# Virginia Early Childhood Foundation

## The Workforce Finance and Compensation Working Group

August 2018

*Every day, in homes and centers across Virginia, approximately 25,000 adults are paid to care for and educate more than 390,000 children between birth and age five.*[i]

# COMPENSATION AND THE EARLY CHILDHOOD WORKFORCE

## Why Should We Invest in Our Early Childhood Workforce?

Research now clearly demonstrates that high-quality early learning programs lead to positive learning outcomes for children and that teachers play an essential and pivotal role in providing experiences that support development and lay the foundation for ongoing school success. Findings from neuroscience continue to provide new information on the complexity and sophistication of learning that takes place during the earliest years of a child's life — further emphasizing the importance of ensuring that early educators have the specialized knowledge and skills needed to meet the complex learning needs of today's diverse population of young learners.[ii]

## What Is Important to Know About Program Quality, Educator Qualifications, and Compensation?

Growing understanding of the important connections among brain development, school readiness, and quality teaching and learning has been instrumental in driving demands for higher teacher qualifications. Debate continues to evolve among advocates, educators, and policy-makers surrounding the accepted indicators for mastery of needed knowledge and competencies. However, research confirms that high-quality teaching leading to positive outcomes does require specialized knowledge and an ability to address the unique and changing needs and abilities of young children.[iii]

While demands for advanced teacher qualifications and increased quality have grown, levels of compensation have not kept pace. In their joint statement on program quality and teacher compensation, the U.S. Departments of Education (DOE) and Health and Human Services (HHS) stated: "A high-quality early education experience depends on a high-quality workforce of early educators. How we value and support those early educators as a nation — through access to higher education, professional development and commensurate compensation — has direct implications on their ability to do their difficult and important job well."[iv]

**Compensation Parity:** Parity for salary and benefits for equivalent levels of education and experience, adjusted to reflect differences in hours of work in private settings, and including payment for non–child contact hours such

Across all early care and education program types and settings, compensation levels can fall far below what is needed to make a living wage. Even when teachers hold higher education degrees, as they do in many Head Start and preschool programs — both public and private — wages are markedly lower than those earned by teachers who hold similar degrees but work with older children.[v] Within the field, differences in funding sources and program design also contribute to disparate compensation levels for educators working in different settings or with different groups of children.

Early education teachers have historically been among the lowest wage earners in the country — leading to high levels of economic insecurity and teacher turnover as professionals leave the field in search of higher wages and better benefits.[vi] Today, there is growing attention to the need to address these wage gaps and establish greater parity in compensation and benefits through policies and practices that support the workforce. A broad group of stakeholders extending beyond teacher advocates now see compensation parity as critical to delivering the promised returns on investment in high-quality early education.[vii]

To date, much of the work to address compensation parity has been focused on lead teachers in publicly funded Pre-K programs; nationally, more than half of these programs require teachers to hold a bachelor's degree. In spite of these requirements, salaries for Pre-K teachers remain consistently lower than those of their K–12 counterparts — resulting in a disincentive for these teachers to seek higher levels of education or career advancement. On average, a Pre-K teacher with a bachelor's degree or higher can expect to earn about $10,000–$13,000 less per year than colleagues teaching older children, even when working in a public-school setting.[viii]

## The Virginia Context

### What Do We Know About Virginia's Young Children?

We know that the majority of young children live in households where all parents are working and that low-income children are at greatest risk for inequitable educational outcomes, potentially due to lack of access to early learning experiences that would increase school readiness and success.

Among Virginia's 511,000 young children from birth to age four:

- Thirty-seven percent (190,000) are low-income (at 200% or less of the federal poverty level).
- Sixty percent to 70% live in households where all parents are working.
- Thirty-five percent of low-income three- and four-year-olds attend preschool (vs. 55% of higher-income children).
- Twenty-two percent of low-income children fail to attain the PALS-K literacy benchmark (vs.10% of higher-income students).
- Ninety-six percent have health insurance.

## Where Do Virginia's Young Children Spend Their Learning Days?

Approximately 390,000 young children under age five are in some form of out-of-home care or preschool setting — the majority being cared for in informal, family home, or faith-based settings. Across all settings, however, the number of children enrolled or served is far less than the number eligible. Long wait lists for subsidized care[ix], failure to use allotted VPI slots due to difficulty meeting local match requirements or lack of space [x]all contribute to the fact that many more families would take advantage of programs if resources allowed.

## How Are Early Care and Education Programs Funded in Virginia?

We know that early care and education (ECE) in Virginia, as in most states, operates using differing funding sources, making systemic efforts to address funding and finance a challenge.

- Preschool services delivered in public schools and funded entirely through Title 1 with no integration of Virginia Preschool Funds (VPI) operate with the same per-pupil rate as kindergarten.
- State funded preschool delivered through the Virginia Preschool Initiative (VPI) and offered in primarily public schools (with a few examples in community-based settings), has similar cost drivers but is funded based on an assumed per-pupil expenditure (PPE) of $6,326[xi] (through a combination of state share and local match)—roughly half the K–12 PPE.
- Private child care services are supported by parent fees and supplemented for low-income families by federal Child Care and Development Fund (CCDF) subsidy dollars.
- Federal Head Start and Early Head Start programs in Virginia contribute an additional $130M and serve nearly 18,000 children (Including Early Head Start-Child Care Partnerships), with a per-pupil expenditure averaging $7,222.[xii]

Overall, disparate investments result in programs, especially private providers, struggling to make ends meet—impacting wages, quality improvements, and professional development, and potentially leading to program closure and provider shortages.[xiii]

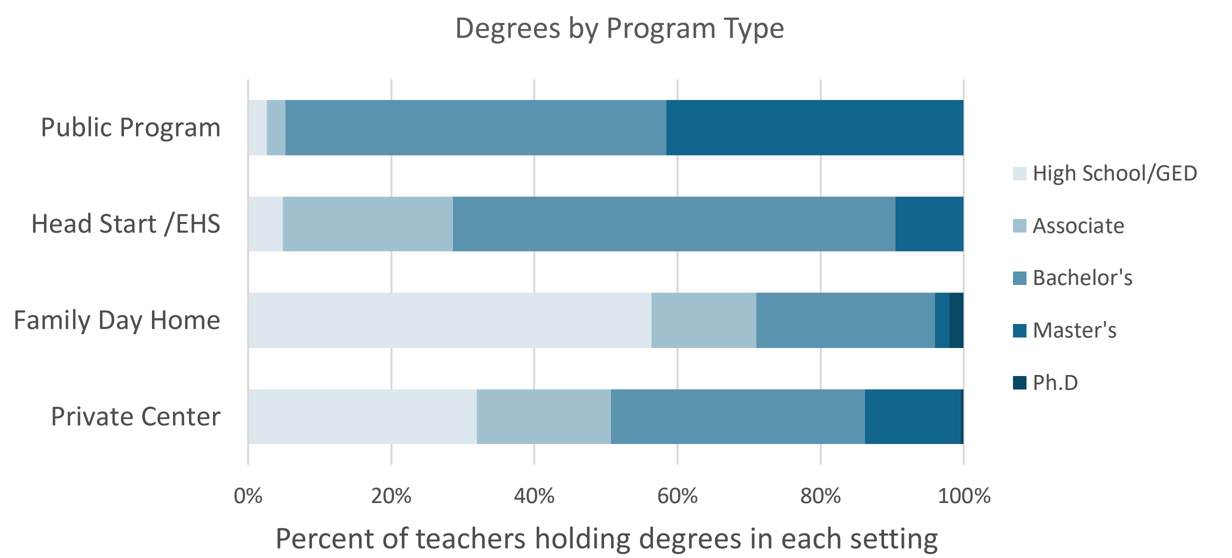
## What Do We Know About Virginia's Early Childhood Workforce?

We know the ECE workforce in Virginia is highly diverse and reflects national demographics:[xiv]

- 25,000 professionals
- 5,000 sites
- Diverse language, cultural, ethnic backgrounds
- Average age: 38
- Majority female: 96%

### What Do We Know About Virginia's Workforce Qualifications?

Teachers in public programs (78%) and in Head Start and Early Head Start programs (73%) are more likely than teachers in private centers (38%) and family day homes (25%) to hold degrees in early childhood education.




Source: VECF Early Childhood Workforce Survey 2017

## What Do We Know About Workforce Compensation in Virginia?

While the average hourly wage reported by Virginia ECE teachers is $14.61, we know there are significant variations in wages depending on program settings, levels of education and credentials held, years of experience, and the region of the state where teachers work.

### AVERAGE HOURLY WAGE BY SETTING[xv]

| | |
|---|---|
| Public school programs | $20.95 |
| Head Start/Early Head Start | $15.00 |
| Private centers | $12.83 |
| Family day homes | $11.67 |

AVERAGE HOURLY WAGE BY REGION

| REGION | FULL-TIME LEAD TEACHER – STARTING | |
|---|---|---|
| | N | Mean |
| Central | 46 | $10.46 |
| Northern | 131 | $14.34 |
| Northern Neck | 26 | $11.37 |
| Southside | 11 | $15.68* |
| Southwest | 18 | $11.03 |
| Tidewater | 87 | $11.05 |
| Valley | 50 | $14.39 |
| Western | 42 | $11.89 |

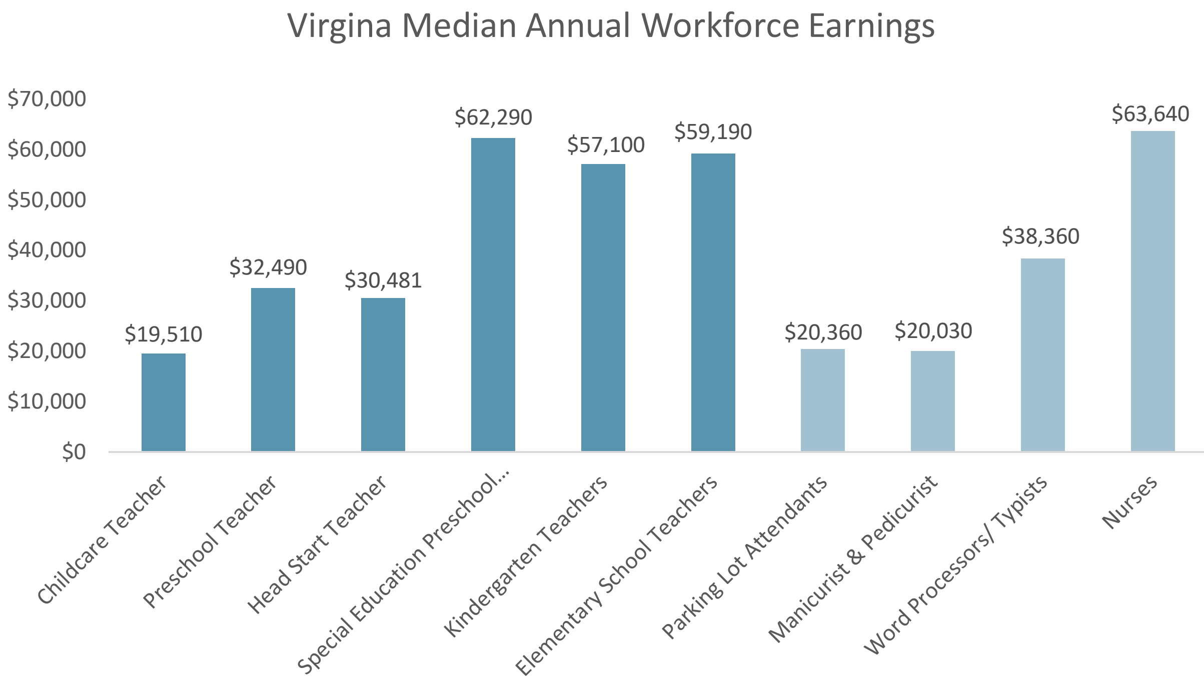
**Given the small number of respondents, this data point is likely an outlier*

Source: VECF Early Childhood Workforce Survey, 2017

To put numbers such as these in perspective, in Virginia, according to the 2017 Early Childhood Workforce Survey,[xvi] the average salary for ECE teachers holding a BA is $15.90 per hour. At that rate, for the teacher to match the salary of the average public school teacher ($56, 861)[xvii] would require working 3,560 hours – roughly the equivalent of a 10-hour day, 365 days of the year.

## Economic Insecurity and Staff Turnover

As is the case across the country, we know that wages for early care and education professionals are among the lowest in the state and that low salaries are the biggest reason professionals leave the field.




Source: U.S. Census Bureau, ACS 1 Year data (2014); U.S. Bureau of Labor Statistics, Occupational Employment Statistics (2015); Head Start Program Information Report (2015)

Turnover is defined as the ratio of teachers who leave a program in a given period to the total number of teachers in the program. High turnover rates, often associated with low levels of compensation, can negatively impact program quality and reduce important continuity of care for young children. A turnover rate higher than 20% is considered to be of concern.[xviii] Findings from the VECF Early Childhood Workforce Survey indicate:

- Forty-one percent of programs reported no staff turnover during the past year.
- Thirty-four percent reported turnover less than 20%.
- Twenty-five percent reported turnover of 20% or more. (This number includes a wide variety of program types and setting. However, turnover rates were disproportionately high among teachers and assistant teachers working in private centers.) [xix]

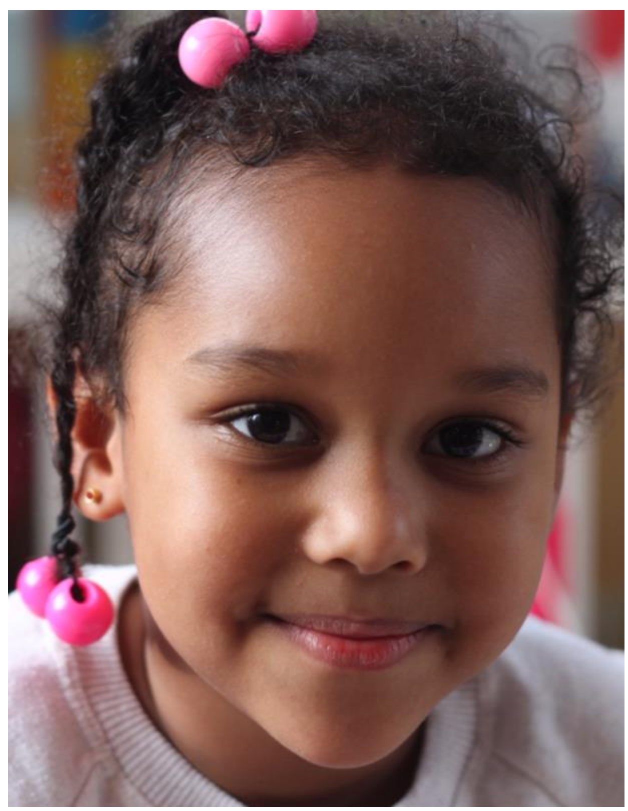
In addition to turnover issues, in many cases, administrators are reporting difficulty in attracting qualified staff and filling vacant positions. Overall, 25% of administrators report difficulty in filling positions. Again, as with turnover rates, there is significant variation across program settings — with only 10% of family day home providers and fewer than 8% of public program administrators reporting difficulty, while more than one-third of private providers and half of Head Start or Early Head Start programs report difficulty filling positions. Variations are likely due in part to the compensation gaps between publicly funded Pre-K programs in public schools and community-based programs. In fact, findings from the Virginia Workforce Survey indicate that 76% of teachers reporting that they were likely to leave the field within three years stated that "better pay" was the motivator.

# THE WORKFORCE FINANCE AND COMPENSATION WORKING GROUP

Virginia is among those states currently engaged in efforts to find solutions to the thorny issue of ECE workforce compensation. Recognizing the importance of compensation as part of a comprehensive system of workforce development, the School Readiness Committee (SRC) in its 2017 report observed that "the issue of low compensation remains a stubborn challenge when attempting to increase the number of practitioners with competencies and skills that research demonstrates support brain development of young children." To address this challenge, the SRC convened a Finance and Compensation working group and charged it to "examine and make recommendations about parity in compensation as related to the relevant early childhood credentials. These recommendations should consider regional differences inside Virginia as well as promising strategies underway in other states and communities." Members of the working group represent a diversity of expertise and perspectives and include school and early care and education administrators, funders, advocates, and representatives from the business community, banking, and higher education.

The work of the Finance and Compensation group is an integral part of the SRC's broader, high-priority focus on "upskilling" Virginia's early childhood education workforce. As part of that effort, work is ongoing to ensure ECE educators have access to an articulated set of degrees and credentials that are credit-bearing and ideally will be linked to better compensation. These priorities have broad-based cross-sector support in the state. For example, The Virginia Chamber of Commerce has prioritized early childhood education as a cornerstone of its Blueprint 2025 and has recognized the industry as an important driver of economic development. Recommended strategies addressing early childhood financing and workforce compensation include these:

- Protect the early education workforce by ensuring access to affordable, competency-building credentials and exploring strategies that value and retain the talent pool.
- Create an integrated public-private financing model that promotes innovative, flexible, and collaborative approaches to high-quality early childhood services for at-risk children.
- Explore performance-based financing policies that incentivize and sustain high-quality early childhood services as part of Virginia's quality improvement framework.[xx]



## Guiding Principles

To inform the work and maintain a focus on the key elements of the issue, the working group developed the following guiding principles:

1. Compensation for the early childhood workforce should include parity -- defined as wages, benefits, and work hours equal to those of counterparts in regionally comparable public systems that reflect clear and consistent salary scales.
2. In order to positively impact recruitment, retention, and commitment to the early learning field, compensation parity must be addressed through durable and expandable public investments.
3. To maintain the benefits of an early childhood workforce that is racially and ethnically reflective of the children it serves, compensation parity should be addressed to relieve the economic insecurities caused by low wages and lack of benefits for the workforce.

## The Process

Throughout the process, the working group considered both policy strategies and funding mechanisms that could be leveraged to address compensation. The development of recommendations focused on a review of the local early learning context and workforce, the most current research on compensation parity and early childhood financing, and lessons learned from other states.

## Recommendations of the Finance and Compensation Workgroup

The recommendations for addressing issues of compensation parity for the Virginia early childhood education workforce were based on the following conclusions of the work group:

- Virginia's current financing and compensation structures are insufficient to create a consistent, sustainable supply of high-quality ECE programs and teachers. The private sector is facing thin margins, causing programs to close, low wages that lead to retention problems and a lack of qualified applicants, and little incentive/capacity for quality improvement.
- Virginia's challenges in this area are very similar to those of other states, yet no state has solved this issue.
- Any solutions need to consider Virginia's regional and geographic diversity, as well as the fact that different provider types (e.g., private centers vs. public school Pre-K) have different funding mechanisms, wage structures, and educational requirements for staff.[xxi]
- Long-term solutions to boosting compensation must move beyond a focus on publicly funded programs both by recognizing and reconciling inherent differences in an ECE system composed of both market-driven (private) and entitlement (public) programs, and by finding ways to be responsive to the preferences and priorities of families and to serve all work life/affordability needs.

## Recommendations

The working group engaged in a decision-making process designed to ensure recommendations were compatible with the Virginia context.

<table>
<tr><td colspan="2">Recommendation 1<br>Establish a pilot program to test the impact of an innovative approach to providing reimbursements for subsidized care in Virginia through the use of subsidy contracts, which reimburse providers based on enrollment as opposed to more fluid attendance rates. The pilot would engage selected providers currently receiving subsidies for eligible children, and increase revenue that would be, in part, directed to support teacher compensation.</td></tr>
<tr><td>IMPACT<br><br>Virginia is fortunate to have received increased funding from the federal government for the subsidy program. Allocating 5% of the total 2018–2019 CCDF funds[xxii] would result in result in just over $8 million to pilot the subsidy contracts.<br><br>Assuming an average weekly market rate of $170 (90th percentile) means Virginia's subsidy contract pilot could serve an additional 912 children — representing almost one-quarter of the wait-list identified in the 2017 Joint Legislative Audit and Review Commission Report.</td>
<td>CONSIDERATIONS<br><br>Based on the research of the working group and discussions with Georgia, a state that has successfully implemented the strategy, the following are offered as considerations:<br><br>• Adjust reimbursement rates to reflect regional differences.<br>• Establish minimum enrollment criteria.<br>• Determine additional criteria for participation.<br>• Require increases in teacher compensation.<br>• Build in an evaluation component.</td></tr>
</table>

### RECOMMENDATION 1 — THE DETAILS

Subsidy contracts are agreements made between the state agency administering the Child Care Development Fund (CCDF) and early care and education programs offering subsidized care. States use contracts to purchase slots based on enrollment rather than fluctuating attendance rates, often setting standards for minimum enrollment levels for providers to receive the full contract payment. Programs must also meet higher quality standards and in turn, are reimbursed at higher rates, more closely aligned to the true cost of quality care. Contracts provide stable and equitable reimbursements that support continuity of care and create reliable revenue streams, enabling programs to increase salaries or invest in and sustain other quality improvement resources.

While this is a new consideration for Virginia, a number of states are using subsidy contracts as a way to increase access to services for targeted low-income populations, such as children with special needs or children ages 0-2 who are low-income or dual language learners, or for specific geographic areas such as designated child care deserts or areas of concentrated poverty. According to the U.S. Department of Health and Human Services, "contracts can play a role in building the supply and availability of child care, particularly high-quality care, in underserved areas and for special populations in order to expand parental choice."[xxiii]

Subsidy contracts have been called the "next generation" of tiered reimbursements — which incrementally increase subsidy payments based on higher levels of demonstrated program quality. Tiered reimbursement can represent a potential opportunity to leverage quality improvement efforts to increase revenues. However, unless a majority of children in a program are supported through subsidies, the amount of the reimbursement received often does not cover the cost of higher quality for all children enrolled — resulting in a burden on the provider. To ensure quality and continuity, programs need stable sources of funding, such as subsidy contracts, not easily achieved through tiered reimbursements alone.

With the additional $46M in CCDF quality expansion funds allocated to the state and a new baseline reimbursement rate set at the 70th percentile of market rate (a significant increase from the prior 49th percentile[xxiv]) Virginia is well positioned to invest in efforts such as subsidy contracts that will help to significantly boost program quality, increase access to programs for the highest-need children and families, and provide needed revenues that can be directed to address low compensation levels for the ECE workforce. This is an unprecedented opportunity for the state to realize many of the high-priority issues of the School Readiness Committee and the legislature at large. By setting the contract reimbursement rate at the 90th percentile, the state will be a step closer to supporting the true cost of quality care and increasing teacher compensation, and at the same time will address the need in Virginia to serve more children through subsidized care.[xxv]

## CONSIDERATIONS FOR CHILD CARE SUBSIDY CONTRACTS IN VIRGINIA

The Virginia Subsidy Contract Program could be structured initially as a multi-year pilot funding a predetermined number of slots for a selected subset of providers meeting eligibility requirements. Reimbursement rates could be adjusted regionally and set higher than the state's new 70th percentile rate to more closely reflect the true cost of quality care and support quality improvement. Providers could be required to allocate a portion of the revenue to increased staff salaries. An evaluation of the impact on program quality, teacher retention, and increased access to subsidized care could be conducted, with findings used to inform final implementation strategies and statewide rollout.

Careful consideration of provider eligibility and target populations could help structure a pilot that best aligns with the Virginia state context and supports other early care and education policy and programming priorities.

- Eligibility requirements utilized in other state subsidy contract models include requiring programs to be currently accepting subsidies and specifying program size (total enrollment) and current number of subsidized slots offered. In Georgia, for example, eligible providers must serve at least 50 children with a minimum of 10 children receiving subsidies. To create an economy of scale and support parental choice, Georgia providers may utilize up to 50 slots for contracts.
- Many states require programs to meet certain quality

requirements and negotiate reimbursement rates accordingly. Others require that providers be enrolled in the state's Quality Rating and Improvement System (QRIS). Georgia requires providers to have achieved a designated quality level. Indiana, Alabama, and New Mexico align tiered reimbursement attached to the higher levels of quality with contract requirements, and pay providers accordingly. In addition to meeting quality thresholds, Georgia conducted a competitive application process for selecting participating providers.

- Subsidy contracts are being used as a way to increase access and quality for special populations of children or in targeted geographic areas. Design considerations for Virginia could consider the needs of any special populations of children who may currently lack access to care or any areas in the state where access is limited. The Virginia Department of Social Services' recent report from the Child Care in Underserved Areas workgroup could provide useful information on supply and demand and risk factors by region.[xxvi]
- In setting reimbursement rates in the contract model, other states consider provider type and regional difference. Using the 2018 market rate survey, which determines subsidy reimbursement rates, Virginia had wide regional differences as well as variation by setting type.

**VARIATION BY SETTING TYPE**

| | Center-Based Programs | Family-Based Programs |
|---|---|---|
| Current average weekly preschool market rate at 70th percentile | $161 | $133 |
| Current median weekly preschool market rate at 70th percentile | $150 | $125 |
| Current range of weekly preschool market rate at 70th percentile | $95–$425 | $85–$350 |
| Potential average weekly preschool market rate at the 90th percentile in the contract pilot program | $207 | $171 |

Source: Office of Research and Planning, Mike Theis[xxvii]

## HOW COULD SUBSIDY CONTRACTS IMPACT COMPENSATION PARITY?

Increased revenue frees up dollars that providers can allocate for higher salaries and increased benefits. The state could establish guidelines for how revenue will be used to impact quality and compensation. As an example, one stipulation in Georgia's program for participation in contracts providing services to infants and toddlers is increased staff salaries.

## WHAT ARE THE ADVANTAGES OR OPPORTUNITIES FOR VIRGINIA?

Subsidy contracts address other state priorities:

- The Commonwealth of Virginia has placed a high priority on addressing the quality of programs serving children from birth to five years of age and on improving school readiness. In addition, state efforts to increase workforce capacity through new policies and other career advancement strategies are ongoing. Subsidy contracts in other states have had demonstrated success in impacting both of these priorities — by boosting overall program quality and improving the qualifications of teachers through increased capacity to offer competitive salaries and benefits.[xxviii]
- Subsidy contracts align with a recommendation from the 2017 report of Joint Legislative Audit and Review Commission (JLARC) on early childhood quality in Virginia. To incentivize child care quality improvement, the JLARC recommended the creation of a pilot program offering tiered reimbursements — or higher subsidy reimbursements for higher quality.[xxix] The implementation of subsidy grants could build on the JLARC recommendation and would have the added advantage of enabling the state to establish desired quality levels for eligibility, raise reimbursement levels to more accurately provide adequate revenue to stabilize care and reflect actual costs, and leverage contracts as a strategy for addressing compensation by stipulating that a portion of funds be used to increase staff salaries.

### Recommendation 2

Institute a package of workforce investment tax credits for programs and for directors and teachers that are refundable and graduated, tied to quality criteria, and designed to increase compensation.

#### IMPACT

With a starting investment of $5M and using Louisiana's tax credit structure[xxx] as an example:

Programs could file for an average credit of $1,125 per child. Assuming a program has 20 subsidized slots, such a program would receive a $22,500 credit to be used toward quality improvements, including teacher compensation.

For directors and teachers, individuals could file for an average credit of $2,518.75, representing an average 8.54% annual salary increase for teachers earning the state average gross income of $29,512.20 (Calculated using the stare average ECE teacher hourly rate of $14.61).

Assuming the $5M is divided equally between the program credit and director/teacher credit, 2,222 subsidized slots and 992 providers would be eligible for the credit.

#### CONSIDERATIONS

Based on the research of the working group and discussions with Louisiana, the following are offered as considerations:

- Set value of credits for ECE programs and providers that increase based on quality rating and educator skills and competencies.
- Determine annual inflation rates.
- Appoint oversight agency or agencies.
- Establish participation criteria.

## RECOMMENDATION 2 — THE DETAILS

Refundable, graduated tax credits offered to ECE programs and staff are being adopted by a growing number of states to improve low compensation levels and raise the quality of services. Tax credits reduce taxes paid, dollar for dollar. Refundable tax credits can be made available to all wage earners, including taxpayers who may owe no taxes. Graduated ECE tax credits increase incrementally with improved quality levels or educational attainment.

ECE financing strategies that rely on tax credits have several important advantages, including these:

- Tax-credit strategies are part of familiar systems — usually administered by an existing agency, in contrast to most direct funding mechanisms used to support ECE services, which can require additional dollars to administer and monitor new initiatives.
- Tax credits are relatively stable — differing from other funding of social programs in that they do not need to be renewed annually and thus in some cases can provide a more secure funding base than an appropriation for a social program or policy.
- Tax credits are conducive to the use of nontraditional ECE funding streams — allowing states to tap into funding sources that are different from the education and welfare-to-work dollars most often used to support ECE services. (For example, in Louisiana ECE tax credits were proposed as part of the governor's budget for economic development.[xxxi])

ECE tax credits also play a dual role by providing financial incentives for quality improvement and increased access to quality programs, and at the same time supporting an industry that contributes significantly to overall state economic growth and development. In Virginia, for example, it is estimated that the early care and education industry contributes $1.1B in direct revenue and an additional $450M in indirect and induced revenue to the state.[xxxii] Tax credits return a portion of that revenue to the ECE workforce. To that end, tax credits do not represent expenditure; rather they represent a percentage of forgone revenue that the early care and education industry has contributed to the state economy. By linking credits to program quality measures and workforce career advancement, other states, led by Louisiana, have successfully:

- Supported enhanced program quality and expanded the number of programs participating in Quality Rating and Improvement System and achieving higher quality levels
- Increased access to quality care for low-income and at-risk children (receiving CCAP subsidies and/or engaged in the child welfare system)
- Incentivized teachers to strengthen professional credentials

Early learning financing experts support the use of tax credits as an important approach to strengthening ECE systems, improving the quality of ECE, and making high-quality ECE more affordable.

## CONSIDERATIONS FOR EARLY CHILDHOOD EDUCATION TAX CREDITS IN VIRGINIA

In order to be effective for members of the early childhood education workforce, who are among the lowest paid workers in the state, tax credits could be refundable and indexed to inflation. Graduated credit amounts would be set by the state and could be designed to augment, rather than supplant, funding from other public and private sources, including parent fees.

- For providers, the credit could be linked to quality as measured by Virginia Quality (the state's Quality Rating and Improvement System) and the number of enrolled children receiving subsidies. The credit amount would then be calculated by multiplying the number of children receiving subsidies by the state-designated credit amount for that quality level.
- Additional program criteria that address state context and access priorities — such as serving children receiving early intervention and special education services, or providers participating in CACFP, the Child and Adult Care Food Program — could be included in the design.
- For teachers and directors, the credit could be tied to their level of professional development as measured by credential/degree attainment or position on the Virginia Career Pathways,[xxxiii] with the value of the credit increasing at higher levels of attainment. Initial credit amounts could be set by statute and adjusted annually for inflation.

## HOW DO TAX CREDITS IMPACT COMPENSATION PARITY?

For teachers and directors, tax credits directly increase base salaries, in some cases by a substantial percentage. For programs and providers, tax credits represent an annual bonus that can be used to increase salaries, support paid teacher planning time, or provide benefits.

## WHAT ARE THE ADVANTAGES OR OPPORTUNITIES FOR VIRGINIA?

Tax credits tied to credentials provide an incentive for professionals to access education and training that will improve knowledge and skills and increase overall program quality. Tax credits tied to quality levels provide additional revenue to programs to increase quality and hire and retain well-qualified teachers.

Support for the use of early childhood tax credits and other innovative funding strategies to support the ECE workforce already exist within the state. In a January 2018 policy brief, ChildCare Aware Virginia[xxxiv] called on the legislature to review the tax code for ways to implement tax credits as a way to incentivize families to choose quality child care, programs to participate in Virginia's quality rating system, and teachers and directors to seek training and professional development.

<table>
<tr><th colspan="2">**Recommendation 3**<br>Establish a pilot program to test the implementation of a teacher wage supplement model tied to credentialing and career advancement.</th></tr>
<tr><td>**IMPACT**<br><br>Using the WAGE$ National Report[xxxv] indicating an average six-month supplement of $897:<br><br>• A $3M investment would result in 557 teachers receiving a wage supplement every six months for the course of a three-year pilot.</td><td>**CONSIDERATIONS**<br><br>Based on the research of the working group, the following are offered as considerations:<br><br>• Establish application criteria.<br>• Include an evaluation component that can be used to inform ongoing compensation policies.<br>• Create a public/private venture fund similar to that created to support Project Pathfinders, the VECF teacher scholarship program.</td></tr>
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## RECOMMENDATION 3 — THE DETAILS

ECE salary supplements are stipends or awards given to early childhood professionals based on educational attainment and tenure. Supplements can boost education levels of teachers, support increased compensation, and help reduce teacher turnover.

Given historically low wages coupled with increased focus on improving the skills and knowledge of the ECE workforce through additional training and degree attainment, offering graduated wage supplements that increase with higher levels of education provides an ongoing incentive to educators to pursue additional training and/or coursework. It is well documented that many ECE professionals must access public assistance in order to cover basic living expenses. Staff engaged in wage supplement programs report that additional income often helps them pay expenses and continue

pursuing the education they need.[xxxvi]

High staff turnover rates in ECE programs — most often attributed to low compensation — can disrupt children's learning and reduce overall program quality. Wage supplements have had demonstrated success in reducing turnover by providing staff who remain in the same program for a designated period of time with an ongoing opportunity to make career advances that are tied to increased income. Supplements also support providers and families by enabling programs to offer higher-quality care without additional costs to families.

## CONSIDERATIONS FOR SALARY SUPPLEMENTS IN VIRGINIA

The salary supplement program could initially be implemented as a pilot targeting a subset of lead teachers working in publicly funded programs, including Head Start, VPI community-based partners, and licensed home and center-based child care providers offering subsidized child care. The primary consideration for implementing salary supplements is the amount available at each level as teachers make educational advances. In some states, the total amount of supplement funds is set by the state, and the number of awards made each year is based on the total investment. States often stipulate that adjustments in the amount and number of awards given may vary according to budgetary fluctuations. To track progress and inform ongoing program implementation, the pilot could include an evaluation component designed to examine both impact on quality as measured by rates of retention and career advancements as well as to provide some baseline metrics on program costs. Tracking utilization and related costs could help inform decisions at the end of the pilot as to whether a supplement program should be permanently maintained as a separate system or whether to identify strategies to change the base compensation structure.

Supplement amounts would be linked to incremental educational attainment aligned to the VDSS Career Pathways for Early Childhood and Out of School Time Providers or another scale of education attainment as specified by the state or an entity identified by the state. Many states designate awards as temporary for

recipients at lower education levels and require them to raise attainment levels within a two-year period to continue in the program. Supplements are often made permanent for participants at higher education levels. To increase retention, at all levels, states often distribute funds at six-month intervals and require that recipients remain employed in the same program during that time.

Selection criteria could include the following:

- Teachers must be employed in the same program for at least six months.
- Current salary levels must fall below a specified cap (states often set variable cap amounts based on regional salary levels).
- Program must be participating in the Virginia Quality program.

In addition, the state could choose to target teachers working in a subset of programs, such as programs located in underserved areas of the state, programs experiencing high rates of turnover, or programs serving designated special populations, including low-income/children receiving subsidized care, children who are dual language learners, infants and toddlers, and/or children who are receiving early intervention or special education services. Participation could also support career advancement by targeting teachers who are at a certain juncture in their careers, such as those working on associate degrees or those entering +2 programs (which allow students with a two-year degree to seamlessly articulate into a bachelor's degree program at a university) in early care and education. The creation of a public/private venture fund similar to that currently in place to support the Virginia Early Childhood Foundation's Project Pathfinders Scholarship could be explored as a financing consideration.

## HOW DO SALARY SUPPLEMENTS IMPACT COMPENSATION PARITY?

The goals of the pilot would be to increase teacher compensation, reduce high turnover rates, and improve teacher competencies and credentials by tying career advancement to increased wages. This program would begin to drive a broader strategy to systematically support workforce competency and career advancement statewide. Studies from WAGE$, a national ECE salary supplement program that tracked teacher experiences in five states, reported that 77% of participants had received an associate degree or had submitted documentation of completion of additional coursework. Overall turnover rate across the five states was 14% — well below the 20% level associated with negative impacts on quality.[xxxvii] Other WAGE$ studies have found that with an average supplement of $1,000 every six months, 98% of program participants reported the program had helped ease financial stress.[xxxviii]

## WHAT ARE THE ADVANTAGES OR OPPORTUNITIES FOR VIRGINA?

A salary supplement pilot program is in line with state policy priorities for improving ECE workforce competencies and addressing ECE program quality as a means to boost school readiness. Salary supplements are intentionally designed to support teacher retention and decrease high turnover rates that impact continuity of care for children and disrupt learning progress. A pilot program can support Virginia's efforts to incrementally increase workforce capacity by focusing on a select group of providers. Findings from the pilot will inform ongoing state planning and decision-making.

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