



Early Care+Education **COMPENSATION** + **POLICY** OPTIONS FOR **LOUISIANA**

Prepared for the Louisiana Early Childhood Advisory Committee
by Louise Stoney | August, 2013

WHILE PARENTS ARE A CHILD'S FIRST TEACHER, MANY children spend significant hours in settings outside the home. In Louisiana, 66% of the state's young children from birth to age 5 have all parents in the work force (Kids Count, 2013) and many of these children are enrolled in center- and home-based child care, Prekindergarten or Head Start. Ensuring that these children have opportunities for early learning is essential, especially those most at risk for school failure.

The most important indicator of a high-quality early care and education (ECE) program is the quality of the teachers and caregivers who interact with children every day. In 2007, members of the National Forum on Early Childhood Policy and Programs and the National Scientific Council on the Developing Child conducted an extensive review of early childhood program evaluation coupled with a review of the literature on neuroscience, behavioral and developmental science to determine what ECE elements most predicted positive child outcomes. This review underscored the importance of highly skilled teachers in high-quality ECE (*see box, below*).

PRINCIPAL ELEMENTS of Early Care and Education Quality that Strengthen Child Outcomes

- Highly skilled teachers
- Age-appropriate curricula and stimulating materials in a safe physical setting
- A language rich environment
- Warm, responsive interactions between staff and children
- High and consistent levels of child participation
- Small class sizes and high adult-to-child ratios

Source: A Science-Based Framework for Early Childhood Policy (2007). Center for the Developing Child. Harvard University.

The connection between teaching quality and student achievement in K-12 education has also been consistently demonstrated in multiple research studies and the effect has been found to last over time (Hightower, et al, 2011). However, researchers in both ECE and K-12 are conflicted on the significance of college education as the primary measure of teaching quality and continue to explore, debate and untangle important aspects of effective teaching.

A substantial portion of ECE staff—in Louisiana as well as across the nation—does not have an undergraduate

degree or formal teacher-preparation training. As a result, quite a bit of ECE research has focused on the impact of bachelor's degrees on effective practice. Indeed, several studies found that early childhood educators with a bachelor's degree were more responsive to children and provided more language development and emergent literacy activities than teachers without a bachelor's degree (Ackerman, 2005; Saracho & Spodek, 2007; Whitebook, 2003). However, research has also demonstrated that a bachelor's degree alone is insufficient to ensure teacher quality at the early childhood level. It appears that the presence of a degree *in combination with specialized training relating to classroom practice* is what results in quantifiable teacher-quality improvements (Pianta & Hamre, 2009).

Importantly, some research and evaluation has also found that with targeted training and mentoring less-educated teachers can provide early learning opportunities comparable to those provided by their better-educated counterparts (Layzer, Goodson and Price, 2007).

As debates about the value of a college degree continue, recruiting and retaining qualified teachers remains a significant challenge for most ECE programs. Nationally, the ECE workforce turnover rate is about 33%, four times the attrition rate for K-12 teachers (Hightower, et al, 2011). In Louisiana, according to the State's 2012 Child Care Market Rate Survey, the median turnover rate is about 33% for lead teachers and 50% for assistant teachers. Research from several state studies has underscored that child care centers that experience high rates of teacher turnover not only have lower levels of quality and less favorable teacher-child interactions,

In Louisiana, the median turnover rate is about 33% for lead teachers and 50% for assistant teachers. Child care centers that experience high rates of teacher turnover not only have lower levels of quality and less favorable teacher-child interactions, but children in these programs often have lower levels of language, cognitive and social development.

but children in these programs often have lower levels of language, cognitive and social development (Center on Children, Families and the Law, 2005.) While multiple factors contribute to this high turnover, chief among them is compensation (Cassidy et al, 2011). ECE teachers often earn less than school bus drivers, mail clerks, and parking enforcement workers (Bueno, Darling-Hammond, & Gonzales, 2010).

Clearly, workforce challenges go beyond wages and benefits. Program leadership, working conditions and the quality of professional development also matter a great deal. Hightower et al (2011) report that teachers who have supportive leadership, appropriate assignments and workload, an atmosphere of trust and respect, access to high-quality professional development and enough time to plan and collaborate are more likely to remain in their jobs. They further stress that effective professional development goes beyond a workshop, class or on-line training focused solely on knowledge acquisition, and needs to include learning opportunities that: “are grounded in subject-matter content; involve extensive engagement; build on what teachers already know; engage educators directly; and involve teams of teachers from the same school.”

LOUISIANA ECE STAFF WAGES

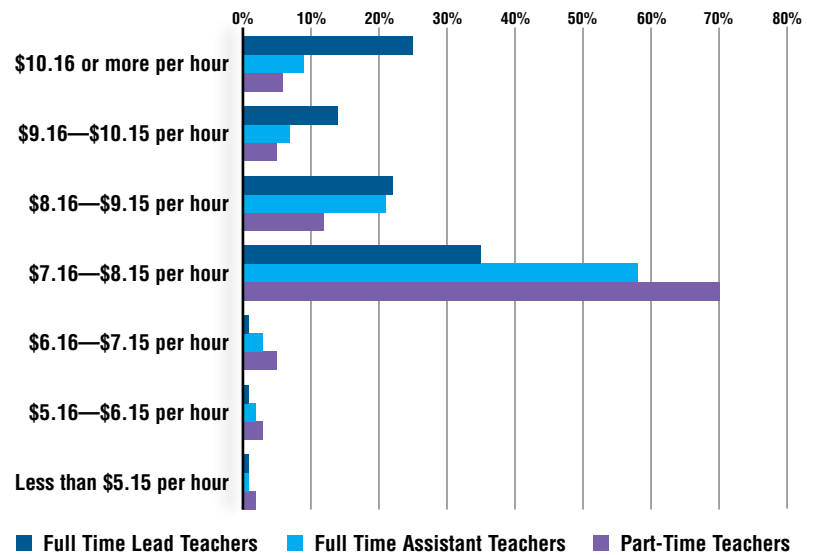
The wages of ECE teachers, assistants, directors and other staff varies widely based on the organization—or system—in which they work. According to the Bureau of Labor Statistics (BLS), a Louisiana Child Care “worker” (the term used for a teacher who works in a market-based child care center) earns, on average, \$8.96 per hour, or \$18,637 per year assuming 40 hours per week and 52 weeks a year—less than the poverty level for a family of

AVERAGE WAGES for Louisiana Early Care and Education Staff

| | RATE PER HOUR | RATE PER YEAR |
|---|----------------|--------------------------------|
| CHILD CARE WORKER | \$8.96 | \$18,637/yr* |
| HEAD START TEACHER | \$15.43 | \$26,745/yr⁺ |
| PUBLIC SCHOOL PREK TEACHER (BA degree, no experience) | | \$38,641/yr |

*Based on 40yr/week, year-round ⁺Based on 40 hr/week, school calendar

REPORTED AVERAGE HOURLY WAGES for Child Care Teachers



Source: 2012 Child Care Market Rate Survey

three¹. Teachers employed by Head Start, on the other hand, earn an average of \$15.43 per hour, or \$26,745 per year assuming 40 hours per week on a 10 month school calendar (Head Start PIR, 2012). In contrast, the average wage for a PreK teacher who works in a Louisiana public school is not even reported on an hourly basis. Teachers with a Bachelor’s degree and no experience receive, on average, \$38,641 for the ten-month school year.

The 2012 Louisiana Child Care Market Rate Survey reported child care wages by teacher position, which offers more detail than the BLS average child care “worker” wages cited in the previous paragraph. While a larger percentage of Full-Time Lead Teachers received \$10.16 or more per hour, 35% of them earned only \$7.16 - \$8.15 per hour (Care Solutions, 2012.) These wages are comparable to earnings at McDonald’s and Burger King and about half the wages of Animal Control Workers, Quarry Rock Splitters and Slot Machine Supervisors (Bloomberg Businessweek, 2013).

The School Readiness Tax Credit (SRTC) for ECE Directors and Staff

Some child care program directors and teachers are eligible for a refundable State tax credit. Eligibility requires enrollment in the Louisiana Pathways Child Care Career

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Development System and employment in a licensed child care center that participates in Quality Start, the State's Child Care Quality Rating and Improvement System (QRIS). The tax credit is based on the educational level of the staff member and is adjusted annually based on the percentage increase in the Consumer Price Index. The credit amounts for the 2012 tax year ranged from \$1,573 to \$3,146 (see table below).

While the SRTC for teachers and directors is still too small to fill the wage gap, it nevertheless makes a helpful contribution to the compensation of ECE staff. In interviews conducted as part of this inquiry, the SRTC for teachers and directors was frequently mentioned as an important incentive for staff to obtain higher education. Consider, for example, a classroom teacher in a child care center who earns the average wage reported above—\$8.96 per hour, or \$18,640 for a full-time, year round job. If this teacher had a BA degree (qualifications comparable to that of a public school PreK teacher, and Level IV of the Career Pathway) she could expect a refundable tax credit of \$3,146, increasing her annual wage to approximately \$21,786. Clearly, this increase is modest—in this case about \$1.51 per hour—however it is an important step in the right direction and an important incentive for staff in child care centers to work toward attaining a college degree.

Since 2008, when the SRTC was first implemented, participation in the Louisiana Career Pathways has

PARTICIPATION in Louisiana Career Pathways | 2008-2012

| Directors and Teachers | # IN CATEGORY | # IN CATEGORY | # IN CATEGORY | # IN CATEGORY | # IN CATEGORY |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Levels | 2008 | 2009 | 2010 | 2011 | 2012 |
| Director I | 58 | 84 | 109 | 126 | 125 |
| Director II | 69 | 131 | 167 | 170 | 181 |
| Director III | 44 | 160 | 249 | 349 | 412 |
| Director IV | 6 | 7 | 11 | 13 | 15 |
| Teacher I | 905 | 1405 | 1855 | 2494 | 2850 |
| Teacher II | 47 | 135 | 221 | 331 | 425 |
| Teacher III | 107 | 396 | 554 | 682 | 779 |
| Teacher IV | 1 | 4 | 8 | 10 | 15 |
| Child Care Master Teacher | 10 | 29 | 38 | 48 | 62 |
| TOTAL | 1237 | 2351 | 3212 | 4223 | 4864 |

Source: Data from Louisiana Pathways Child Care Career Development System, Northwestern State University of Louisiana

more than tripled, and the number of staff with higher educational qualifications has increased significantly (see table above). Enrollment in LA Pathways is a Quality Start requirement, and staff qualifications increase at higher star levels. Pathways also provides center directors with a report that shows the educational attainment/Pathways level of each staff member and verifies the individual child care staff Pathways level for use in claiming the state tax credit.

VALUE of School Readiness Tax Credits | 2012 Tax Year

| CAREER PATHWAYS LEVELS | SRTC LEVEL |
|--|----------------|
| Director I (CDA or 30 hrs admin training or AA + 30 hrs in ECE) | \$1,573 |
| Director II (CDA + NAC or 45 hrs admin training or AA in ECE or AA/BA w/courses in ECE) | \$2,097 |
| Director III (Administrator Certificate + CDA or AA/BA w/courses in ECE) | \$2,621 |
| Director IV (Administrator Certificate + MA in ECE) | \$3,146 |
| Child Care Teacher I (CDA or approved EC diploma) | \$1,573 |
| Child Care Teacher II (CDA + 9 CEUs or 2 college courses in ECE or related AA) | \$2,097 |
| Child Care Teacher III (AA in ECE or related AA + 4 ECE courses or BA w/ECE courses) | \$2,621 |
| Child Care Teacher IV (BA in ECE w/3 courses in infants/toddlers or BA + 6 ECE courses including 3 in caring for infants/toddlers) | \$3,146 |

EMPLOYEE BENEFITS

The wage gap between ECE sectors grows even larger when the value of employee benefits is added to the equation. All teachers and paraprofessionals who work in Louisiana public schools receive employer-subsidized health insurance and retirement benefits and, as the table on page 5 demonstrates, the value of these benefits can be as much as 40-50% of their wages.

Neither the Head Start Program Information Report nor the Louisiana Child Care Market Rate Survey included data on employee benefits. Nor was any national data available on the percentage of Head Start or child care employees that receive benefits. Thus, to provide a window into this issue, we conducted a quick survey of Louisiana child care and Head Start directors (see Appendix B for a copy of the survey instrument).

The time and resources to conduct a comprehensive benefits survey was not available. However, with assistance from the Child Care Association of Louisiana, the Head Start Collaboration Office and the Louisiana Partnership for Children and Families, a short online questionnaire was sent to all regulated center-based child care and Head

Start directors across the State for whom email addresses were available. Responses were received from 138 child care and Head Start programs; however two respondents provided no information on employees or benefits and were therefore eliminated, resulting in 136 usable responses. Given that there are currently 1,429 Class A and 343 Class B centers in the state, this represents less than 8% of regulated providers—clearly not a large or representative sample. Thus, the survey results reported above should be viewed as an informative “snapshot” rather than statistically significant research data.

Respondents represented all Quality Start star levels as well as programs that do not participate in Quality Start. Most respondents (65.5%) were at Stars 1 and 2 or were not currently participating in Quality Start. Slightly more than a third of respondents (34.5%) were at Stars 3-5. Data from the Louisiana Department of Children and Family Services indicates that 74% of Quality Start participants are in Stars 1-2 and 26% in Stars 3-5. Thus, programs in the Star 3-5 category are somewhat over-represented in the survey.

Almost all survey respondents were very small child care centers: 120 respondents (88%) reported that they had less than 24 FTE staff (and more than half of this group had fewer than ten staff); ten (7%) reported that they have 25-30 FTE staff; five (3.5%) reported that they have 30-60 FTE staff; and two (1.5%) respondents reported 150 or more FTE staff.

Health Insurance

When the value of health insurance is included in total compensation, the wage gap between ECE sectors expands significantly. The vast majority of child care employers who responded to the survey (76.5%) do not make health insurance available to employees. While a few respondents make health insurance available at the employees’ expense, only 29 respondents (21%) offer some form of employer-supported health insurance.

While it may have been expected that availability of health insurance would correlate with program size, instead it strongly correlated with the extent to which an ECE program was linked to a larger organization. Almost 76% of the centers that reported providing some form of employer-subsidized health insurance also reported that they were linked to a larger, ‘parent’ organization. (See table, at right.)

Responses regarding the amounts employers and employees paid for health insurance were uneven, indicating a very wide range of types of health benefits and amount of employer support offered, and perhaps a lack of clarity about benefits. Fourteen respondents who provide employer-subsidized health insurance did not answer the cost question at all. Responses from others ranged widely. For example, of the four centers where the employer pays 100% of the cost, the costs ranged from \$35 to \$600 per month per employee. For those

VALUE of Louisiana Public School Employee Benefits

| Person | SALARY | RET PLAN | EMPLOYER (ER) RETIREMENT CONTRIBUTION | ER MEDICARE | ER HEALTH | TOTAL | VALUE OF BENEFITS |
|-------------------|----------|----------|---------------------------------------|-------------|------------|-------------|-------------------|
| Teacher | \$38,641 | TRSL | \$10,471.71 | \$560.29 | \$4,898.00 | \$54,571.01 | \$15,930.01 |
| Para-professional | \$27,860 | LSERS | \$8998.78 | \$403.97 | \$4,898.00 | \$42,160.75 | \$14,300.75 |

centers who that pay only a portion of the insurance cost, the employer portion ranged from 25% to 80%, and the total policy cost ranged from \$460 to \$670 per month. Thirty-one respondents indicated that they offer dental insurance and 27 indicated that they offer vision coverage. About half of these centers were affiliated with a ‘parent’ organization.

Implications of the Affordable Care Act

Commencing in 2015, the federal Affordable Care Act (ACA) will require that employers with more than 50 full-time equivalent (FTE) employees offer health insurance to all employees who work more than 120 hours per month (30 hours per week) or pay a fine of between \$2,000 and \$3,000 per employee. The employee portion of premium payment should not exceed 9.5% of employee W-2 income for at least 95% of full-time employees. Businesses who offer insurance and have fewer than 25 full-time equivalent employees will be eligible for tax credits to help offset the cost.

A key portion of the ACA includes premium and cost-sharing assistance for families with incomes below 400% of poverty—which would include much of the ECE workforce. Thus, helping ECE directors and staff understand how to access ACA insurance exchanges, as well as how to apply for financial assistance, will be crucial. However, these employees will still have to pay at least some portion

EMPLOYER-SUBSIDIZED BENEFITS offered by ECE Programs

(responses June 2013 email survey)

| Program Affiliation | OFFER SUBSIDIZED HEALTH INSURANCE | OFFER SUBSIDIZED RETIREMENT PLAN | DO NOT OFFER EMPLOYER-SUBSIDIZED BENEFITS |
|---|-----------------------------------|----------------------------------|---|
| Head Start* | 8 | 7 | 1 |
| School District* | 2 | 2 | 1 (charter school) |
| Religious Organization | 6 | 5 | 2 |
| Local Government | 2 | 2 | 0 |
| College or University | 2 | 1 | 0 |
| YMCA/YWCA | 1 | 1 | 0 |
| Independent, non-affiliated ECE Program | 9 | 10 | 105 |

*One program reported affiliation with both Head Start and a school district

of the cost of insurance. Employees who choose not to be covered at all will be charged a penalty of \$95/yr in 2014 and the penalty will rise to \$395 in 2015.

At present there is significant uncertainty about both the costs and implementation of the ACA. However it is clear that the Act will have serious implications for market-based ECE providers and their employees. It should be noted that all Louisiana employers and residents must comply with ACA even though the State has elected not to participate in the Medicaid expansion provisions.

Retirement Benefits

The low level of availability of retirement benefits further widens the total compensation disparity among ECE sectors. Only 27 survey respondents offer some form of employer-supported retirement plan. Once again, centers affiliated with a parent organization were heavily represented in this group (*see table, page 5, bottom right*). Information on the average value of employer contributions to retirement was either not available or inconclusive.

Summary

As the summary table (*above right*) indicates, when wages and benefits of teachers in market-based child care, Head Start and public PreK are compared, the disparity is glaring. While the School Readiness Tax Credit (SRTC) for teachers and directors boosts market-based child care wages above the poverty level for a family of 3, they are still less than the average wage at Domino's Pizza or Dairy Queen (Bloomberg Businessweek, 2013). And expecting private-sector child care centers to increase wages without government assistance would require a significant increase in the price of child care. In a recent analysis of the impact of raising wages in fast-food restaurants Bloomberg Businessweek concluded that boosting wages in that industry to \$15/hour (comparable to the Head Start wage) would require a 25% increase in menu prices. An increase of that magnitude in child care prices is completely out of the question for nearly all families. Even with these low wages for teachers, the average price of child care in Louisiana currently exceeds the average state college tuition (Child Care Aware, 2012).

ECE COMPENSATION INITIATIVES IN OTHER STATES

In addition to providing information on wages and benefits for all ECE sectors in Louisiana, the Early Childhood Advisory Council asked Alliance for Early Childhood Finance to describe strategies used in other states to address ECE compensation. The Table in Appendix A provides a detailed, state-by-state analysis of these efforts. Seventeen states, including Louisiana, have special initiatives aimed at boosting compensation of ECE staff. These state and

WAGES AND BENEFITS by ECE Sector

| EMPLOYER | WAGES | EMPLOYER-SUBSIDIZED HEALTH INSURANCE | RETIREMENT |
|---------------------------------------|--|--|--|
| Market-based Child Care Center | \$8.96/hour \$21,786/yr working Full-time, 12 months (w/max School Readiness Tax Credits) | Rare, unless affiliated with 'Parent' organization | Rare, unless affiliated with 'Parent' organization |
| Head Start | \$15.43/hour \$26,745/yr working school year | Often, depending on 'Parent' organization | Often, depending on 'Parent' organization |
| Public School PreK | \$38,641/yr working school year (BA degree, no experience) | Yes | Yes |

federal efforts typically link wage increases or bonuses, delivered as grants, to improved qualifications. The Louisiana School Readiness Tax Credit (SRTC) for teachers and directors (*described on page 3*) is similar to most state wage initiatives but because it is linked to the tax system the LA strategy is larger in scope, participation, and sustainability. While still insufficient to fill the wage gap, LA is a model for the nation with regard to ECE compensation initiatives.

ROLE OF REVENUES AND COST RECOVERY IN COMPENSATION STRATEGY

ECE compensation is only partially addressed by targeted wage initiatives. In order for programs to pay higher wages and benefits, they must be able to ensure that revenues cover costs. Levels of ECE wages and benefits in Louisiana are a function of many factors, but three factors are particularly critical: subsidy reimbursement, School Readiness Tax Credits, and enrollment.

Public Subsidy Reimbursement

Tuition—or public subsidy in lieu of tuition—is the primary source of revenue for most ECE programs. And this is where LA lags behind other states. For example, in Mecklenburg County, North Carolina the monthly child care reimbursement rate ceiling² for a 3 year old in a full-time, year-round child care center is \$670, and if the center is at the top tier of the QRIS they may receive as much as \$702 per month. The child's family would pay a portion of that rate ceiling (their co-payment); however, in no case would a family pay more than 10% of their gross monthly income for all children in child care. The State of Maryland, which has focused on strengthening school readiness and has offered many best practices in early care and education policy, is another state that bases parent fees on a percentage of a family's gross monthly income. In Maryland families that receive a child care subsidy pay no more than 13% of their income for all children in care.

In contrast, the Louisiana reimbursement rate ceiling

(referred to as “the daily rate”) for a 3 year old in full-time, year round child care is \$17.50 per day or about \$379 a month, rising to about \$401 a month for a center in the top tier of the QRIS. But in Louisiana the parent co-payment is based on a percentage of the State’s “daily rate” (i.e. the rate ceiling) and is assessed for each child. Unless the child is in foster care, Louisiana parents who receive a child care subsidy must pay between 40% and 60% of the market rate ceiling plus the difference between the rate ceiling and the provider’s actual market price. So in reality, most centers receive from the State only about \$35 to \$55 per week (or \$151.67 to \$238.33 a month) per subsidized child, and parents must pay the difference. In addition, there is a significant gap between the tuition in a high quality center and the rate ceiling established by LA and NC, so families could be charged a second fee equal to the difference between the payment rate ceiling and the actual tuition amount. While the rate ceiling is a challenge in both states, Louisiana’s very high, per-child co-payment policy makes collecting full tuition essentially impossible. How can a parent with take-home pay that barely exceeds \$500 a week pay \$213 per week for child care? The answer is obvious—they can’t.

The tables, at right, illustrate the stark difference in policy across these two states³.

To make matters worse, Louisiana’s child care subsidy absence policy makes it difficult for child care centers to collect the full reimbursement rate. As noted earlier, centers actually receive only \$35-\$55 per week per child from the state, yet this reimbursement is based on verification of attendance each day. If a child is absent for more than two days in a month, the center is not reimbursed for days the child is not in attendance. This means that every time a child has the chicken pox or misses more than two days of school (for any reason) the center loses money. This is in contrast to policies in the public schools or the federal Head Start program, which use an accountability measure based on average attendance across all children in the program. For example, the LA 4 PreK program requires that 90% of enrolled children attend 74% of the calendar month. A policy based on average daily attendance reflects the fact that teachers must show up, and all overhead expenses must be paid, even if every child is not present in every classroom every day.

In short, child development centers that serve children who receive child care subsidies are operating at a significant loss and with unpredictable revenues—a financial challenge that makes it extremely difficult to recruit and retain qualified teachers. The irony is that low-income children, who are often at risk of school failure, should have access to the highest quality early learning programs and the most highly skilled teachers, but current policy promotes the opposite result.

In addition to revising the child care subsidy system to more accurately reflect the cost of providing early

LOUISIANA EXAMPLE: Family of 4

parents earn minimum wage, annual income \$30,160 | New Orleans

| WEEKLY RATES | INFANT | 3-YEAR OLD | TOTAL |
|---|----------|------------|----------|
| Private Tuition | \$150.00 | \$135.00 | \$285.00 |
| Child care subsidy rate ceiling | \$92.50 | \$87.50 | \$180.00 |
| State reimburse to center (co-pay= 40% of rate ceiling) | \$37.00 | \$35.00 | \$72.00 |
| Total cost to parent | \$113.00 | \$100.00 | \$213.00 |
| Parent cost, as % of income | 19.5% | 17.2% | 36.7% |

Note: Private Tuition based on price of higher-quality center in New Orleans

NORTH CAROLINA EXAMPLE: Family of 4

parents earn minimum wage, annual income \$30,160 | Charlotte/Mecklenburg County

| WEEKLY RATES | INFANT | 3-YEAR OLD | TOTAL |
|--|----------|------------|----------|
| Tuition | \$200.00 | \$175.00 | \$375.00 |
| CCAP rate ceiling | \$185.00 | \$168.00 | \$353.00 |
| CCAP reimbursement (rate ceiling less co-pay of \$32/wk per child) | \$153.00 | \$136.00 | \$289.00 |
| Total cost to parent | \$32.00 | \$32.00 | \$64.00 |
| Parent cost, as % of income | 5.5% | 5.5% | 11% |

Note: 24% of NC centers elect to collect an additional parent fee to mitigate the difference between private tuition and the reimbursement rate. In this case, the parent fee would be higher.

care and education, the State could contract with child development centers that serve low-income children in high-need communities. Guaranteeing purchase of a specific number of slots in targeted communities could help to provide some financial stability for these centers, boosting their capacity to attract and retain qualified teachers, and helping to ensure that low-income families with children who are ‘at risk’ of school failure have access to high-quality early learning.

Louisiana School Readiness Tax Credits for Child Care Centers

To encourage market-based child care programs to serve low-income children, and help fill the cost/subsidy gap noted above, Louisiana has also established a refundable tax credit based on the centers’ star level and the number of children they serve who are in the Child Care Assistance Program (CCAP) or are foster children. The credit is available to both for-profit and non-profit centers, and ranges from \$750 per eligible child for a Two Star center, \$1000 per child for Three Star, \$1250 per child for Four Star and \$1,500 per child for a Five Star center. If the child care center in the Louisiana example above had a Four Star rating they could receive an additional \$104

per month per child—which could help fill a significant percentage of the cost gap. The challenge, however, is that the SRTC is only available for children who are currently receiving CCAP—and due to State budget short-falls, the number of children who actually receive CCAP has dropped from a high of 39,381 in SFY 2008-09 to 20,180 in SFY 2012-12—a reduction of almost 50%⁴.

The Impact of Full Enrollment

While child care tuition and subsidy rates significantly impact funding available for teacher compensation, another key factor is full enrollment. Stoney and Mitchell have underscored the key role that full enrollment plays in the financial health of an early childhood program (Mitchell, 2010 and Stoney, 2013). Indeed, cost modeling has demonstrated that full enrollment—every available slot, every day—is often the most important way to strengthen a program’s bottom line. Yet Louisiana ECE policy makes it difficult for high-quality programs to ensure full enrollment. Parents who receive a CCAP subsidy for their child(ren) are allowed to select any legally operating provider and, since parent fees are based on percentage of the price of tuition, there is an incentive for parents to choose the least costly (often lowest quality) care. Additionally, children who receive CCAP subsidy are often authorized for only part-day or part-week services, which means that the child care center must either find

another child whose schedule exactly matches the available days or ‘eat’ the loss. The sad result is that many centers have elected to send staff home when enrollment is down. It is not uncommon for teachers to ‘clock in’ when they arrive, ‘clock out’ when the leave, and receive wages based on the number of hours worked each week as opposed to receiving a set salary. Not surprisingly, finding skilled teachers that are willing to work on an hourly basis, without a guaranteed wage, is a challenge.

Competition from free public school PreK and Head Start is another challenge. Best practice, and state regulation, requires higher staff-to-child ratios for very young children. Labor costs are the largest expense in an ECE budget, making it far more costly to serve infants and toddlers than children ages 3-5. Centers that serve children of all ages are able to make tuition more consistent—even though costs vary widely by age of child—because they can balance the cost of varying ratios across the center as a whole. If, however, customers with children ages 3-5 are drawn away by free services in a site that provides only Prek or Head Start, then market-based child care programs must serve infants and toddlers without the benefit of 3-5 year olds to help balance costs. The result is higher tuition, a larger gap between CCAP reimbursement and costs (which leads to higher co-payments for families), and lower enrollment overall because parents just can’t pay higher fees. ■

Notes

¹ The 2013 poverty guidelines established by the federal Department of Health and Human Services are \$11,490 for a family of 1, \$15,510 for a family of 2, \$19,530 for a family of 3 and \$23,550 for a family of 4. <http://aspe.hhs.gov/poverty/13poverty.cfm#thresholds>

² Federal CCDF rules require states to establish a market rate ceiling—that is, the maximum amount a state will reimburse a provider for child care. The state reimburses providers at a level equal to their private tuition, or the market rate ceiling, whichever is less, minus the parent co-payment.

³ Both Louisiana and North Carolina have “tiered” reimbursement rate ceilings, linked to their QRIS. Thus, a program with a high star-rating would receive slightly higher reimbursement rates than those noted in the example above.

⁴ http://www.dcf.louisiana.gov/assets/docs/searchable/OFS/Statistics/Stats12-13/CCAP/fy1213_CCAP_Totals_F.pdf

Recommendations

ADDRESSING THE COMPENSATION PARITY ISSUE IS FUNDAMENTALLY about helping market-based early childhood education programs (ECE) increase revenue, and then taking steps to ensure that those revenues are used to increase the wages and benefits of more qualified staff.

As noted earlier in this report, the wage gap between school-sponsored ECE and market-based ECE is huge. Closing this gap is probably not a realistic goal. However, meaningful steps toward narrowing the wage gap can be made if LA is willing to craft a multi-faceted strategy to increase revenues and enrollment in market-based ECE and strategically link dollars to quality standards. These factors are all interrelated, requiring carefully planned policy that simultaneously implements multiple policy changes and recognizes that ECE programs that offer services free of charge (e.g. in public schools and Head Start centers) will always drain enrollment and revenue from market-based providers. In short, effective policy will address each component of the ECE system. Included below are some policy recommendations.

1. Continue to support, and work to strengthen, the School Readiness Tax Credits (SRTC) as a financing mechanism for market-based ECE. The SRTC is the most powerful tool Louisiana has to narrow the ECE wage gap. Specific recommendations:
 - Maintain the SRTC tax credit for child care teachers and directors. This is an extremely effective initiative and is a model for the nation.
 - Amend the SRTC tax credit for child care centers to link receipt of tax credit dollars to a child's eligibility for the USDA free and reduced lunch program. This would ensure that the SRTC is aligned with the Child and Adult Care Food Program and the definition of "at risk" as used by the LA Department of Education. (Current policy restricts eligibility for the SRTC to children who participate in the Child Care Assistance Program or who are in foster care.)
 - Expand the SRTC tax credit for businesses to include investments in ECE program quality such as: establishing a Shared Service Alliance focused on collaborative quality improvement among a network of service providers or scholarships for staff professional development.

- Encourage private philanthropy to establish investment initiatives (modeled on the Bridge to Quality Project in New Orleans) that make short-term grants available to help child care centers raise their quality level and become eligible for greater SRTC benefits.
2. Encourage small child care centers to create Shared Service Alliances and/or to affiliate with a larger 'parent' organization that is able to make employee benefits available and affordable for staff. Specific recommendations:
 - Create a start-up grants program for Shared Service Alliances focused on improving program and teacher quality.
 - Support technical assistance focused on helping small ECE providers learn more about Shared Services for the ECE Industry, most especially strategies aimed at strengthening teacher compensation and quality.
 - Fund a statewide technical assistance effort focused on helping ECE providers effectively respond to the Affordable Care Act. This would include support for centers seeking to develop/revise benefit packages, access ACA-related tax credits, and/or help staff find and afford coverage provided by the health insurance exchanges.
3. Revise policies, procedures and rate setting for Louisiana's child care subsidy, the Child Care Assistance Program (CCAP), so that it effectively supports and promotes high-quality services. Specific recommendations:
 - Base the CCAP co-pay on a percentage of the family's income and ensure that the co-payment amount covers all children in the family, rather than a percentage of the price of care for each child.

- ▶ Base child care center reimbursement on enrollment rather than attendance, similar to the way that public schools and Head Start programs are paid.
 - ▶ Consider child development needs—not just parent work hours—when determining eligibility and authorizing subsidy, so that child care centers can be paid for a full-day, year-round slot rather than a specified number of hours/days of care each week.
 - ▶ Raise and re-structure the reimbursement rate ceiling so that it more accurately reflects the cost of delivering services at each level of the State’s QRIS. Use the cost modeling tool as a guide for this analysis.
4. Focus CCAP dollars on high-quality ECE programs. Specific recommendations:
- ▶ Focus on steadily increasing the percentage of CCAP children enrolled in child care centers with at least 3 stars.
 - ▶ Establish a new initiative that awards stable child care contracts for networks of child care centers that have attained at least a 4 Star rating and serve low-income children in high-needs communities.
- ▶ Craft state policy that enables and supports cost-sharing among CCAP, Head Start and PreK via collaborative rate setting and accountability.
 - ▶ Establish a goal that by 2014 all centers that serve children who receive CCAP must participate in QRIS. Over time, raise the minimum requirement by one Star level.
 - ▶ Require that children in the child welfare system be placed in ECE settings that are at least 3 stars. (If a 3 Star center is not available, require that the caseworker document this challenge so that these needs are considered when building capacity.)
5. Acknowledge that full enrollment is a financing strategy, and take steps to ensure that publicly funded programs that offer services free of charge do not drain enrollment from high-quality market-based providers. Specific recommendations:
- ▶ Require the new Pilots to identify all ECE providers in their catchment area, by quality level, and estimate capacity and current enrollment.
 - ▶ Prohibit Pilots from funding new ECE and/or PreK classrooms on school sites if slots are available in existing market-based centers.

Meaningful steps toward narrowing the wage gap can be made if Louisiana is willing to craft a multi-faceted strategy to increase revenues and enrollment in market-based Early Care & Education and strategically link dollars to quality standards.

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Appendix A

COMPENSATION INITIATIVES

For the Early Care and Education Workforce | June 2013

| STATE | DESCRIPTION | ELIGIBILITY | FUNDING SOURCE(S) | CONTACT |
|---|--|---|---|---|
| NORTH CAROLINA, FLORIDA, KANSAS and NEW MEXICO <i>Child Care WAGES® Project</i> | Education-based salary supplements to teachers, directors & family child care providers working with children ages 0-5. NC: Annual awards of \$200- \$6,250. FL: Annual awards of \$200-\$3,000. KS: Annual awards of \$300-\$4,00 NM: rewards of \$300 - \$5,000 | NC: Work least 10 hours per week; earn <\$13-17/hr. (varies among counties); & have formal child care training and/or education beyond high school. FL: Work min. of 10 hrs/wk with children; earn <\$17.50/hr; have formal child care training and/or education beyond high school. KS: work min. of 10 hrs/wk with children 0-5 in licensed child care program; earn <\$14.45/hr; have formal child care training and/or education beyond high school. | NC: Funding collaboration: local Smart Start Partnership & NC Division of Child Development FL: Funding provided by local tax levy dollars in Broward, Miami-Dade, Palm Beach Counties KS: Discretionary grant funding from KS Children's Cabinet. NM: Funding from Brindle Foundation & United Way of Northern NM | Child Care Services Association 1829 East Franklin Street, Building 1000 P.O. Box 901 Chapel Hill, North Carolina 27514 [P] 919.967.3272 [F] 919.967.7683 http://www.childcareservices.org/ps/wage.html |
| ARIZONA <i>First Things First Professional REWARD\$</i> | Rewards educational attainment and continuous employment at ECE setting for ages 0-5. Incentives are offered twice each fiscal year; open to applicants who may have received the incentive previously as well as new applicants. Awards range from \$300 for 6 hr training to \$2,000 for MA in ECE. Average award is \$1,000 | Staff must work in an eligible ECE program for at least one year and have completed up to 9 levels of education or training. Eligible ECE programs are enrolled in (or on wait list for) Quality First (QRIS) or accredited by national organization recognized by the State to equal a 3-5 star rating. | Funding from FCF state tax on tobacco products. Availability varies by local Council; 16 of 31 local Councils choose to fund REWARD\$. | Administered by Valley of the Sun United Way Julie Sater, Program Manager jsater@vsuw.org 602-631-4890 |
| CALIFORNIA <i>CARES PLUS</i> | A program of professional support that provides incentive stipends to eligible early childhood caregivers. Professional development includes CLASS training/support + college degrees. Stipends range from \$300 - \$3,0000 | Participants must work at least 15 hours per week in a center of family child care home for nine consecutive months and compose and implement a Professional Development Plan under the supervision of a CARES Plus Advisor. Participants must complete the CORE requirements (CLASS intro, etc) and can then enroll in Components A, B (if no B.A./B.S.) C (must have B.A./B.S. degree) or D (My Teaching Partner). | Funded by First Five California, which is supported with a cigarette tax levy. | http://www.cfc.ca.gov/help/CARESPPlus.asp |
| GEORGIA <i>INCENTIVES</i> | Salary supplement program rewards ECE practitioners for education and retention. Payments range from \$250 to \$1,250 depending on the level of education attained. Awards range from \$200 for CDA/CPP/NAC to \$1,000 for BA/BS/MS | Practitioners must work at least 25 hrs/wk in center that serves at least 25% subsidized children; earn <\$15/hr; remain employed in the same child care program for 12 consecutive months; and have an approved credential or degree in ECE, child development or child care administration. | Child Care and Development Block Grant (CCDF) | http://dec.al.ga.gov/QualityInitiatives/ScholarshipsAndIncentives.aspx |
| ILLINOIS <i>Great Start</i> | Semi-annual wage supplements (\$150-1,950) to reward ECE practitioners for higher education and retention | Work at least 15hrs/wk in licensed center or family child care home; earn < \$15/hr; employed in same program for at least in one year; | State funds, through Great Start legislation passed in 2004. | http://www.ilgateways.com/es/great-start-wage-supplement-program |

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Appendix A continued

COMPENSATION INITIATIVES

For the Early Care and Education Workforce | June 2013

| STATE | DESCRIPTION | ELIGIBILITY | FUNDING SOURCE(S) | CONTACT |
|--|--|---|--|---|
| LOUISIANA <i>School Readiness Tax Credit for ECE Practitioners</i> | Refundable tax credit for teachers and directors who work in a child care center that participates in Quality Start, the LA QRIS. Annual credits range from \$1,524 to \$3,048, based on qualifications. | Refundable tax credits provided to child care teachers/directors based on their level of education & training. Must enroll in Registry & work for at least six months at a licensed center that participates in Quality Start. | State general funds, jointly administered by the CCDF Lead Agency and the Dept of Revenue | http://www.qrlouisiana.org/child-care-staff/school-readiness-tax-credits |
| MARYLAND <i>Maryland Child Care Credential</i> | Rewards ECE practitioners who go beyond requirements of MD center licensing or FCC registration regulations; bonuses of \$200-1,500 for achieving each of six credential levels through additional education. | Must work in a licensed or regulated ECE program, and agree to continue at this work setting for min. of 1 more year; must complete required training for next applicable credential level. | Maryland State Department of Education. | http://www.marylandpublicschools.org/MSDE/divisions/child_care/credentials/mdcred |
| MINNESOTA <i>R.E.E.T.A.I.N. (Retaining Early Educators Through Attaining Incentives Now)</i> | Grants program promoting retention of well-educated practitioners; grants of \$1,000-\$3,500 depending on level of education | Work for a licensed program at least 30 hrs/wk; at current position for at least one year; hold a CDA, AA or BA degree or higher; willing to commit to staying in same job for one year | MN Dept of Human Services | http://www.childcareawaremn.org/professionals-caregivers/grants-scholarships/retain-bonuses |
| MONTANA <i>Professional Development Incentive Award (PDIA)</i> | Provides incentive for ECE practitioners to pursue education and training. One-time-only bonus of \$250-750, not renewable. | Must work at least 15 hrs/wk in a licensed or registered ECE facility, Head Start, or resource and referral agency, and must pursue approved training. | Best Beginnings program; funded through federal Child Care and Development Fund. | Rhonda Schwenke P.O. Box 822 Choteau, MT 59422 (406) 466-2325 rschwenke@mt.gov |
| OKLAHOMA <i>REWARD Oklahoma</i> | Provides education-based salary supplements to directors, teachers & FCC providers; up to \$2,000 depending on educational level achieved. Must attain more education to move up the scale. | Work at least 30 hrs/wk in OKDHS licensed facility; earn <\$15.50/hr; initially commit to 1 yr & ongoing periods of 6 months in same facility. Directors: Gold or Silver OK Director's Credential; teachers & FCC providers: level 3 or above on Prof Development ladder. Time limit at each level on scale. | OKDHS Oklahoma Child Care Services. Facilities must rate above a 1 star, have a current subsidy contract, and have at least 10% of children receiving subsidies. | https://cecpd.org/en/provider-programs/reward-oklahoma/ |
| PENNSYLVANIA <i>Education and Retention Awards</i> | Annual financial awards to highly qualified directors and/or teaching staff who have attained specialized degrees, credentials, and credit-based professional development. Funds awarded to ECE programs based on QRIS level of employing program & education achieved; range from \$290 with CDA in Star 2 program to \$4,120 with BA in ECE at Star 4 program. | Staff must work for at least 1 yr in center that participates in Keystone STARS and has at least 10% subsidy enrollment; award is pro-rated for part-time staff who work more than 15 hrs/wk Directors must have at least a BA and earn < \$45,000/yr; Teachers/owners must have at least CDA and earn < \$35,000/yr; | PA Dept of Public Welfare, Office of Child Development & Early Learning | PA Key 200 North 3rd Street, 3rd Floor Harrisburg, PA 17101 1-800-284-6031 www.PAKeys.org |

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Appendix A continued

COMPENSATION INITIATIVES

For the Early Care and Education Workforce | June 2013

| STATE | DESCRIPTION | ELIGIBILITY | FUNDING SOURCE(S) | CONTACT |
|---|--|--|---|---|
| UTAH <i>Early Childhood Career Ladder</i> | Program to increase training & reduce turnover of teachers, directors & FCC providers. 10 levels of ladder; each may be received only once. Upon completion of level, receive bonus of \$95-950. | Work at least 20 hrs/wk in licensed program. Centers: same program for 6 months; FCC: licensed or certified provider caring for at least two unrelated children. | Utah Office of Child Care, with funds from Federal Child Care and Development Fund. | http://ccpdi.usu.edu/files/uploads/final%20blue%20book.pdf |
| WASHINGTON <i>Education Awards for Early Care and Education and School-Age Professionals</i> | Financial Awards for Early Care & Education and School-Age professionals who participate in the WA Career Lattice. Awards range from \$150 to \$500 | Must be placed on Career Lattice and either be currently employed, in a training, or have approved college coursework/credential/degree. 1st award is for 'pre-existing' information; 2nd award is for movement up Lattice. | Federal funding from the Race to the Top Early Learning Challenge | http://www.del.wa.gov/publications/PD/docs/Career_Lattice_Placement_Awards.pdf |
| WASHINGTON <i>Early Childhood Education Career and Wage Ladder (Exists in statute but is currently not funded.)</i> | Program to support wage increments on 5-rung ladder range from STARS training to BA degree in ECE. Piloted with 125 centers, 2000; defunded 2003-05; enacted thru state legislation in 2005 | Centers must adopt the Career & Wage Ladder matrix as a floor for wages; enroll at least 10% state-subsidized children; provide at least 12 days paid leave per year. State pays for incremental wage increases based on education; centers pay for wage increments based on job resp. & experience. | State funds through WA Department of Early Learning, and funds from participating centers. Currently serving a very limited number of centers selected at random through a drawing. | http://www.eoionline.org/early_learning/career_and_wage_ladder.htm |
| WISCONSIN <i>R.E.W.A.R.D.™ WISCONSIN Stipend Program</i> | An initiative rewarding ECE practitioners for education and longevity in the field. Current annual stipends range from \$200 to \$900; funding varies each year. | Must have at least a Level 9 credential on Wisconsin's education-based ECE workforce Registry; work at least 20 hrs/wk in certified or licensed child care center or home; at least 3 yrs at current workplace or 6 yrs experience in field; earn > \$16.50/hr; stipend must be renewed annually. | Child Care Section of the Wisconsin Department of Workforce Development, using federal Child Care and Development funds. | http://wisconsinearlychildhood.org/programs/reward/ |

| ECE SCHOLARSHIP INITIATIVES | | | | |
|--|--|--|---|--|
| NC, AL, AZ, CO, DE, DC, FL, IA, ID, IL, IN, IA, KS, MI, MN, MO, NE, NM, NV, OH, PA, RI, SC, TX, WV, WI. <i>T.E.A.C.H.® Early Childhood Project</i> | Scholarships to ECE practitioners to complete course work & increase compensation. All T.E.A.C.H. scholarships require recipients & sponsoring child care programs to share in the cost. Participants receive bonus (\$100-\$700) or raise (4%-5%) at end of contract. | Applicants must work a minimum number of hrs/wk (typically 20-30) in state- regulated ECE program, must have sponsorship of employing program, & must earn <\$14.60/hr; directors/ owners <\$15/hr. Must commit to staying in program or ECE field for 6 mos. to a year. | In addition to funds contributed by recipients & sponsoring child care programs, funding has come from foundations, the United Way, corporations, the federal Child Care and Development Fund and the NC General Assembly. http://www.childcareservices.org/ps/teach.html | T.E.A.C.H. Early Childhood® TA Center P.O. Box 901 Chapel Hill, North Carolina 27514 [P] 919.967.3272 [F] 919.967.7683 http://www.childcareservices.org/ps/teach_pul.html |

This matrix was based on a 2009 Summary from the Center for the Study of Child Care Employment Institute for Research on Labor and Employment University of California at Berkeley.