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**Testimony of Marlana Wallace, Policy Analyst, DC Fiscal Policy Institute  
At the Public Hearing on “B22-0355 Bolstering Early Growth Investment Amendment Act of 2017” and  
“B22-0203 Infant and Toddler Developmental Health Services Act of 2017”  
DC Council Committee on Education, Committee on Health, and Committee on Finance & Revenue  
September 27, 2017**

Chairpersons Grosso, Gray, and Evans, and members of the Committees on Education, Health and Finance and Revenue thank you for the opportunity to testify today. My name is Marlana Wallace and I am a Policy Analyst at the DC Fiscal Policy Institute. DCFPI promotes budget and policy choices to expand economic opportunity and reduce income inequality in the District of Columbia, through independent research and policy recommendations.

The DC Fiscal Policy Institute is a member of the Birth-to-Three Policy Alliance, which includes DC’s leading children’s policy, advocacy, and service nonprofits. As an Alliance member, we know that investments in young children can have big payoffs, and that they are good for our economy. We also know that the first three years of life are critical for brain development. The resources available to DC families to make the most of this crucial period are shaped by race, place and income.

No single action or initiative can remedy these inequities. To make meaningful change, the District needs a coordinated, well-financed system of support for infants and toddlers that spans early learning, health and family support services. These two bills being considered today would make significant progress to seed key parts of this system.

I am here to thank the Council for championing investments in early childhood development, and to voice my support for multiple provisions of both bills which would greatly strengthen child care for low income children in the District. I would like to focus my testimony today on three core components that both bills share: 1) fully funding the child care subsidy program to cover the true costs of care, 2) raising compensation for early childhood educators, and 3) prioritizing investments in quality care for the children with the greatest needs. I also want to recommend that the Council delay provisions related to supply building and facilities until we have more data to inform them.

We encourage the Council to merge the child care portions into one bill, taking the best ideas from each. We also have a few recommendations for improvements to the legislation that I will discuss today.

**Fully Fund the Child Care Subsidy Program to Cover the True Costs of Care**

Affordable, quality child care improves the life outcomes of children, relieves working parents, and strengthens the economy of the District. To ensure that community-based organizations have the resources to meet the needs of all early learners, the District needs to address insufficient subsidies and the low wages of early childhood educators.

We are grateful to DC Council and OSSE for recent increases to the reimbursement rates for child care providers. Thank you for increasing the rates for providers participating in the Quality Improvement Network (QIN), aligning rates for infants and toddlers, and adding \$4.5 million to the child care subsidy program for fiscal year 2018.

We know that despite these efforts, reimbursements for the care and education of low-income children are still far too low and do not cover the true costs of high-quality care.<sup>1</sup> The funding shortfall for each child served hurts the child care providers who are already struggling to make ends meet, the educators who are earning far less than they deserve, and the low-income families who may be turned away from centers and homes that cannot afford to educate more children with vouchers.<sup>2</sup>

Both bills recognize this problem and that the District has a responsibility to fully fund the early education of low-income infants and toddlers. Both bills take steps to identify and fully fund the true cost of high-quality care. The bills' focus on fully funding the subsidy program is a bold recognition that the city should be investing whatever is needed to support the development of our youngest children. Investing in infants and toddlers builds on our laudable investments in Pre-K for three- and four-year-olds.

DCFPI recommends enacting the following core components of the approach to full funding of subsidized child care reflected in both bills, and we offer a few points of refinement.

- **Capitalize on OSSE's "Modeling the Cost of Care" Study**  
As a first step, the legislation wisely compels the District to determine the full cost of subsidized care within the next year. DCFPI supports the use and modification of the underlying data from OSSE's recent report, "Modeling the Cost of Care," to do so.<sup>3</sup> Using this cost of care model will ensure its sustainability, given that new federal rules require OSSE to update it biannually.
- **Value Transparency: Release Rationales and Daily Rates to the Public**  
DCFPI would like to emphasize the importance of transparency in the cost-of-care modeling process. It is essential that the full cost of care be translated into daily reimbursement rates so that child care directors can understand the concrete impact on their work. Public information on factors behind rate determinations is needed to help policymakers and the public adjust rates and investments, when and where appropriate.
- **Adjust for Cost of Living to Stop the Erosion of This Investment Before It Begins**  
Too often, policymakers and advocates join forces to advance change and make essential investments, only to watch the value of those investments erode over time as they lose ground to inflation. DCFPI strongly supports the provision in the BEGIN Act to automatically adjust rates each year as cost of living rises.
- **Clarify the Factors That OSSE Should Consider When Determining Rates**  
Child care directors who pay their educators according to a minimum salary scale should receive reimbursements that make that possible. Those staffing costs should be built into the reimbursement rates for the providers who do so. Reimbursement rates for child care providers who educate large numbers of children with special needs should reflect those additional costs of care. DCFPI sees value in compelling OSSE to *consider* these and other key factors that the BEGIN Act

lists when differentiating rates for different kinds of providers, but we also recognize that it makes sense to leave the ultimate determination to OSSE.

- **Make a Notable Down-payment Fiscal Year 2019: Invest at Least \$10 Million**

This legislation wisely lays out a path to align child care subsidies with the true cost of providing high-quality early education. But it will likely take beyond the next budget cycle to determine that true cost, and we know there's a problem now. We commend the Council for the progress made to increase subsidized child care for infants and toddlers by \$1.8 million in Fiscal Year 2017, and by \$4.5 million in Fiscal Year 2018. We urge the Council to build on this progress and make a sizable down-payment in Fiscal Year 2019 towards the true cost of care by providing at least a \$10 million increase.

### **Increase Pay & Supports for Early Childhood Teachers to Develop the Professional Workforce DC Needs**

Early childhood educators are among the lowest paid professionals, even though we rely upon them to do critical work— to build the educational foundation for our children and our future workforce. On average, they earn \$29,450 annually or about \$14 an hour, and rarely receive benefits like health care or retirement plans.<sup>4</sup> Inadequate compensation for skills and credentials leads to high turnover in child care centers and homes, putting stress on an already fragile system. Turnover interrupts the continuity of care for a child, which is important for young children to build trusting relationships, secure attachments, and strong bonds over time.

Many DC child care directors want to offer benefits and better salaries to their early childhood education teachers, but simply cannot afford to given the other pressures they face to maintain quality programs. Higher compensation would mean easier recruitment, better retention, improved care, and happier families.

In particular, child care providers serving low- and moderate-income DC families usually do not have the resources needed to support a strong and stable workforce. Improving resources for DC's child care subsidy program can help address this problem. Both bills specifically design a reimbursement rate that would provide enough resources for providers of subsidized care to pay teachers a competitive salary.

DCFPI recommends developing a competitive salary scale for early childhood educators and incorporating the scale into the cost-of-care-modeling for subsidy reimbursement rates, as both bills propose.

- **Teachers Earning Higher Degrees Should See a Return on That Investment in Their Pay**

The District is striving to improve the quality of early care and education. As part of that effort child care directors will be required to have a Bachelor's degree and early childhood educators will be required to have an Associate's degree by 2020. But standards of quality should also incorporate a competitive salary scale. A Bachelor's degree in education yields the lowest return on investment when compared to the median earnings of people with other college degrees.<sup>5</sup> Without deliberate policy strategies to raise compensation and benefits, teachers are likely to leave the field to earn more with a higher degree in other industries. The District needs to secure a qualified, professional workforce to educate the growing number of young children in the District. We need to both support current educators in attaining those credentials, and ensure that their salaries ultimately reflect the investment of time, energy, and money the new regulations demand.

- To Sustain CBOs There Must Be Greater Parity in Pay Across Early Education Sectors**  
 In DC, many centers and homes also face staff turnover or lose quality professionals to the DC Public School system, which can offer Pre-Kindergarten teachers a higher salary as well as benefits plus a nine-month schedule.<sup>6</sup> The salary scale developed to determine the cost of care should include payment for infant and toddler teachers that is commensurate with their qualifications and experience, and in parity with DCPS teachers who have the same qualifications
- Current Teachers Should Be Supported in Their Efforts to Invest in Their Education**  
 The District should continue to expand supports for the current workforce to attain the higher credentials required by the new licensing regulations. DCFPI endorses the allotment of funding for at least two on-site classes for early childhood professionals. We recommend that the Council use the pending study of the impact of new regulations to place those on-site classes where they are most needed. We also recommend that DC Council be mindful of both transportation barriers and language barriers. These classes should be made available to child care professionals who are not fluent in English.
- Fix the Timeline: Ensure the Salary Scale is Released Before Totaling the Full Cost of Care**  
 DCFPI urges the Council to set ambitious and realistic deadlines for the completion of a competitive salary scale, and the calculation of reimbursement rates that reflect the true cost of care. It is important that the salary scale be developed *first*, so that the cost of care model can incorporate it. Currently the BEGIN act requires the publication of the salary scale eight months after the passage of the act, and the publication of the reimbursement rates six months after the passage of this act. In the interest of making these overdue investments as soon as possible, we suggest the Council should not be prescriptive in *how* the salary scale be developed, but rather the objectives it must meet. For example, it is less important to mandate a taskforce as the method, than to ensure that compensation levels are adequate, competitive with DCPS, and well-funded.
- Regularly Evaluate the Adequacy of the Salary Scale**  
 DCFPI supports the provision in the Infant and Toddler bill that child care centers and homes should only receive enhanced reimbursements if they compensate teachers at or above the minimum salary standard. We also recognize that incorporating a minimum salary scale into the cost of care model and standards of quality for providers in the subsidy program will not ensure that all child care providers will have the resources to pay all early educators at that level. For this reason, we agree with the provision of the Infant and Toddler bill that OSSE should update their salary analysis every other year to evaluate the adequacy of compensation, the effects of the salary scale on the industry, and the appropriateness of the associated funding.

### **Prioritize Investments in the Highest Quality Care for the Children with the Greatest Needs**

Providers serving young children from low-income families, communities of color, and those with special needs should have the resources to attract the best teachers and provide the highest quality care. Prioritizing investments in children with the greatest needs is not only morally sound and an equitable approach to policy, it also saves costs over the course of each child's lifetime, and reduces school readiness gaps. The District can save \$6.30 for every \$1 invested in high quality care for low-income infants and toddlers.<sup>7</sup>

- Among the Bills' Components, First Prioritize Funding for the Child Care Subsidy Program**  
 The subsidy program serves children who need high-quality services to be ready to learn in school. Dedicating resources to fully funding subsidies to cover the true cost of quality care and adequate compensation, before addressing supply-building or the needs of higher-income families, represents a sound prioritization of District dollars.
- Consider Neighborhood or Family Poverty in the Cost-of-Care Model**  
 Child care providers operating in low-income neighborhoods or serving large numbers of low-income families may be forced to lower their private-pay prices below the true cost of care to attract families just beyond subsidy eligibility. DCFPI recommends that the BEGIN Act consider a more specific measure of poverty in the cost-of-care model than “Family Circumstances”. Devoting more resources towards providers located in the areas of highest need who are serving the most vulnerable children, will help them meet the same standards of quality elsewhere in the city.
- Striving for Quality for All Early Head Start Eligible Children is a Visionary Goal**  
 DCFPI supports studying the cost of expanding the Quality Improvement Network to ensure that all centers and homes serving early Head Start eligible children are adequately resourced to provide the highest quality, culturally and linguistically competent early care and education for all children, including care for children with developmental delays. DCFPI agrees with the prioritization of any future expansions in Wards 7 & 8 first (2022) and then citywide (2025).

**Delay the Development of Policies to Grow the Supply of Child Care Until They Are Data Informed**

Parents across the District are anxious to secure an affordable, high-quality education for their infants and toddlers. We need to support the growth of child care centers and homes to meet the need. We also need to prioritize targeted investments that increase access for families with the fewest resources to secure early educational opportunities for their children.

DCFPI recommends separating and delaying the child care supply-building portions of both bills so that investments in child care supply can be data-driven, coordinated, and targeted.

- Use Bainum’s Supply and Demand Study to Ground Policies in Solid Data**  
 Both bills recommend studies to determine “priority areas” for child care expansion. We would urge DC Council to use the forthcoming Bainum Family Foundation supply and demand study to guide District investments in supply building.<sup>8</sup> It is important to know where families want care and where it is most needed, before we settle on the appropriate policy solution.
- Consolidate Facilities Improvement Legislation & Align with the Mayor’s Initiative**  
 DCFPI strongly encourages DC Council to consolidate all legislation that has been introduced regarding child care facilities to ensure efficiency and align with the Mayor’s My Child Care DC initiative in Fiscal Year 2018.

- **Connect District Dollars to Clear, Desired Policy Outcomes**

DCFPI believes that if child care providers are receiving help with facilities costs, they ought to participate in the subsidy program, and meet clear policy goals for improving the access or quality of child care in the District.

- **Critically Evaluate Effectiveness of Tax Credits**

DCFPI anticipates that the pending supply and demand study will not only give us data-driven insight into where child care supply-building should be incentivized, it will also critically inform the type of policy we use. We have concerns that the “Child Development Facility Tax Incentive Act of 2017,” in the BEGIN act, as currently structured, may spend District dollars in ways that are not well-targeted to ensure increased access of quality slots. The tax credits may provide the largest gains to landlords and contractors, rather than to child care providers or families. Furthermore, we anticipate implementation difficulties as the Office of Tax and Revenue is not well positioned to monitor the licensing status or quality of child care providers.

- **Continue Exploring How to Coordinate Licensing**

DCFPI would recommend giving more thought as to how to improve agency coordination throughout the licensing process. An additional early childhood office within OSSE seems likely to duplicate efforts, and potentially slow the process for providers.

### **Support the Expansion of Health and Wellness Programs That Connect Families with Needed Resources**

Early childhood health is inseparable from early childhood education. The Infant and Toddler Developmental Health Services Act represents an important effort to invest in early childhood development holistically.

DCFPI fully supports the expansion of evidence-based programs designed to connect families to needed resources and better coordinate referral systems, including both Healthy Steps and Healthy Futures. We suggest DC Council review and integrate the data collection proposed in the legislation, as well as current practices, to avoid duplication. We would also recommend that DC Council consult the Home Visiting Council in the development and completion of a needs assessment to identify the target population, what the needs are, and how best to provide home visiting and other ancillary services in the District.

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<sup>1</sup> DC Fiscal Policy Institute and DC Appleseed, [Solid Footing: Reinforcing the Early Care and Education Economy for Infants and Toddlers](#); OSSE, [Modeling the Cost of Care in the District of Columbia – March 2016](#)

<sup>2</sup> DC Fiscal Policy Institute and DC Appleseed, [Solid Footing](#)

<sup>3</sup> OSSE, [Modeling the Cost of Care in the District of Columbia – March 2016](#)

<sup>4</sup> ChildCare Aware, [“2017 State Child Care Facts in the State of District of Columbia”](#)

<sup>5</sup> Georgetown Center on Education and the Workforce, [“What It Worth? The Economic Value of College Majors”](#)

<sup>6</sup> DCPS, [School Budget Development Guide: School Year 2017 - 2018](#)

<sup>7</sup> Center for the Economics of Human Development, [The Life-cycle Benefits of an Influential Early Childhood Program](#)

<sup>8</sup> Bainum Family Foundation, [Bainum Family Foundation Invests \\$4.5 Million to Boost Supply of High-Quality Early Learning Seats in DC’s Wards 7 and 8](#)