 2021[13], raised personal income taxes on residents with annual taxable income above $250,000, 4% of DC taxpayers. The act created two new high-income brackets and raised tax rates by .75 to 1.8 percentage points in the top three brackets ($250-500,000, $500,000-1 million, and over $1 million). This tax increase is projected to raise over $100 million a year, $75 million a year which will be dedicated entirely to early educator compensation.

New Mexico: In 2022, New Mexico passed a ballot measure to amend the state constitution to allow early childhood education to be funded through the **Land Grant Permanent Fund** (LGPF). The amendment brings in an additional 1.25% from the LGPF, of which 60% will go toward early childhood education, about $150 million. The ballot measure passed with an overwhelming 70% of voters expressing their approval.[14]

2 Activate a state-wide career ladder by linking raises to pay parity for child care educators and directors. This would factor in *multiple* steps along the way to *high-quality, accessible* credential programs that earn teachers pay parity with elementary school educators.

- Ensure that all commitments to professional development are attached to increased compensation.
- Ensure all connected certification programs are high quality by 1) providing opportunities for job-embedded support and ongoing coaching to improve quality and ensure educators stay, and 2) providing support for language, transportation, hybrid/remote learning, child care, loan forgiveness, financial counseling, and academic supports like tutoring in order to make participation possible.
- Provide funding for scholarships for existing and new educators to receive the credentials needed.

Create structures for meaningful stakeholder engagement

When the voices of community-based leaders and constituents are not centered in the design of scalable policy solutions, the risk of failure and/or adverse unintended consequences significantly increases. As new wages or inventive payments are leveled, we must identify and create safeguards through a structured engagement process to prevent unintended consequences or perverse incentives, like the talent drain and enrollment shifts experienced in New York City community-based programs and family child care during the rapid roll-out of Pre-K for all.

Empire State Campaign for Child Care 2024 Call to Action

This state-wide campaign calls for related reforms by demanding that New York make a substantial and sustained investment in its child care workforce and extend the promise of care to *all* children in our state.

Campaign policy priorities for the budget:

- Create a permanent state child care fund to increase compensation.
- Increase rates for legally-exempt child care providers to 70% of the child care rate and 80% for providers who are eligible for an enhanced rate.
- Establish health insurance premium support program for child care workers as their income rises above Medicaid eligibility levels for professional advancement.

National Examples

We identified the following two case studies because we think these approaches offer a long-term vision for sustained reform and potentially transformative change. Each option offers useful insights, considerations and opportunities for New York, and we have noted drawbacks or challenges where they have surfaced. **While not exhaustive, the case studies touch upon key aspects of design including:**

- **Compensation change & funding source**
- **Mechanisms for payment**
- **Process for engaging providers and other key community stakeholders in the design and implementation process**

As New York advances key reforms in this area, additional and more specific questions around design and implementation will surface that can be elevated and then included in future convenings or publications.

1 Washington, DC

In 2018, Washington, DC passed **The Birth-to-Three for All DC Act,** which requires the Office of the State Superintendent of Education (OSSE) to develop a compensation scale for early childhood that achieves pay parity with the District of Columbia Public Schools (DCPS).[15] The funding for this increase in compensation is the result of a multi-year philanthropy-funded advocacy campaign that resulted in increased income taxes for DC's highest earners. The Homes and Hearts Amendment of 2021 raised personal income taxes on residents with annual taxable income above $250,000, 4% of DC taxpayers. The act created two new high-income brackets and raised tax rates by 0.75 to 1.8 percentage points in the top three brackets ($250 - 500,000, $500,000 - 1 million, and over 1 million).[16] This tax increase is projected to raise over $100 million a year, $75 million of which will be dedicated entirely to early childhood educator compensation each year. The remaining funds will go toward housing and the expansion of DC's Earned Income Tax Credit (EITC).

An Early Childhood Education Equitable Compensation Task Force, which includes educators, families, family childcare providers, center directors, government agencies, and non-profit organizations,[17] is responsible for operationalizing DC's new compensation efforts. The Task

Force was initially charged with reviewing the findings and recommendations of the Early Childhood Educator Compensation in the Washington Region study and submitting a report to the Mayor and Council to propose a mechanism for distributing funds.

The Task Force was then asked to submit a **final report** that included proposing a compensation scale that accounts for role, credentials, and experience and provides recommendations for implementing the scale considering equitable implementation, long-term implications, and reporting and accountability mechanisms. As of March 2022, the Task Force held fourteen public meetings, a public roundtable, and eight small group committee meetings. The **meeting materials** are all publicly available.

To get money to educators quickly, the first phase, August 2022 to September 2023, paid supplemental yearly stipends of $10,000 to assistant teachers and $14,000 to lead teachers. For the second phase, DC created the infrastructure for an articulated salary scale. Beginning in October 2023 (FY2024), funds will be distributed quarterly to CDFS using a child development facility payroll funding formula to any licensed CDF that chooses to participate in the District's Early Childhood Educator Pay Equity Fund. Those that enter into an agreement with OSSE, agree to pay the minimum salaries.[18]

OSSE developed the CDF payroll formula based on the recommendations of the Task Force. The formula uses a base award (the difference between current salaries and minimum salaries by role and credential), an administrative enhancement (15% of the base award), and an equity adjustment (up to 40% of the base award determined by subsidy enrollment as a share of licensed capacity) to calculate the amount given to each facility. This amount is based primarily on the number of educators employed with adjustments for facilities that meet certain equity criteria as well as an additional amount to cover administrative costs associated with raising salaries. CDFs will have to apply for funds and meet the eligibility requirements, including a contract to pay the minimum salaries.

Base Award		**Administrative Enhancement**		**Equity Adjustment**		**CDF Payroll Funding Formula Award**
Difference between current salaries and minimum salaries by role and credential per FTE	+	15% of the base award	+	Up to 40% of the base award determined by the subsidy enrollment as share of licensed capacity	=	

The Task Force also recommended including specific minimum salary levels differentiated by role and credentials that are on par with DCPS teachers' minimum pay. The minimums will be updated by OSSE each year to maintain parity with DCPS and inflation. The minimum salaries in FY2024 will range from $43,865 for an assistant teacher with less than a Child Development Associate (CDA) to $75,103 for a teacher with a bachelor's degree or higher. The highest minimum salary is almost double the current median wage.

Compensation Program Sets Minimum Salary Levels to Ensure Parity with DCPS Teachers[19]

Pay Equity Fund Salary Minimums, by Role and Credential

ASSISTANT TEACHER OR ASSOCIATE HOME CAREGIVER	
CREDENTIALS	**MINIMUM SALARY FOR FY24**
Less than a CDA	**$43,865**
CDA	**$51,006**
Associate's degree or higher	**$54,262**
LEAD TEACHER, HOME CAREGIVER, OR EXPANDED HOME CAREGIVER	
CREDENTIALS	**MINIMUM SALARY FOR FY24**
CDA	**$54,262**
Associate's degree	**$63,838**
Bachelor's degree or higher	**$75,103**

Note: CDA is a Child Development Associate credential. ECE refers to an Early Childhood Education Degree.
Source: FY 2024 Budget Support Act

Starting in FY2024, CDFs may choose to adopt a recommended ECE salary schedule based on the DCPS salary schedule. They are not required to pay individual staff at specific steps or band levels, based on experience but can develop their own salary schedule which differentiates pay based on years of experience as long as the minimum salary meets or exceeds the minimum for each educator's credentials as established in the table below.

What's Notable About This Case Study?

- → **Home-based providers are also eligible for salary increases.**
- → **It includes assistant teachers**
- → **Increases are determined by a funding formula and paid directly to child care organizations. The formula includes an equity adjustment and an administrative enhancement to cover additional costs.**
- → **It achieves pay parity with DC Public Schools.**

2 San Francisco

San Francisco is investing up to $60 million dollars a year to increase compensation including benefits, improve working conditions and support educational attainment for all early educators in city-funded programs. The funding for the compensation increases is the result of Proposition C (Commercial Rent Tax for Childcare and Early Education), which increases commercial rent tax to roughly 3.8%.[20] This will raise about $120 million annually, half of which will be dedicated to compensation. The other half is used for subsidies for San Francisco families (who earn up to 110% Area Median Income) to access early education.[21]

The first phase of San Francisco's compensation initiative is a tiered compensation program that began in July 2022. In Phase 1, payment amounts were based on the educator's role (lead vs. assistant), education level, and work status (full-time vs. part-time). The amount per educator was further tiered by the percentage of subsidy-eligible children served by the program. Educators who work in settings with 50% or more subsidy-eligible children, including Family Child Care (FCC), received the highest compensation increase, up to $39,000 per year for a lead teacher with a master's degree. In this phase, payments will be administered through grants to centers serving 50% or more of subsidy-eligible children, and through stipends to FCC educators and teachers in centers serving less than 50% of subsidy-eligible children. Originally, the Office of Early Care & Education (OECE) hoped to include Green Tier FCCs (<50% subsidy-eligible) in the grant program, however, they got feedback that without back office or fiscal infrastructure, the stipend worked best. By 2025, San Francisco intends to provide a baseline living wage of $28 an hour with a pathway to parity with teachers in San Francisco Unified School District (SFUSD) who earn $37 an hour with a bachelor's degree. Until this point, the city used CARES 2.0, a one-size-fits-all grant delivery that amounted to about $7,000 a year regardless of education level or work status. Under CARES 3.0, educators can still apply for the stipend twice a year.

New Childcare Tax

The new tax is in addition to the existing tax on gross receipts, ranging from 0.285% for gross receipts between $0 and $5 million to 0.3% for gross receipts above $5 million. In 2021, a new marginal rate of 0.325% commenced on gross receipts at the $25 million level. Effectively, the Childcare Tax will increase the gross receipts tax rate for commercial rent income to 3.785% or 3.8% for most types of commercial space.

The Childcare Tax will not apply to businesses with $1 million or less in total gross receipts. It will not apply to rents from the following: leases to retail spaces, leases for "industrial use", leases to "articles activities" spaces, residential real estate, and nonprofit organizations.

Provider focus groups highlighted a compression issue since non-classroom staff are ineligible for compensation increases. Phase 2 began in October 2022 for centers serving 50% or more subsidy-eligible children. It increased compensation for other early education staff working directly with children, families, and/ or teachers, and could be used to provide new benefits, including retirement, health, and transportation benefits. The third phase will focus on improving workplace conditions. For example, compensating teachers for time spent observing other classrooms and planning. The final phase, Phase 4, will create a workforce educational pathway to support teachers' access to higher education.

San Francisco’s’ CARES 3.0 Stipend Rounds[22]

This table reflects the stipend amounts for each tier and the information required to be verified by the CA ECE Workforce Registry

		<20% ELS			>20% ELS			>50% ELS	
	Title Required in Orange	Orange Tier		Title Required in Blue	Blue Tier		Title Required in Green	Green Tier	
Information Required to be Verified on the Registry		PT	FT		PT	FT		PT	FT
<12 ECE Units or Assistant Teacher Permit	Assistant Center Teachers	$4,000	$8,000	Assistant Center Teachers	$5,000	$10,000	FCC Assistants/ Aides/ SFUSD Para Educators/ Eligible Substitutes**	$5,000	$10,000
12 Core ECE Units, or CDA, or Associate Teacher Permit		$4,000	$8,000		$5,500	$11,000		$5,500	$11,000
AA Degree in related field with at least 24 ECE Units or Teacher/Master Teacher Permit		$4,500	$9,000		$6,000	$12,000		$6,000	$12,000
BA Degree in related field with at least 24 ECE Units or Site Supervisor Permit		$4,500	$9,000		$6,500	$13,000		$6,500	$13,000
MA Degree in related field with at least 24 ECE Units and/or Program Director Permit		$4,500	$9,000		$6,500	$13,000		$6,500	$13,000
<12 ECE Units or Assistant Teacher Permit	Lead Center Teachers	$4,000	$8,000	Lead Center Teachers	$6,000	$12,000	FCC Owners	$6,000	$12,000
12 Core ECE Units, or CDA, or Associate Teacher Permit		$4,500	$9,000		$6,500	$13,000		$6,500	$13,000
AA Degree in related field with at least 24 ECE Units or Teacher/Master Teacher Permit		$4,500	$9,000		$6,500	$13,000		$6,500	$13,000
BA Degree in related field with at least 24 ECE Units or Site Supervisor Permit		$5,000	$10,000		$7,000	$14,000		$7,000	$14,000
MA Degree in related field with at least 24 ECE Units and/or Program Director Permit		$5,000	$10,000		$7,000	$14,000		$7,000	$14,000

Amounts in this table reflect the total amount PER YEAR for two CARES 3.0 stipends rounds (2 stipends - Spring and Fall). Applicants are required to apply for each round and maintain employment with an eligible ELS program and work directly with children in the classroom for at least 20 hours a week to be approved at the discretion of their employer.

*Lead Teachers in Green Tier centers will be receiving wage enhancements through the Early Educator Salary Support Grant awarded to their employer.

**Eligible substitutes are determined by the DEC.

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What’s Notable About This Case Study?

→ It is tiered to give more money to educators in underresourced communities.

→ Home-based providers are eligible.

→ It includes assistant teachers.

→ Phase 2 will increase salaries for all staff including Directors and support staff. These funds can also be used for benefits such as retirement, health, and transportation.

→ In Phase 3, educators will compensate educators for additional planning time.

Transition Strategies

These case studies are not reflective of the breadth of work happening across the country. Many States, including New York, have realized the urgency for change and used federal funds to pay for short-term strategies to aid recruitment and retention challenges, such as short-term bonuses. When designed with sustainability in mind, these efforts can pave the way for longer term change by raising public awareness and building models for scale while identifying sustainable funding. We offer two examples of ARPA-funded programs that provide an example of this approach.

> The Center for the Study of Child Care Employment (CSCCE) has compiled a comprehensive national database of compensation strategies that use ARPA and other public funds.

Two Examples: How ARPA Funding Filled Short-Term Needs & Offered Transition Strategies

North Carolina

North Carolina Division of Child Development and Early Education (NCDCDEE) child care stabilization grants offer supplemental funding for programs to increase workforce compensation. Programs can opt-in and select to either provide bonuses to all staff (Option 1) or they can increase staff base pay and/or increase benefits (Option 2). With Option 1, programs are encouraged to base bonus amounts on education and/or experience. Programs that select Option 2 receive higher grant awards and are encouraged to implement a wage scale. These grants also include an additional 12% in order to cover staff benefit costs.[23]

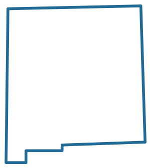
After the first two quarters of implementation, 92% of centers in the state had opted into the stabilization grants. The North Carolina Early Childhood Compensation Collaborative created a [Model Salary Scale for Early Education Teacher][24] to have a standard scale based on parity with teachers in public schools. The scale is a voluntary guide for providers to reference as they create their own compensation scales, which is a requirement in order to receive the stabilization grants.

What's Notable About This Case Study?

→ Incentives to increase base pay and/ benefits instead of just bonuses by providing higher grant awards to those that increase base pay. If you opt into for grants you must create your own compensation scale using the model.

→ Grants include an additional 12% to cover staff benefit costs.

→ Salary scale is based on parity with teachers in public schools.



New Mexico

In New Mexico, the Competitive Pay for Professionals (CPP) grant is available to child care providers that agree to increase wages for staff by three dollars an hour. This grant was initially funded with $77 million ARPA dollars and is projected to reach up to 16,000 child care staff across the state. New Mexico will provide funding to any licensed child care program that will increase all staff wages by three dollars per hour (including administrative staff, cooks, bus drivers, etc). To receive the grant, programs must opt-in through an online dashboard. Participating providers must report employees' hours worked each month and then will receive monthly payments based on those hours, either through direct deposit or paper checks. Additionally, providers will receive an additional five percent of the total payment each month which they can use to cover the administrative costs associated with implementing the grant.[25]

The CPP grant is part of a larger strategic effort by the state to support a well-compensated early childhood workforce. If possible, the state plans to implement higher child care assistance payment levels as a path towards longer-term compensation reform.[26] Other efforts include a Student Success Stipend for professionals seeking advanced degrees, free college tuition for early childhood educators, PreK salary parity for PreK teachers working in community based settings, incentive payments for educators who worked through the pandemic, and a career pathways guide that outlines opportunities for continuing education and multiple career options in early childhood.

What's Notable About This Case Study?

→ All licensed programs are eligible.
→ This grant is also includes any on-site staff such as administrators, cooks, etc.
→ Participating providers receive monthly payments.
→ Administrative costs are covered.

National Examples of Compensation Reform

	STRATEGY TYPE	SALARY SCALE (Y/N)	FUNDING MECHANISM	ELIGIBLE RECIPIENTS	SUSTAINABLY FUNDED
WASHINGTON DC: EARLY CHILDHOOD PAY EQUITY FUND	One-Time Payment and Wage Increase	Yes	The Homes and Hearts Amendment of 2021 (Increased income tax for DC's highest earners)	OSSE licensed: Teacher, Assistant Teacher, Associate Caregiver, Expanded Home Provider, Montessori Assistant Teacher, Montessori Teacher	✓
SAN FRANCISCO WORKFORCE COMPENSATION INITIATIVE	Wage Increase and Benefits	Yes	Proposition C (Commercial Rent Tax for Childcare and Early Education)	All early educators in city-funded programs	✓
NORTH CAROLINA: NCDCDEE CHILD CARE STABILIZATION GRANTS	Bonuses (Option 1) OR Wage Increase (Option 2)	Yes	ARPA CCDBG & Stabilization Grants	All private, licensed early care and learning programs (excluding Early Head Start and Head Start)	✗
NEW MEXICO: COMPETITIVE PAY FOR PROFESSIONALS GRANT	Wage Increase	No	ARPA	Any licensed child care program that will increase all staff wages by $3 per hour (including administrative staff, cooks, bus drivers, etc.)	✗

Local & State Financing Options

For too long, we have been afraid to talk about compensation reform in earnest because we are afraid of what it might cost, and we don't know how to pay for it. However, a variety of vehicles for raising revenue at a state and local level are being used across the country to make necessary investments in early childhood. While federal funding is needed to fully scale and accelerate the rate of progress, New York can learn from these examples and devise much-needed strategies for immediate action to recruit and retain our ECE workforce and also build the funding models needed.

Ultimately, compensation and benefits for the ECE workforce should be achieved through sustained sources of funding on which educators can rely—not piecemeal wage supplements or tax credits that don't offer security and that will fail to retain our workforce in the long term.

The Invest in Our New York Campaign is a state-wide effort to rebuild New York's economy. The campaign advocates for deep investments in working-class and low-income New Yorkers and communities of color. It is funded by increasing taxes on New York's millionaires, billionaires, and big corporations.

1. **Makes permanent and strengthens the state's existing corporate tax reforms.**
2. **Restructure our state's income tax to make it more progressive and raise rates on the top 5% earners.**
3. **Closes the loopholes that millionaires and billionaires use to avoid paying what they owe**
    - **Creating a Capital Gains Tax**
    - **Overhauling the broken inheritance tax to create an Heirs Tax**
    - **Establishing a mark-to-market Billionaires Tax**

The use of one-time bonus payments, for example, still offers a useful transition strategy that can help to create the momentum needed for long-term change. But reliable, regular funding is needed to move beyond these kinds of short term approaches. Below are five categories of financing available to communities to self-finance a range of early care and education programs. Embedded are examples of how communities have used each of these options.

The BUILD Initiative, Center for American Progress, Children's Funding Project, University of Maryland, and the Institute of Taxation and Economic Policy collaborated to publish, **Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education** **(One Pager Summary)**, that introduces options for expanded public investment in early care and education. Drawing directly from this report, we offer several examples and ideas for consideration for financing that could be dedicated to compensation reform.
To achieve the level of support needed, several strategies may need to be employed or combined. **Some may also require legislative or other significant changes to implement.** Additional research, including consultation with New York tax experts, is needed to fully explore or realize any of these options for New York.

The organizations endorsing the 2024 New York Worker Justice Agenda support progressive revenue raisers such as increasing taxes on the highest income earners, such as billionaires (S2059/A3115, Jackson/Meeks), making permanent the corporate tax reform law (S1980/A3690 Hoylman-Sigel/Kelles) and the DATA tax bill which requires big tech companies like Facebook and Google to pay income tax on ad sales (S5551/A5842 Gianaris/Walker).

1 Special District Government Taxes

Across the country, local and regional units of government known as "special district governments" collect and administer funding for a wide range of services (typically fire, garbage, etc). These independent, governmental structures are given authority to levy taxes within a specific geographic area for a particular purpose.

Florida and Colorado are the only states that allow for the creation of special taxing districts that dedicate their revenue to funding early childhood supports.[27, 28] Replicating this model will require state action by either adding "child-and-youth services" to the existing list of purposes in state-level enabling legislation or other changes to legislation to expand the type of tax of allowable geography of the jurisdiction. Special district governments (SDGs) can follow the boundaries of an existing municipality or can span multiple localities, as is often the case with Regional Transit Authorities.[29]

States that choose to authorize SDGs for early childhood may wish to improve equity by:

→ **Expanding the possible geographic jurisdictions of such districts in cases where doing so would promote greater access or equity.**[30]

Colorado's recent legislation also accounted for questions of geographic equity in the state: allowing multiple jurisdictions to form regional taxing authorities fosters alignment, increases inclusion of rural children in high quality early childhood systems, and contributes to more equitable distribution of resources.

→ **Giving those districts the power to levy progressive income taxes or luxury real estate taxes rather than property or sales taxes.**

If this isn't politically expedient, localities may wish to reduce the regressivity of the tax by including exemptions from the tax for those below certain income levels. In **Florida,** the taxpayer burden is $25 to $80 (depending on county).[31]

How might a modification to state legislation for special districts in New York provide for the establishment of regional structures that can tax for early care and education?

How could this structure be combined with one of the financing strategies below to provide a reliable funding stream for the special district?

Additional Real Estate Taxes, Including Specialized Assessments on High-Value Homes

Voters in several municipalities have approved an increase in property tax revenue, with dedication for early care and education.

> ***Seattle, Washington*** *raised property taxes twice - first to fund the establishment of the program and then an expansion. The second assessment was set at $360 per $100,000 in assessed value raising $341 million. San Miguel Colorado set an assessment of just $5.40 for every $100,000 in assessed value raising $612,000 for quality and facilities improvements.*

These examples offer a range of burden to taxpayers and highlight ways in which a relatively affordable tax can be designed to generate significant revenue for much needed services. Using the average home price in the United States of America, the annual burden to taxpayers in Seattle would be approximately $1,200, while in Colorado it would be just $18.[32]

Adopting an additional tax on high-value homes, rather than increasing property taxes across the board, is a similar strategy to increase revenue that does not burden low and middle income residents. This strategy would be most beneficial if administered regionally to ensure low and high income communities can share resources. Currently, no state has a higher tax rate for high-value residential properties, although Washington, DC does have a higher rate for commercial and industrial property valued at over $3 million. New York does impose a transfer tax at the time of sale that is adjusted for high-value homes, over $1 million, known as the Mansion tax.[33]

How might a regional real estate assessment provide for a dedicated funding stream for New York? What would be the right ways to structure such a tax?

Are there ways New York State's transfer tax can be changed to add a set aside for ECE?

3 Sales Taxes

New York is a State that allows for local/regional sales taxes to be levied. Several other localities with similar rules have used additional sales taxes to fund early childhood programs.

> ***Denver*** *voters approved a 0.15 percent sales tax increase in 2006 to support the Denver Preschool Program. The $106 million in revenue generated annually is used primarily to subsidize tuition for lower-income families and provide quality improvement specifically for pre-K programs.*[34]
>
> *In 1984,* ***South Carolina*** *began using a 1 percent sales tax to improve the school readiness of at-risk four-year-olds by providing free early care and education. About 25 percent of South Carolina's public school districts provide classes for children from lower-income families. The total revenue for the program is $15 million annually.*[35]

Other communities are exploring whether there are additional services not sufficiently taxed that could be the source of additional revenue such as Airbnb, Uber and online sales taxes.

Could New York expand the sales tax base to include more services?

Could sales tax be increased or else reformed to include a set aside for ECE?

4 Sin Taxes

Sin taxes are essentially a "sales" tax on products or services that are considered unhealthy, including alcohol, tobacco, gambling/lottery, soda and more recently marijuana. As such, they are best used in conjunction with other forms of revenue generation since they are designed to decrease consumption (and therefore revenue) over time. However, some states (and localities, where permissible) have successfully leveraged these taxes to dedicate funding for ECE.

In 1995, the City Council of ***Philadelphia*** *levied a 10 percent tax on liquor and malt brewed beverages which were initially dedicated to expanding full-day kindergarten. The liquor tax raises roughly $70 million each year. In 2016, the City Council of Philadelphia approved a new 1.5 cent per ounce tax on distributors of nonalcoholic sugary beverages (including artificial sweeteners and substitutes) and uses it for PreK expansion. In its first year, the tax generated $70 million, creating an additional 2,000 tuition-free, quality prekindergarten slots in the city for three- and four-year-olds.*[36]

Georgia's *lottery funds the Hope Scholarship for higher education and Georgia's Pre-K Program. Twenty-five percent of the lottery revenues go to these two purposes. The revenue from the lottery allocated to the prekindergarten program has exceeded $5 billion, supporting the attendance of 1.6 million four-year-olds across Georgia in state-funded full-day prekindergarten.*[37]

Maryland *taxes gambling and directs a portion of the taxes collected to the Maryland Education Trust Fund, created in 2007. Previously, the legislature allocated that portion of taxes to K-12 education, capital, and higher education; in 2012, it added early child education as an allowable use of the Education Trust Fund. The Blueprint for Maryland's Future, passed in 2021, will be funded partially through tax revenue from online slot machines and table games, and has a pillar designated for early childhood education.*[38]

As of 2018, seven states — ***Delaware, Mississippi, New Jersey, Nevada, Pennsylvania, Rhode Island*** *and* ***West Virginia*** *— have legal sports betting and impose a gross sports betting tax.*

In New York, beer & liquor can be taxed and more recently the tax for recreational cannabis has been established to include "education" and also "childcare navigation services."[39]

Are there opportunities to increase or allocate portions of existing sin taxes in New York for ECE?

Are there new sin taxes that can be levied to create dedicated funding for ECE?

5 Corporate & Business Taxes

The fragility of the child care system, which was made evident during the pandemic, has generated increasing willingness from the business community to support child care. Several states have passed different taxes on businesses to pay for ECE.

In 2019, the ***Oregon*** *legislature passed the Fund for Student Success, a form of a gross receipts tax that applies to a variety of corporations, partnerships, and other entities. The tax consists of $250 plus 0.57 percent of the taxable commercial activity that exceeds $1 million in the calendar year. Twenty (20) percent will be allocated to programs serving infants, toddlers, and preschoolers. In 2020-2020 it yielded an estimated $170 million.*[40]

In 2019, ***Washington*** *state enacted a new set of tiered Business & Occupation taxes that apply broadly to selected businesses, with advanced computing businesses paying a higher surcharge. The new tax was estimated to create $370 million between 2019 and 2021. A portion of the revenue generated ($4.241 million) is going to the Department of Children, Youth, and Families to "eliminate the work requirement under the working connections child care program for single parents who are pursuing vocational education full-time at a community, technical, or tribal college."*[41]

New York is one of seven States where localities are permitted to levy corporate income taxes, providing additional opportunities for revenue generation. In 2019, the City Comptroller's office issued a set of recommendations to fund its early childhood plan with a graduated payroll tax that would be levied on the top five percent of firms in New York City, exempting the vast majority of small businesses. The proposal was estimated to generate annual revenue of $626 million.[42]

- **How can New York State and/or its localities consider the benefits ECE offers businesses to generate political willingness to levy a new business or corporate tax?**
- **What is the right vehicle for taxing business in New York?**

Closing

This brief will be used to solicit broader input from providers and community stakeholders as we consider how to design policy and implementation in ways that support the early childhood workforce and New York's families. Together, we need to continue to explore critical questions such as:

- What are the right transition strategies to build the momentum toward change?
- What financing strategies are most feasible in the current environment?
- How do we avoid possible unintended consequences through policy design and implementation?

About Learning Starts At Birth (LSAB)

Bank Street's Learning Starts At Birth (LSAB) initiative focuses on creating the conditions necessary for stronger investment in the ECE workforce. It was established in 2019, with the release of a white paper calling for stronger investment in the birth to three workforce, Investing In the Birth To Three Workforce: A New Vision to Strengthen The Foundation For All Learning. The white paper calls for simultaneously addressing four key recommendations that include: deepening the expertise of educators, increasing their compensation, aligning the policy and systems that define quality care, and generating the public will to make this all possible. Since 2019, LSAB has released numerous publications, tools, and resources to make implementation of this vision a reality. LSAB also works with state, local, and regional partners to advance policies and programs that invest in educators through high-quality professional learning. This includes supporting new and developing apprenticeship programs that aim to provide robust training for early childhood educators and offering programs such as a policy fellowship.

About Day Care Council of New York (DCCNY)

Day Care Council of New York (DCCNY) is the membership organization of early childhood provider organizations in New York City. DCCNY supports its member organizations and New York City's early childhood field at large through policy research and advocacy, labor relations and mediation, professional development and training for early childhood educators, directors and staff, and referral services for parents looking to find child care. DCCNY member organizations provide early care and education at over 200 sites in neighborhoods across all five boroughs.

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