2023

In Brief: Learning from the New Round of PDG B-5 Systems Building Grants

Workforce Compensation

Build Initiative

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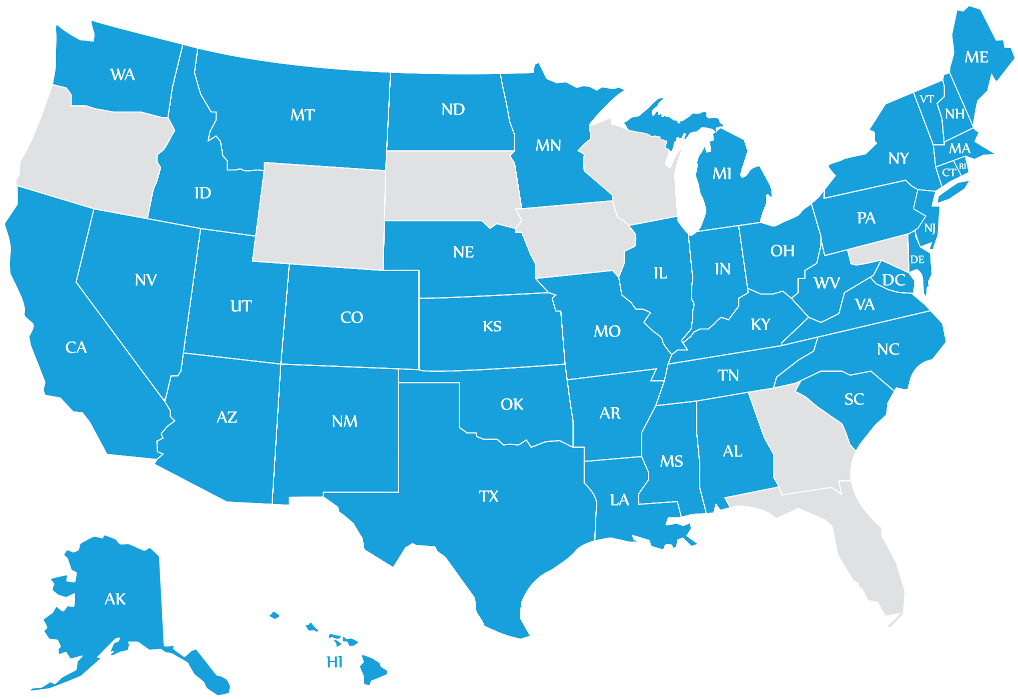
Introduction to *In Brief: Learning from the New Round of PDG B-5 Systems Building Grants*

States and territories are drawing on the Preschool Development Birth through Five Planning (PDG B-5 Planning) or Renewal (PDG B-5 Renewal) Grant to advance their early childhood care and education (ECCE) systems. These states are undertaking a rich and broad variety of work with this infusion of resources. The BUILD Initiative, ZERO TO THREE, and Start Early, all of whom are members of the National TA Collaborative to Maximize Federal Early Childhood Investments, collaborated on these briefs to share critical early childhood issues that states and their partners are addressing by using the information available in the PDG B-5 Renewal applications. These grants not only provide immediate benefits and long-term systems implications for the states and their communities; they also shed light on the state of the field, which we attempt to outline through this set of briefs.

Figure 1. Map of PDG B-5 Planning and Renewal States 2023



PDG B-5 Planning and Renewal Grants are being used by states across a wide range of content areas in the early childhood care and education system, and in a variety of ways. The federal funding provides a systems framework and seeks to offer flexibility within that framework. The federal funding came with overall guidance focused on coordinating the programs and services within the early childhood care and education system. It aimed to help young children enter kindergarten prepared and ready to succeed by targeting support to populations the states deem priorities based on their assessments of need, particularly their new understanding of the impact of COVID on families and communities. The guidance placed significant emphasis on the early childhood care and education workforce and doing what it would take to attract, train, and retain the workforce needed to maintain high-quality and supportive environments that promote child development and can meet families' unique logistical, linguistic, cultural, and financial needs. Within that broad framework, however, states had enormous latitude.

States are using the federal funding to build capacity, create infrastructure, provide direct services, and pilot work that is new for them. This work is occurring within a broad framework provided by the federal government. As the review of the grant applications in this series of briefs will make clear, states chart their own course when it comes to early childhood systems development. States are working in many varied and exciting ways as they use these resources to take action to improve their ECCE systems; they are undertaking many different projects and initiatives and, often, multiple projects under each of the required activities.

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Our review suggests that states seem hesitant to take too long a view for their PDG B-5 plans. There are many possible explanations for this. Perhaps it is because each iteration of the federal PDG B-5 competition has been different, and states do not see PDG B-5 as a stable, continuous funding source. It could also be that state decisions that seem to focus on the shorter term could stem from the need to manage expectations and produce near-term results. There could be a lack of confidence amongst the state and territory grantees that state funding will be available to sustain the work. Or it may be that the broad framework used in the PDG B-5 competition, with so many possibilities identified with each of the required activity areas, detracts from states' ability to have a sharp focus, and leads to many responsive, diffuse strategies. We must ask: Would the children and families who want and need early childhood care and education, the workforce that delivers it every day, and the states be better off if the states understood that they could choose to have a concentrated focus on a few projects rather than on so many?

This series of briefs focuses attention on several topics within the current round of PDG B-5 plans. Not all critical topics or aspects of PDG B-5 plans are covered, such as updates to needs assessment and strategic plans, but we anticipate that other organizations will continue to analyze this rich set of plans and share their analyses. We note, as well, that the briefs are grounded in the plans submitted by the states to the federal government. States may modify their plans, and their grant submissions did not allow for the states to provide in-depth information.

To access the full set of briefs in this series, which are being produced throughout 2023, please visit: https://buildinitiative.org/learningfrompdgb-5systemsbuildinggrants/

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Why Workforce Compensation?

The early childhood education and care (ECCE) workforce helps facilitate positive child development, family financial stability, and the functioning of the economy. But across states, the level of early educator compensation is misaligned with the importance and complexity of the role.

> **The early childhood education and care (ECCE) workforce helps facilitate positive child development, family financial stability, and the functioning of the economy.**

The ECCE workforce largely exists in an environment of low wages and nonexistent benefits.[1] As a result, educator retention is low, forcing providers—already cash-strapped from problematic funding mechanisms—into an expensive cycle of constantly recruiting and onboarding new staff. With neither staff nor extra funds, providers close classrooms and turn away families. Lack of access to child care carries very real financial consequences: One in four parents of children under three has been fired or quit a role because of challenges securing child care, and 41 percent have turned down a new job offer.[2]

These individual struggles roll up to broader challenges for the economy. Nationally, only 65 percent of mothers with young children participate in the labor force, compared with 75 percent of other mothers and more than 90 percent of fathers.[3] Every year, parents, employers, and taxpayers miss out on $122 billion in lost earnings, productivity, and tax revenue because of a lack of child care.[4]

A robust early childhood care and education workforce is at the heart of any solution to stabilize the child care sector, and adequate compensation is pivotal to that end. That reality comes through in the PDG B-5 grant applications; many states demonstrate a keen focus on supporting workforce compensation.

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[1] The compensation challenges that early educators face are well documented. See, for example, Whitebook, M., Phillips, D., and Howes, C. (2014). *Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 years After the National Child Care Staffing Study.* Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/wp-content/uploads/publications/ReportFINAL.pdf; Coffey M. and Khattar R. (2022). *The Child Care Sector Will Continue to Struggle Hiring Staff Unless It Creates Good Jobs.* Center for American Progress. https://www.americanprogress.org/article/the-child-care-sector-will-continue-to-struggle-hiring-staff-unless-it-creates-good-jobs/; Salas Atwell M., Frank G., Hogan, L., and Recio, L. (2022). *Uncertainty Ahead Means Instability Now: Survey of Child Care Providers Shows Why Families, Children, Educators, Businesses, and States need Congress to Fund Child Care.* National Association for the Education of Young Children. https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/november_2022_naeyc_policy_fieldsurvey_final.pdf

[2] Bishop, S. (2023). *$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis.* Ready Nation. https://strongnation.s3.amazonaws.com/documents/1598/05d917e2-9618-4648-a0ee-1b35d17e2a4d.pdf?1674854626&inline;%20filename=%22$122%20Billion:%20The%20Growing,%20Annual%20Cost%20of%20the%20Infant-Toddler%20Child%20Care%20Crisis.pdf%22

[3] U.S. Bureau of Labor Statistics (2022). *Employment Characteristics of Families – 2021.* U.S. Department of Labor. https://www.documentcloud.org/documents/22058121-bureau-of-labor-statistics-employment-characteristics-of-families-2021

[4] Bishop, S. (2023). *$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis.* Ready Nation. https://strongnation.s3.amazonaws.com/documents/1598/05d917e2-9618-4648-a0ee-1b35d17e2a4d.pdf?1674854626&inline;%20filename=%22$122%20Billion:%20The%20Growing,%20Annual%20Cost%20of%20the%20Infant-Toddler%20Child%20Care%20Crisis.pdf%22

Discussion of Compensation Strategies

This brief explores and synthesizes the strategies to increase compensation that states proposed in their PDG B-5 grant applications. In this brief, "compensation" refers to early educators' wages, benefits, and working conditions. States proposed five core areas in which improvements in compensation are the end goal: 1) leveraging salary scales to stabilize workforce compensation, 2) expanding workforce benefits, 3) providing short-term financial relief, 4) using data and analysis to inform compensation efforts, and 5) creating opportunities for community-led solutions. Proposed strategies focused on other goals that can positively impact compensation, such as apprenticeships or higher education scholarships to pay for tuition or books, are classified by their primary purpose—advancing career pathways—and are included in the brief on that that topic. Table 1 provides an overview of the five areas and more than a dozen strategies that are addressed by state plans for PDG B-5 grant funding. Discussion of each of these five areas, with highlights from the strategies being used, is found after the table.

In this brief, "compensation" refers to early educators' wages, benefits, and working conditions. States proposed five core areas in which improvements in compensation are the end goal.

Table 1. Compensation Strategy Overview

COMPENSATION STRATEGY	AK	AL	AZ	AR	CA	CO	CT	DE	HI	ID	IL	IN	KS	KY	LA	ME	MA	MI	MN	MO	MS	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	PA	RI	SC	TN	TX	UT	VA	VT	WA	WV
Salary Scales																																										
Align salary scales with career pathway and credential frameworks		•						•						•			•	•						•													•					
Prioritize salary scales in funding opportunities			•			•		•																				•														
Workforce Benefits																																										
Cover child care costs for staff													•			•						•										•										
Offer student loan forgiveness																															•											
Provide mental health and wellness supports	•			•																				•								•			•							
Explore shared services models to improve access to benefits and working conditions									•								•					•									•	•										
Support improvements in working conditions																•						•		•											•							
Short-term Financial Relief																																										
Focus financial supports on specific segments of the workforce						•			•	•			•							•	•				•									•			•					•
Financially reward education attainment									•	•						•								•							•				•							
Data and Analysis to Inform Compensation Efforts																																										
Implement recommendations from new or existing studies	•		•			•		•	•			•	•		•		•		•							•						•		•			•				•	
Conduct cost of care studies that include adequate compensation for early educators								•	•																																	
Assess the relationship between proposed strategies and compensation								•						•		•																							•			
Community-led Solutions																																										
Capitalize on subgrant flexibility			•					•	•	•												•															•			•		
Foster provider/business community relationships																															•											

Salary Scales

Table 2. Salary Scales

	AL	AZ	CO	DE	KY	MA	MI	NV	NY	TX
Align salary scales with career pathway and credential frameworks	•			•	•	•	•	•		•
Prioritize salary scales in funding opportunities		•	•	•					•	

Salary scales can provide a stable, reliable compensation model that transparently communicates the wages that educators can expect. The exact structure of a salary scale varies depending on the priorities, needs, and context of the entity designing it. A state with dramatic differences in cost of living across regions, for example, might create a scale with higher wages in more expensive geographies. States proposed the following strategies in their PDG B-5 grant applications:

- **Align salary scales with career pathway and credential frameworks-** Seven states (*Alabama, Delaware, Kentucky, Massachusetts, Michigan, Nevada, Texas*) plan to use PDG B-5 funds to align salary scales with career pathways and credential frameworks to clarify the relationship between compensation and education attainment and career trajectory.

  Kentucky will revise the state's early educator career lattice to align more closely with national models and other evidence-based salary scales. The new career lattice will reflect increases in workforce compensation, ultimately working toward a salary scale that keeps pace with professional experience, qualifications, and parity across types of sites. This work advances current efforts to structurally sustain compensation that meets living wage standards and includes occupational reciprocity and professional benefits.

  Massachusetts will create a new credentialing system that maps competency expectations, professional learning supports, and practice-based learning opportunities across roles. At the same time, *Massachusetts* will work with a contractor to develop a salary scale aligned with the credential levels and roles. The salary scale will consider salaries that provide a living wage, incorporate opportunities for increased compensation with professional growth, and examine salaries that are commensurate with public school educators. As a follow up to this work, *Massachusetts* will also conduct an analysis of the funding and policy mechanisms necessary to encourage broad-based adoption of the salary scale.

- **Prioritize salary scales in funding opportunities-** Four states (*Arizona, Colorado, Delaware, New York*) plan to prioritize salary scales in funding opportunities made possible through PDG B-5 grant funds to encourage broader adoption of the salary scale. *Arizona* will pilot a wage enhancement strategy as part of its PDG B-5 Renewal subgrant allocation process. Programs that receive funding through this subgrant will be required to compensate their staff based on the Arizona Early Childhood Salary Scale. Subgrants are focused on increasing access to infant/toddler care in high-needs communities across the state.

  Arizona will also use PDG B-5 grant funds to establish an Early Childhood Educator Apprenticeship Pathway. As with subgrantees in the state, programs that host apprentices must implement the Arizona Early Childhood Salary Scale. *Delaware* will implement a preschool program expansion pilot that leverages yearly contracts to increase the supply of infant/toddler care in high-need areas. To participate in the pilot, programs must use the state-recommended wage scale to guarantee equitable, appropriate staff compensation.

Workforce Benefits

Table 3. Workforce Benefits

	AK	AR	CO	HI	KS	MA	ME	MT	NV	OH	OK	SC
Cover child care costs for staff					•		•	•			•	
Offer student loan forgiveness										•		
Provide mental health and wellness supports	•	•							•		•	•
Explore shared services models to improve access to benefits and working conditions				•		•		•		•	•	
Offset health and retirement benefits costs			•		•							
Support improvements in working conditions							•	•	•			•

Unreliable payment practices, low payment rates, and staff turnover can force early childhood care and education providers to operate financially unsustainable business models. Under those conditions, providers struggle to offer comprehensive compensation packages, including benefits like health insurance or retirement plans. In PDG B-5 grant applications, states proposed strategies that support educators' access to benefits while limiting the financial liability of cash-strapped providers.

- **Cover child care costs for staff-** Four states (*Kansas, Maine, Montana, Oklahoma)* plan to use PDG B-5 funds to cover the cost of child care for early educators. *Maine* will use PDG B-5 funds to cover part of the cost of child care for new child care staff. These funds, called Child Care Scholarships, are reserved for parents who are working in licensed child care programs and who have never previously worked in child care. Additionally, child care staff must not be eligible for child care subsidies. The Child Care Scholarships span 12 months and will cover 75 percent of recipients' child care expenses. The state anticipates funding 30-40 Child Care Scholarships.

  Over the past several years, *Oklahoma* invested American Rescue Plan Act (ARPA) funding in offering child care workers categorical eligibility for child care subsidies. This initiative is scheduled to end by June 30, 2023. Oklahoma intends to use its PDG B-5 funding to extend the categorical eligibility for child care workers in three pilot communities for Year 1 of the grant. As part of this pilot, Oklahoma will also offer telemedicine and teletherapy supports to early educators in pilot communities. The state will evaluate the effectiveness of the Workforce Support Pilot to determine if it will expand to additional communities in Years 2 and 3.

- **Offer student loan forgiveness-** *Ohio* will use the PDG B-5 grant to fund student loan forgiveness for new child care staff. To be eligible for student loan forgiveness, prospective educators must complete a process that begins after high school graduation. After graduation, participants must work at least 20 hours per week in a child care program. During this time, participants must commit to earning their Associate degree and/or Bachelor's degree in a health and human services (HHS) field. Upon completion of their degree, participants must commit to working in an HHS field in Ohio for a minimum number of years depending on their degree attainment: three years (Associate degree) or five years (Bachelor's degree). For this commitment, individuals will receive loan forgiveness up to $2,500 per quarter of employment in loan forgiveness, up to $20,000 total.

- **Provide mental health and wellness supports-** Five states (*Alaska, Arkansas, Nevada, Oklahoma, South Carolina*) will use PDG B-5 funds to facilitate access to the mental health and wellness supports for early educators.

  Arkansas will use PDG B-5 funds to partner with AR ConnectNow, a telehealth-based behavioral health treatment program designed to provide accessible and timely mental health support to the general population. With PDG B-5 funds, *Arkansas* will build on the existing program, focusing specifically on outreach and service delivery to early educators. Through this project, the state will fund a marketing campaign directed towards the ECCE workforce and expand the types of services provided by AR ConnectNow. These services would include support groups for stress management and providing connections to resources for addressing barriers to mental health treatment and concrete needs (e.g., insurance, housing, food).

  Nevada will use PDG B-5 funds to develop a mental health guidebook for early educators, tailored to the needs of educators across different settings. The guidebook will highlight best practices and include specialized modules for directors and leaders in the field to enact wellness supports. Peer-to-peer technical assistance support will be available to providers, sourced from programs already implementing wellness practices. To help providers implement the guidebook strategies, the state will offer 20 Workforce Wellness Grants of $5,000 each, available to providers across the mixed-delivery system that participate in the state's Quality Recognition and Improvement System (QRIS). Wellness grant recipients will be responsible for developing a program mental health plan that includes policies for paid days off and other resources for educators' mental health and well-being. Additionally, *Nevada* will include mental health and wellness quality measures to the state's QRIS coaching supports to provide dedicated, non-child contact time for planning, observation, and reflecting with other staff.

- **Offset health and retirement benefits costs-** Two states (*Colorado, Kansas*) will use PDG B-5 grant funds to help offset costs associated with securing health and retirement benefits for early educators. In *Colorado*, PDG B-5 funding will be used to build on a compensation pilot started in Fall 2022. Through the pilot, center-based child care providers received monetary supplements to increase teacher and assistant teacher salaries. The state will use PDG B-5 funding to expand the pilot, offering providers supplements to cover the cost of employment taxes and retirement contributions that providers make on behalf of their teaching staff.

  Kansas will use its PDG B-5 funding to offset costs directly through early educators. The state will build on the Allen County Child Care Recruitment project, initially funded through a previous PDG B-5 grant. Through this project, full-time early educators that are paying for health insurance out of pocket received insurance rebates. The state will use new PDG B-5 funding to implement a similar project, providing early educators with health insurance stipends to augment their wages.

- **Support improvements in working conditions-** Three states (*Montana, Nevada, South Carolina*) will leverage PDG B-5 funds to support improvements in working conditions for early educators.

  Montana will expand the efforts of Raise Montana Substitute Services (RMSS), an initiative that covers the costs of a substitute's orientation requirement. To date, seven pilot programs have used the substitute service; another 23 programs are signed up to participate. As part of this work, the state strives to add 100 new substitutes to the pool, using PDG B-5 grant funds to support recruitment and marketing, provide sign-on bonuses, and increase substitute wages. *Nevada* is also prioritizing substitute pools: The state will expand the existing Early Child Care Support Network substitute provider program by adding five new positions in both the north and south, maintained over the life of the grant.

South Carolina will focus on supporting educators in taking advantage of current opportunities. *South Carolina* will use PDG B-5 funding to create new websites dedicated to sharing information about compensation and benefits. The websites will provide current resources and links to help early educators learn about and access benefits and compensation initiatives.

- **Explore shared services models as a way to improve access to benefits and working conditions-** Shared services models provide a valuable infrastructure to support early childhood care and education programs, offering a range of resources such as business supports and administrative services. Five states (*Hawaii, Massachusetts, Montana, Ohio, Oklahoma*) are creating opportunities for shared services models to provide benefits for early educators.

  Hawaii will use PDG B-5 funds to build on Ka 'Upena, an existing shared services pilot that provides programs with support managing operational functions. The pilot demonstrated the benefit of a shared services model, helping participating programs secure group benefits and form substitute pools. Hawaii will award a subgrant to fund a shared services program with expanded services and geographic reach.

  As discussed above, *Oklahoma* will use its PDG B-5 funds to provide child care staff in three pilot communities with categorical eligibility for subsidized child care, telemedicine, and teletherapy supports. The state will offer these benefits through the Oklahoma Shared Services hub.

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Short-term Financial Supports

Table 4. Short-term Financial Supports

	CO	HI	ID	KS	ME	MO	MS	NH	NV	OH	RI	SC	TX	WV
Focus financial supports on specific segments of the workforce	•	•	•	•		•	•	•	•		•		•	•
Financially reward educational attainment			•		•				•	•		•		

In the absence of systems-level changes, wage stipends and bonuses can offer educators short-term financial relief. Stipends most often refer to recurring payments, while bonuses are usually one-time awards. Historically, both stipends and bonuses were used to reward or encourage specific achievements, such as completing additional training, education, or credentials. In the wake of the COVID-19 pandemic, however, it became increasingly common for states to use federal relief dollars to fund wages and stipends for early educators more broadly, outside of any education requirements. Among PDG B-5 grantees, stopgap financial supports have shifted back toward rewarding educator behaviors and characteristics that reflect state priorities.

- **Focus financial supports on specific segments of the workforce-** Ten states (*Colorado*, *Hawaii*, *Idaho*, *Kansas*, *Missouri*, *Mississippi*, *Nevada*, *New Hampshire*, *Texas*, *West Virginia*) will use PDG B-5 funding to support key segments of the workforce. *Hawaii* will develop a wage stipend pilot focused on infant/toddler educators in DHS licensed centers and regulated family child care homes as well as those who are enrolled in early childhood college courses. *New Hampshire* will also focus on family child care homes: It will use PDG B-5 funding to create a family child care network and leverage the organization to process stipends for family child care professionals. *Mississippi* will offer subsidy bonuses in areas with large populations of families whose home language is other than English. Providers who serve families in those areas will receive a monthly subsidy bonus for employing a lead teacher or an assistant teacher who is fluent in a child's home language. *Texas* will offer hiring and retention bonuses to Early Childhood Intervention (ECI) therapists, with a preference for those working in rural counties. The state will also offer stipends for ECI providers who mentor interns or new staff.

- **Financially reward educational attainment-** Six states (*Hawaii, Idaho, Maine, Nevada, Ohio, South Carolina*) proposed strategies that use PDG B-5 grant funding to financially reward educational attainment, such as awarding a bonus or stipend to educators for completing a degree or credential.

  Ohio will use PDG B-5 grant funding to expand investments in POWER Ohio, the state's current wage supplement program. POWER Ohio provides financial awards to current educators and administrators who are beginning or continuing progress toward a CDA or Associate degree. Funding will also be available to 50 recipients who continue towards a related ECE BA or MA degree. *Nevada* will use PDG B-5 grant funds to develop and implement a new education-based stipend to those working in licensed child care programs. *Maine* is implementing a tiered salary supplement program for early educators working in child care using state funds and plans to use PDG funds to evaluate the program. (Additionally, *Maine* is using PDG funds to cover costs for students who want to attain their Child Development Associate Credential while they are in the Career and Technical Education programs.)

Data and Analysis to Inform Compensation Efforts

Table 5. Data and Analysis to Inform Compensation Efforts

	AK	AZ	CO	DE	HI	IN	KS	KY	LA	MA	ME	MN	MT	NJ	OK	RI	TX	VA	WA
Implement recommendations from new or existing studies	•	•	•	•	•	•	•		•	•		•	•	•	•	•	•		•
Conduct cost of care studies that include adequate compensation for early educators				•	•														
Assess the relationship between proposed strategies and compensation				•				•	•		•							•	

A robust use of data is built into the foundation of the PDG B-5 grant. Grantees must complete and periodically update a comprehensive, statewide B-5 needs assessment to inform the state's strategic plan and proposed strategies. Further, for each year of the grant, grantees must commit at least five percent of their award to program performance evaluation. In addition to these requirements, investing in data infrastructure and analysis capacity provides grantees with critical information to make future decisions and expand the potential impact of compensation efforts.

- **Implement recommendations from new or existing studies-** States that receive PDG B-5 grants must complete a comprehensive, statewide, B-5 needs assessment - including needs associated with the early childhood workforce - to guide the proposed projects. Sixteen states (*Alaska, Arizona, Colorado, Delaware, Hawaii, Indiana, Kansas, Louisiana, Massachusetts, Minnesota, Montana, New Jersey, Oklahoma, Rhode Island, Texas, Washington*) plan to use PDG B-5 funds to complement the needs assessment, either to implement recommendations from existing studies or to conduct new analyses and use the results to inform future work.

  Indiana will use PDG B-5 funds to analyze and update the Paths to QUALITY rating system to identify and incorporate opportunities to better reflect current understanding of quality practices. In this work, the state plans to incentivize increased workforce compensation.

  In 2019, *Alaska* used past PDG B-5 funding to commission Johns Hopkins University to conduct a study focused on the needs of the early childhood workforce, wages, and compensation models. However, the study was completed right before the pandemic and much has changed since then. Using this round of PDG B-5 funding, the state will convene a committee to review the report's recommendations - which include strategies to support health care, substitute pools, wages and compensation, and transparent pay scales - and determine which strategies will be most effective in the current context. The committee will develop a plan for implementation activities that will occur in Years 2 and 3 of the PDG B-5 grant timeline.

  Some states that received PDG B-5 planning grants will use funding to assess the potential implications of specific compensation strategies. *Colorado* will focus on addressing the "mileage gap" faced by home visitors and other ECCE professionals who travel to provide services. As part of this work, the state's Early Childhood Leadership Commission Home Visiting Investment Task Force will conduct a landscape analysis to better understand the ECCE roles that require travel to provide services to children and families. Using this data, the Task Force will develop recommendations for changes in policies that result in consistent mileage reimbursement practices and rates for home visiting programs. Over time, the study will be expanded to include other ECCE workforce roles such as coaches, mental health consultants, and Early Intervention professionals.

- **Conduct cost of care studies that include adequate compensation for early educators-** Two states (*Delaware, Hawaii*) will use funding to conduct cost of care studies that incorporate assumptions on adequate compensation for early educators. In *Delaware*, the state will use cost-of-quality estimation modeling to determine the true cost of care to support early childhood professionals' wages and apply those findings to the state-funded preschool program expansion pilot (mentioned above). *Hawaii* also plans to conduct a cost estimation study to produce a provider reimbursement rate more closely aligned with the true cost of care to support increases in workforce compensation, particularly for infant/toddler educators.

- **Assess the relationship between proposed strategies and compensation-** Five states *(Delaware, Kentucky, Louisiana, Maine, Virginia)* will use PDG B-5 funding to assess the relationship between proposed strategies and compensation.

  Delaware will assess the effect of two payment structures: (1) subsidy rates between 85-100 percent of the 2021 Market Rate, and (2) a contract-for-seats model with a fixed rate aligned to the state's expectations for quality. The state will evaluate these payment structures with an eye specifically on the respective impacts on staff recruitment and retention, including staff compensation.

  As part of its workforce approach, *Kentucky* will identify the competencies that educators must demonstrate to indicate they have the knowledge and skills necessary to be an effective early educator. To support that goal, the state will simplify its career lattice (as discussed above) and, at the same time, propose an updated salary scale to layer onto the career lattice. Over the course of the project, the state team will invest time and resources to assess sustainability for the compensation model. Additionally, the state will complete a gap analysis of All STARS, its quality recognition and improvement system, to assess the extent to which compensation is linked to quality instructional practices and child outcomes.

Community-led Solutions

Table 6. Community-led Solutions

	AZ	DE	HI	ID	MT	OH	TX	VT
Capitalize on subgrant flexibility	•	•	•	•	•		•	•
Foster provider/business community relationships						•		

Community-led solutions create the opportunity for local families, leaders, practitioners, and community partners to design and execute strategies to improve workforce compensation. This funding mechanism can facilitate new ideas, efficient deployment of resources, and local ownership and buy-in of initiatives.

- **Capitalize on subgrant flexibility-** Subgranting is one of the activities of the PDG B-5 Renewal grant, and one that seven states (*Arizona, Delaware, Hawaii, Idaho, Montana, Texas, Vermont*) have leveraged to encourage community-led strategies to increase early educator compensation.

  In its subgrant approach, *Vermont* will prioritize Workforce Innovations Projects, subgrants that address key barriers to recruiting and retaining the workforce. The state identified five categories of strategies that subgrantees can use as the basis of the Workforce Innovations Projects; increasing wages and compensation (such as supplemental wages, insurance, or other benefits) is one of the five categories of strategies.

  Idaho will use the PDG B-5 Renewal grant to expand a subgrant process initially funded through PDG initial year dollars. In the subgrant design, the state is prioritizing communities that use funding to create locally led Early Learning Collaboratives with the intent of supporting high-quality slots while maintaining or increasing staff compensation. Additionally, the communities receiving subgrants will work with local businesses, school districts, and community partners to create sustainable practices to support young children and families. *Idaho* will use PDG B-5 funds to build out this work moving forward with a goal of supporting 25 local Early Learning Collaboratives statewide.

- **Foster provider/business community relationships-** *Ohio* will use PDG B-5 funds to offer grants for provider/business partnerships. These partnerships will create agreements between private/nonprofit organizations and licensed child care providers to establish an annual investment from the business to support increased staff compensation in exchange for high-quality child care for the firm's employees. The grant amount will be the equivalent of the difference between current staff wages and a goal wage of $17 per hour. In the first year, *Ohio* will cover half of the difference via the grant, with the provider and business covering the other half of the difference.

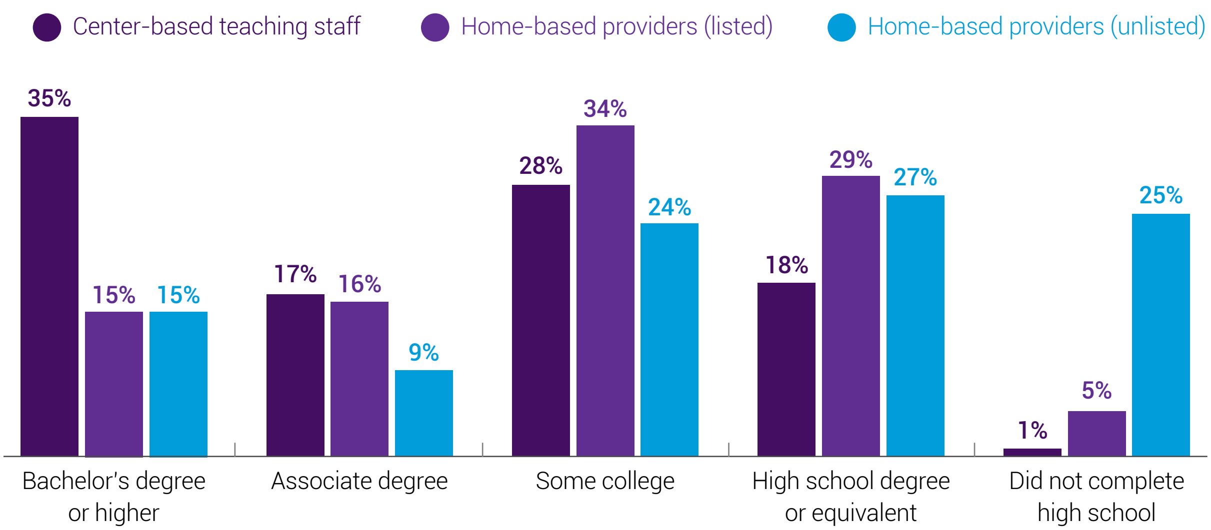
Looking Forward

At the federal level, PDG B-5 grants were not designed to provide the degree of long-term investment necessary to ensure all early educators are appropriately compensated. In response, states largely proposed strategies that can serve as building blocks for future compensation strategies. It is critical, however, that state and federal leaders think about long-term sustainability now as the PDG B-5 grant plans are getting started. State and federal leaders can pursue actions to create the conditions for sustained increases in compensation for the early childhood care and education workforce.

State opportunities. State leaders can strategically pivot to work on strategies that complement current efforts funded through PDG B-5 grants and sustain their potential effects. Specifically, states should work toward goals that were not possible with PDG B-5 funds - goals that require a longer lead time, larger investment, and more complicated conversations.

States connecting educator compensation to education attainment should take steps to create the conditions for educators to be successful as they work toward degree attainment. We know that there is already a high degree of educators with credentials, as show in Figure 2.

Figure 2. Degree Attainment of Early Educators



Source: Whitebook, M., McLean, C., and Austin, L.J.E. (2016). *Early Childhood Workforce Index - 2016*. Berkeley, CA: Center for the Study of Child Care Employment, University of California, Berkeley.

For example, states can explore degree attainment pathways that do not resemble traditional educator preparation programs, which have historically measured progress through seat time. Strategies such as credit for prior learning, project-based learning, job-embedded training, and microcredentials are promising options. Creating articulation agreements between two-year and four-year institutions also eases the burden of degree completion, as do direct supports to educators for education enrollment and completion. In pursuing education attainment, states should also ensure that their strategies are fully accessible and embrace educators from Black, Latine, Asian, and indigenous communities. Examples are found in these materials- *Building the Pipeline for a Successful Early Childhood Workforce in New York*, available at https://www.earlychildhoodny.org/pdfs/Policy%20Brief%20-%20Early%20Childhood%20Institute%20-%20Pipeline%20-%20Teacher%20Preparation%20-%20201708.pdf; *Learning Together, Year 4 Report*

A Study of Six B.A. Completion Cohort Programs in ECE, available at https://cscce.berkeley.edu/publications/report/learning-together-a-study-of-six-b-a-completion-cohort-programs-in-ece-year-4-report/; *Supporting a Diverse, Qualified Early Educator Workforce: Aligning Policy with Research and Realities*, available at https://cscce.berkeley.edu/blog/supporting-a-diverse-qualified-early-educator-workforce-aligning-policy-with-research-and-realities/; and *Creating Equity for and within the Early Childhood Workforce*, available at https://www.childcareservices.org/wp-content/uploads/Policy-Brief-Creating-Equity-for-and-within-the-Early-Childhood-Workforce.pdf.

The brief in this series on career pathways also addresses how these are issues are being addressed within PDG B-5.

> States' long-term plans for compensation reform should include processes that allow for nimble revisions to compensation strategies and create the space—and expectation—for strategies to shift in response to new information.

Additionally, states should prioritize securing sustained access to health benefits for early educators, which requires a cross-agency, cross-industry approach. Early childhood care and education state leaders must work closely with state-level health care leaders, identifying ways to leverage existing opportunities and incorporate early childhood care and education professionals into new opportunities. Similarly, partners within the ECCE sector can align efforts with other low-wage, nonunionized professions, such as caretaking and domestic work, to build a broader coalition of advocates for access to health benefits and to ensure efforts do not duplicate or conflict with each other.

More broadly, states' long-term plans for compensation reform should include processes that allow for nimble revisions to compensation strategies and create the space—and expectation—for strategies to shift in response to new information. Educator roles and expectations, quality standards, state and federal policies, and best practice and research are constantly evolving. When designing compensation strategies, states should consider what future factors might affect the strategy's success, and how effectively they would be able to pivot if necessary.

Federal opportunities. To accomplish any systems-level compensation reform, it is imperative to meaningfully evolve the underlying approach to how early childhood care and education is funded. At the federal level, one way to do so is to highlight opportunities to leverage Child Care and Development Fund (CCDF) dollars to create provider-friendly payment practices.

In July 2023, the Office of Child Care released a Notice of Proposed Rulemaking (NPRM), which includes several proposals designed to support financial stability for child care providers and, in doing so, give them the resources and funding predictability to increase staff compensation. The proposed changes highlight opportunities to pay providers prospectively based on enrollment and at rates that more closely reflect the cost of providing high-quality care. In the NPRM, the importance of the workforce is called out explicitly: "OCC has strongly encouraged Lead Agencies to set payment rates high enough so that child care providers can retain a skilled workforce and deliver higher-quality care to children receiving subsidies and the policies can achieve the equal access standard required by law."

Federal leaders can help support staff compensation via the methodologies states use to calculate provider reimbursement rates, specifically by encouraging states move toward cost-based models. Currently, only three Lead Agencies are formally approved to use alternative methodologies, specifically, some form of cost-estimation model.

The current standard—the market rate survey—creates an environment that disproportionately disadvantages child care providers serving low-income children, allocating fewer resources to these providers regardless of their costs or need. With a market-based methodology, the reimbursement rate is based on the tuition amount that parents in the provider's local market can bear rather than the true cost of providing high-quality care. We have seen repeatedly across the country that market rate surveys perpetuate and exacerbate funding instability for providers. This reality holds true particularly for child care providers serving families with lower incomes: In these areas, families can afford a much lower tuition rate than families in higher income areas.[5] As a result, providers effectively race to the bottom, decreasing tuition rates to maintain enrollment.

Cost estimation models can focus on the cost of providing high-quality care rather than the amount that families can afford. Payment rates calculated using cost estimation models can help stabilize child care providers and contribute to higher staff wages. For a cost estimation model to be effective, high-quality care must be the priority. It is not only about the amount that providers need to "get by"; cost estimation models cannot, for example, reflect costs to meet licensing requirements, minimum quality standards, or passable staff compensation. Instead, cost estimation models should incorporate data on what it costs to maintain a high standard of quality for children and compensate staff at a level that reflects the importance of their role.

There are opportunities to use these required rate setting activities to support increases in workforce compensation. Federal leaders can revise the language of the CCDF plan preprint to more explicitly name the perils of market rate surveys and emphasize the importance of setting rates using cost estimation methodologies.

There are several efforts already in place to encourage states to conduct cost estimation models. The CCDF plan language names cost estimation models as an alternative methodology and encourages them to incorporate staff salaries and benefits in any alternative methodology calculation. The Office of Child Care has also created comprehensive resources to support states in conducting them. Other options to stimulate this work could include creating a fast-track approval process for alternative methodologies based on cost estimation models. Alongside these efforts, federal leaders can encourage states to incorporate adequate compensation into their plan-based narrow cost analysis and any rate setting based on cost estimation models.

[5] The challenges that market-based mechanisms create for providers' financial stability are well-documented. See, for example, Coffey M. (2023). *States Can Improve Child Care Assistance Programs Through Cost Modeling*. Center for American Progress. https://www.americanprogress.org/article/states-can-improve-child-care-assistance-programs-through-cost-modeling/

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