Bessie Tartt Wilson
Initiative for Children, Inc.

Blueprint for Early Education Compensation Reform

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Acknowledgments

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Bessie Tartt Wilson Initiative for Children

Bessie Tartt Wilson Initiative for Children (BTWIC), a 501c3 non-profit, was founded in 2002 and enhances the lives of children and families through advocacy and early education policy reform initiatives supported by research. BTWIC's mission is to strengthen early education and care for children with the greatest need through research, policy development, communication, and advocacy. BTWIC's work leads to systemic change by focusing on critical policy issues that impact the early education experiences of children from poor and low-income families in Massachusetts.

The 2006 report "Keeping the Promise: A Study of the Massachusetts Child Care Voucher System" led to the following accomplishments:

- Improved continuity of care for children, as voucher certification period was extended from 6 months to 1 year.
- Improved access to care for families with limited English proficiency by ensuring that translated materials and live translation services are available.
- Reduced administrative burdens for families and agencies with the elimination of the requirement to provide the same documentation to multiple state agencies.

It is our motto that "high school graduation begins with high-quality early-care and education," and this is particularly true for children from low-income backgrounds. The Bessie Tartt Wilson Initiative for Children is committed to identifying and implementing strategies that improve young children's chances for success in pre-school and throughout life.

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Introduction

What is Life like as an Early Educator?

You work at a child care center where your day starts at 6:30 am when the first children get dropped off. You hit the ground running. It is a busy day that involves not only meeting the children's basic physical needs, but also helping the children with activities, guiding them through projects and tasks, and teaching educational principles. The center you work at is private and you are grateful because you know you get paid more than your friends at public child care centers. But you still have trouble paying your bills every month and sometimes have to choose between paying your utilities and buying groceries. You are willing to take an additional job, but you simply can't—after working full-time, you attend college for your Associate's degree. Then you have to return home to take care of your three young children. You are just barely surviving and that's what you've been doing for a long time.

Congratulations! Now you've earned your Associate's degree. You get a small raise at work and now make $13.50 an hour. But your small raise makes you ineligible for Food Stamps. Once again, you have to decide between bills and food. You hope that getting your Bachelor's degree in early childhood education will help you make enough to live comfortably.

When asked why you stay in a field that doesn't pay you enough, you say, "I like what I do. It's my calling. I don't babysit, I teach. And I feel like I'm making a difference. I couldn't imagine doing anything else. What I get from teaching young children can't be found anywhere else."

This story comes directly from an early educator in Massachusetts and seems to be the rule, not the exception. An early educator outside of a Massachusetts school system makes, on average, $11.77 per hour. This equals an annual wage of approximately $24,480 for a full-time worker.[1] The cost of living in Massachusetts far outweighs the annual pay for an early educator. In their 2010 report, *Massachusetts Economic Independence Index,* Crittenton Women's Union estimates that it costs a single person $27,084 to survive without government assistance. For a single parent with one preschooler and one school-aged child, it costs $61,618.

Early Childhood Education: A Values Proposition

Advocates have spent years trying to change public opinion of early education from glorified babysitting to a "public good"—a program or system that benefits both those directly involved and the general public. While scientific research is starting to tell the same tale about the benefits of high-quality early education, it remains that the fiscal concerns of spending on early education have not lessened. It is important, therefore, to frame the issue in a way that helps that public understand what is possible through high-quality care for our children.

Short-Term Economic Benefits

- Provides jobs: employs nearly 3 million people nationwide
- Increase revenue from wages and taxes
- Centers purchase goods and services
- Enables employers to attract and retain employees and increase productivity

Leslie J. Calman & Linda Tarr-Whelan, Early Childhood Education for All: A Wise Investment

In the case of early childhood education, although families with children are the ones who pay for this service, the public as a whole benefits because quality education increases the productivity of the workforce and reduces spending on public services. This is supported by economic research conducted in dozens of states over the last 40 years which has demonstrated that "the return on public investment in high quality childhood education is substantial."[2]

In addition to the long-term economic gains, early education provides important short-term benefits to the labor market. As a rapidly growing industry, early education and care employs more than 27,000 men and women in Massachusetts alone.[3] It is an important service that allows parents to work without worry and it contributes to a stable and healthy economy.

"We recommend that Massachusetts develop a vision of universal early education and care that provides equal access to all, financed by a mix of private pay, contracts, vouchers, Head Start, and other means."

Keeping the Promise: A Study of the Massachusetts Child Care Voucher System, The Bessie Tartt Wilson Children's Foundation, 2006.

This quote is from the first report from the Bessie Tartt Wilson Initiative for Children (then the Bessie Tartt Wilson Children's Foundation). While time has marched on and some changes in early education and care are visible, our message has not changed in nearly five years. Massachusetts has yet to implement a system for financing early education and care that provides a livable wage to providers and high-quality care to children.

The Bessie Tartt Wilson Initiative for Children (BTWIC) first became interested in studying compensation for the early education field in 2006 while researching the voucher system. Interaction with those in the field encouraged us to take on the challenge of addressing compensation for early educators. In 2009, further research showed that the majority of early educators earn less than $25,000 and experience professional and personal obstacles attributable to these low wages.

In late 2009, BTWIC began to engage specific individuals to join a Task Force with the goal of formulating realistic, implementable recommendations to positively affect compensation for early childhood educators. Keeping the innovative idea of a public/private partnership in mind, BTWIC selected government officials, child care educators, union members, and business executives to join. Dr. Valora Washington and Anne Mitchell, experts in the early education field, were brought in to facilitate and act as consultants to the Task Force. The Task Force began meeting in January 2010 and worked on this goal for six months.

The Task Force created a list of recommendations that provide a clear plan for Massachusetts to address low compensation, a problem that plagues the early education field. The recommendations set forth in this blueprint are the collective work of the Task Force members. Bessie Tartt Wilson Initiative for Children thanks the members of the Task Force for their participation and hard work, and their commitment to assist in furthering the success of the recommendations.

Recommendations at a Glance

We Recommend…

1

- The development of a career lattice by the end of 2011 that requires increased compensation for career growth and both incremental wage increases and annual bonuses for achieving performance benchmarks and obtaining additional education. The implementation of the career lattice should happen shortly after its development and should require that there are no decreases in base pay to early educators.

2

- The creation of a refundable 15% earned income tax credit for early education providers in the state.

3

- The creation of an early education endowment fund that may provide monetary support for compensation, the career lattice, and supplements the market rate for high quality programs.

4

- The development of a loan forgiveness program for early educators that requires a commitment to the field.

1

The development of a career lattice by the end of 2011 that requires increased compensation for career growth and both incremental wage increases and annual bonuses for achieving performance benchmarks and obtaining additional education. The implementation of the career lattice should happen shortly after its development and should require that there are no decreases in base pay to early educators.

Recommendation One

What is it?

At present time, the early education field is largely underpaid and lacks a system for professional growth. A career lattice, more commonly known as a career ladder, would address this by clearly illustrating potential career paths and by linking educational achievement to upward movement on a job ladder and to increased compensation.

Where has it worked?

- 36 states currently have some form of a career lattice. [4]
- Washington State's Wage and Career Ladder provides hourly wage increases for both educational achievement and increased responsibilities at work.
    - Wage increases of $0.25 are given for every 15 college credits. Child Development Associate (CDA) certificate, Associate's degree, and Bachelor's degree achievement receives a $0.50 raise.[5]
    - A portion is paid through public funding, with employers paying the remainder.
- Maine's Roads Registry and Career Lattice emphasizes the importance of a registry which provides data on the field, access to scholarships, and career counseling and professional training.

How can Massachusetts do it?

- The next step is to re-focus attention on continuing to develop a basic career lattice with the following components:
    - Clearly defined levels with job titles and definitions that match the terms used in the field;
    - Career counseling and support for pursuing higher education;
    - Wage increases for upward movement through the career lattice;
    - Bonuses that are built into the career lattice to serve as an immediate incentive for professional development; and
    - Bonuses for educational achievement that recognize the high costs of pursuing higher education.

The Detailed Plan

A career path, or career ladder, is commonly seen in most industries. It is the "how to" for creating a career within a certain field and for moving into better compensated positions in that field. When a particular field requires a system that is more complex than a simple ladder, it becomes a career lattice, with multiple points of entry for the field and intersecting routes to move through depending on the participant's ultimate career goals. Career lattices have been especially useful in the early education field, which is rife with varied education levels.

In addition to varied education levels, those in the early education and care field have varied levels of English proficiency, and different cultural backgrounds—more so than in other fields. Figures from the Bureau of Labor Statistics show 82% of employed workers in the United States in 2009 are white/Caucasian, compared to 14% Hispanic, 11% black/African American, and 5% Asian.[6] These numbers are a far cry from the early education field, where 24% of early educators in center-based care are multilingual, and 29% of family child care providers speak Spanish to the children in their care throughout the state.[7] In Boston alone, 38.5% of early educators are black/African American, 25.2% are Latino, and nearly 26% are white/Caucasian.[8] BTWIC found that the third largest obstacle to educational achievement is language barriers, with 22% of the early educators interviewed for "The State of the Early Education Workforce" identifying this problem.

Numerous states have addressed the diversity in educational levels and cultural backgrounds through the implementation of career lattices. These lattices have been instrumental in organizing the field and creating the case for higher compensation. Currently, 36 states throughout the country have some form of career ladder or lattice in place. The majority of these connect achievement (upward movement) on the career lattice with bonuses or hourly rate increases. Many rely on a registry system for information. State monies fund the majority, although there are instances of career lattices receiving money from Head Start.

The Maine Model

Maine is one state that has already implemented a career lattice. Called the Maine Roads Registry and Career Lattice, the program is managed by Maine Roads to Quality, the University of Southern Maine: Muskie School of Public Service, and the Early Childhood Division of the Office of Child & Family Services, under the Maine Department of Health & Human Service. The registry is an integral component of Maine's career lattice—the data tracking it

Registries: A Key Piece for a Career Lattice

Registries are especially helpful when implementing a career lattice. They collect and store information on early educators, including past degrees, professional development, and wages. The information registries collect is useful to the state when it comes time to decide on funding for career lattices. Registries also serve to professionalize the field.

The Department of Early Education and Care recognizes the importance of a comprehensive registry system and has recently revamped the existing registry system. The department's Workforce Development System Building Update from June 2007 outlines the benefits of the expanded registry:

"This multi-dimensional database will include data on the size, skills, credentials, competencies, and professional development of the workforce. The Department of Early Education and Care will be able to use this data for strategic planning to design and implement workforce initiatives as well as to report "real-time" status on the current workforce... Educators will be able to use it to track and plan their career paths and to access resources for professional development. Registration will eventually be mandatory and the system will include all those working in programs licensed by the department."

provides informs the career lattice structure. The registry provides a Registry Certificate which is based on experience, training, and education. As an early educator moves up the career lattice, he or she receives updated certificates showing increased credentials. The Registry and Career Lattice also provides career counseling, eligibility for the Maine Roads scholarship, and access to professional development.

The registry tracks past work history, training completed in the past five years and proof of early education credentials. The career lattice has eight levels with level one requiring 6 months experience and 30 training hours, through to level eight, which requires practitioners to have a Doctorate in Early Care and Education, Social Services, or a related field and 2 years experience.[9]

Maine Roads Registry and Career Lattice does not provide monetary incentive to join—in fact, there is a nominal fee of $10 to join the registry. The fee however, has not been found to detract early educators from joining.

The Washington State Model

Washington's Career and Wage Ladder offers wage increases in increments based on academic achievement and time in the field. A teacher's assistant who enters the field with a high school diploma or GED will make $8.75 hourly. By the time she has earned a Bachelor's degree and remained at her job for five years, her hourly rate will be $13.50, excluding any additional raises the center might provide voluntarily.[10]

The Career and Wage Ladder is based on a template created by the Economic Opportunity Institute, which still serves as a major collaborator and advocate for sustained funding. Throughout 1998 and 1999, the Economic Opportunity Institute worked with the Service Employees International Union (SEIU) Local 925 and Child Care Works for Washington, a coalition of advocates, to raise support for the ladder. In addition, the Child Care Guild and the employers' association, a child care workers union and directors union, respectively, also banded together to support the Career and Wage Ladder.

Funding a Career Lattice

Traditionally, career lattices are fully funded through state and federal monies. However, reliance on state and federal funding leaves a program open to the risk of not receiving level funding, or worse, being taken out of the budget entirely in difficult economic times.

Public/Private partnerships to raise funds for a career lattice can provide a safety net for low funding while raising public interest in the early education field.

In 2000, Washington Governor Gary Locke approved $4 million from the Temporary Assistance to Needy Families (TANF) Fund in support of a pilot of the career lattice. In 2001, an additional $8 million was given to continue the pilot through 2003. Washington faced fiscal hardships in 2003, and no funding was put into the Career and Wage Ladder from 2003-2005. In 2005, the ladder was legislated and received $3 million from 2007-2009.[11] Currently the Career and Wage Ladder is funded at approximately $1.5 million annually, through June of FY2011.[12]

The Career and Wage Ladder pilot was originally managed by the Department of Social and Health Services. In 2006, the Department of Early Learning (DEL) was created and it now manages the ladder. Currently 68 centers are using the program, and approximately 150 centers are on a waiting list to join the Career and Wage Ladder.[13] After the three-year pilot period, a full review of the Career and Wage Ladder was conducted. It found:

- All levels of staff in Wage Ladder centers earned higher salaries.
- Newly employed staff tended to stay in the job longer.
- The average education level was higher in centers that participated.
- When compared to centers that were not part of program, significantly more employees in pilot centers worked towards a CDA and took college courses.
- Pilot centers not only offered the required benefits associated with the Wage Ladder, but were more likely to offer additional benefits, such as overtime pay, maternity leave, and release time for training.
- The average perception of burden for center administrators "somewhat less than expected."
- Morale significantly increased in pilot centers and was attributed to the Career and Wage Ladder.
- Pilot centers scored significantly higher in measures of quality of care.

In Washington a child care center is eligible for the program if at least 20% of slots are reserved for subsidized children, 10% of which must be low-income subsidies. Wage increases of $0.25 are given for every 15 college credits, and CDA, Associate degree, and Bachelor degree achievement receives a $0.50 raise.[14] Participating centers are not allowed to roll back current wages.[15] The participating child care center pays wage increments based on experience and the Department of Early Learning pays wage increments for educational achievement. The Department of Early Learning pays a portion of the experience increments if the center serves 25% or more subsidized children. In addition, participating centers are required to provide benefits—both basic health care benefits and leave days for staff. To help with those costs, the Department of Early Learning provides a 15% administrative payment to the centers.[16]

Wages: Washington vs. Massachusetts

Wages in Washington State are lower than Massachusetts, even with the Career and Wage Ladder in place. This is not to say that early educators in Massachusetts are sufficiently paid already. It should be remembered that the cost of living is higher in Massachusetts.

How can Massachusetts do it?

Massachusetts has already begun the process of creating a career lattice; therefore, next steps are to begin to implement the existing plans and proposals that have been in the works since 2008. In July 2008, *Steps Forward* was published—a report that outlines systems that the state needs to improve the early education and care workforce. Created in partnership between the Department of Early Education and Care, United Way of Massachusetts Bay and Merrimack Valley, and the Schott Fellowship in Early Education and Care, this report endorsed the idea of a career lattice in Massachusetts. In May 2008, the Credentialing and Career Lattice Committee, a committee of the Early Education and Care and Out-of-School-Time Workforce Development Task Force, created a basic career lattice for center based care. While the committee acknowledges that further work is needed to expand the career lattice to family child care and out-of-school-time segments of the field, the major components of a career lattice for center based care are already prepared.

In March 2009, the Department released an update of its work, *The Massachusetts Department of Early Education and Care Workforce Development System Building Update*. This report acknowledges that there has not been much forward movement in developing the career lattice and called for a key step for 2009-2010: "Develop a basic career lattice for the early education and out-of-school-time field by convening small workgroups to address each practice domain (family child care, group child care, and school age child care)."[17] It does not appear that this crucial step has occurred yet, however, it is vital to the creation of a career lattice.

What Would it Cost?

The Bessie Tartt Wilson Initiative for Children has created estimates for the cost of a potential career lattice, loosely based on Washington State's Career and Wage Ladder. The parameters are an hourly wage increase of $0.25 after obtaining an Associate's degree, $0.50 for obtaining a Bachelor's degree, and an annual bonus of $1,000 for more than 40 hours of professional development within a year for early educators in center based care and family child care. These estimates are based on information on the field from 2005's *Preparing the Early Education and Care Workforce: The Capacity of Massachusetts' Institutions of Higher Education*, a report from the Center for Research on Women at Wellesley College, as well as figures from the National Bureau of Labor Statistics.

The Bureau of Labor Statistics estimates that there are 11,690 "child care workers" in Massachusetts, a figure which does not include Preschool and Kindergarten teachers. It should be noted that early educators in the public school system, as well as Head Start, are usually better compensated than early educators in center based and family child care. Using these numbers, BTWIC estimates it would cost the state approximately $10.7 million annually to support a career lattice for educational achievement and professional development among center based early educators. It is estimated that the same career lattice for family child care providers would cost an additional $2.7 million annually.

To bring about a functional career lattice, the next step for the Commonwealth is to re-focus its attention by working toward the implementation of the career lattice components by the end of 2011, as laid out in this report. This includes:

- Clearly defined levels with job titles and definitions that match the terms used in the field;
- Career counseling and support for pursuing higher education;
- Wage increases for upward movement through the career lattice;
- Bonuses that are built into the career lattice to serve as an immediate incentive for professional development; and
- Bonuses for educational achievement that recognize the high costs of pursuing higher education.

Recommendation Two

2

The creation of a refundable 15% earned income tax credit for early education providers from Massachusetts within the next 12 months.

What is it?

- A tax credit is a dollar-for-dollar reduction in the tax payment required; a refundable tax credit provides a cash refund when an individual is found to owe no taxes.
- A tax credit strategy can begin to address the issue of inadequate compensation, immediately impacting the lowest paid workers in the field by allowing them to keep more of their income.
- Those who are eligible for the proposed early educator tax credit are also eligible for the Earned Income Tax Credit (EITC), increasing their refund from 15% to 30%. The proposed tax credit is estimated to offer $255, and when combined with existing state EITC and the federal EITC, the average benefit (or in some cases, refund) is $2,210.

Where has it worked?

Louisiana has a comprehensive system of "School Readiness" tax credits for the child care field that are tied to the state's career lattice and quality rating system. The tax credit for workers in Louisiana is available to those enrolled in the statewide professional registry and who have worked at least six months in a center participating in Quality Rating Improvement System (QRIS). The credit increases according to the level of professional development attained.[18]

How can Massachusetts do it?

- By approving legislation creating a tax credit for early educators, Massachusetts can support the lowest compensated in the field.
- The estimated cost of the Early Educators Earned Income Tax Credit is $3.6 million in relinquished monies for the state.
- Legislation will require the support of those in field and the general public, in addition to garnering support in the State House.

The Detailed Plan

In times of financial strain on state budgets, tax credits have proven to be a practical method of providing funding support to social programs.[19] Unlike budget allocations, tax credits need not be renewed each year—they typically remain enacted until repealed.

In the context of early education and care, there are several types of tax credits that have been used to generate revenue and alleviate the financial strain on parents, workers, and providers. Some tax credits have been designed to benefit parents who spend money on a particular good or service. These credits are called "consumer tax credits," and can be used for parents to encourage or reward early education activities the state places value on. Refundable credits for parents that increase according to the Quality Improvement Rating System (QRIS) rating of the center a child attends would not only encourage parents to seek out higher quality care, but would also motivate centers to achieve higher quality ratings and maintain enrollment levels.

> It should be acknowledged that tax credits alone cannot create early education finance reform. A truly transformative effort must be multifaceted—focusing not only on increased funding for the field, but also quality of care, positive outcomes for children and families, professional development, and sustainability over time.

Another type of credit, "occupational tax credits," targets employees by reducing the tax liability for those who work in a targeted industry. Alternatively, these credits may reduce the tax liability of a business that employs particular individuals (e.g., Temporary Assistance for Needy Families (TANF) and/or food stamp recipients) or that operates in particular areas (e.g., empowerment zones). As such, occupational tax credits in the child care field can be used to provide financial relief to workers and providers alike. Similarly, business investment tax credits are also used to reduce the tax liability of a sole proprietor or corporation and to offset the cost of business related investments.

Refundable credits for parents that increase according to a center's Quality Improvement Rating System (QRIS) rating not only encourage parents to seek out higher quality care, but also motivate centers to achieve higher quality ratings to maintain enrollment levels. Provider credits that are also linked to early education and care systems (such as a career lattice, QRIS, or professional development registry) can work to serve the dual purpose of 1) promoting higher quality care and 2) allowing providers of higher quality care, which has been found to be more costly due to costs for better educated staff and supplies, to serve more children from low income families, who are often at risk for physical, social, cognitive, and other developmental delays.

Efforts in Other States

Studies of early education tax credits in several states have shown such initiatives are capable of creating new sources of revenue for the field, while producing real benefits for families, caregivers, centers, private businesses, government, and individual taxpayers.[20] In Maine, for example, all parents are eligible for a child care tax credit. However, the amount of the credit doubles for parents who enroll their children in quality rated programs. In Louisiana, caregivers (home and center based teachers, administrators, and directors) who are enrolled in the statewide professional registry and have worked at least six months in a center participating in QRIS are eligible for a credit that increases according to the level of professional development attained.

Making the Case for Early Education and Care

In Massachusetts, one in ten workers has a child under the age of six. The child care industry supports nearly 30,000 FTE (full–time equivalent) jobs while generating $1.5 billion annually in gross receipts.

In terms of long-range returns, decades of research support the premise that high-quality care and education early in life prepares children for success in school and later in life. An enhanced educational system in turn helps to build our future workforce.

Several studies of low-income and at-risk children have also associated investments in quality early education and care with significant reductions in state and local government spending on special education, criminal justice, health, and social services.

- Traill, Wohl, and Schiff Estess, "The Economic Impact of the Child Care and Early Education Industry in Massachusetts" NEDLC (2004).

These states provide examples of the efforts that have been undertaken to address the issues of both the high cost of child care (over $11,000/year for infants and toddlers in MA) and the relatively low wages of child care workers (average $24,480/year in MA).[21] While one solution to the problem of low wages would be to raise rates and increase compensation with the additional revenue, the cost of a rate increase would be passed directly to families—many of whom already struggle to pay fees. Recognizing that tension, 23 states have tried to ease the financial strain on parents by enacting child care tax credits that families can claim in addition to the federal Child and Dependent Care Credit.[22] Twenty-eight states and the federal government have also enacted tax credits for employers who provide some form of child care assistance, while several states (including Maine, Oklahoma, and Florida) have enacted targeted tax credits or exemptions for early care and education businesses.[23] Louisiana, however, stands apart as the only state to have enacted an occupational state tax credit for the benefit of child care workers.[24]

While New York, Maryland and Georgia have all attempted to enact occupational credits for child care workers, Louisiana can be studied as a model for a successful progressive tax policy that attempts to drive an aggressive statewide agenda for high-quality early education and care.[25] In 2008, Louisiana enacted a set of four refundable state tax credits that provide benefits to parents, caregivers, child care businesses, and family child care providers.[26] The credits were enacted at a time when lawmakers were searching for ways to aid Louisiana's economic recovery without imposing new taxes. The roll-out of the tax credits also helped showcase two newly developed early education policy initiatives—a statewide quality rating system and a professional development registry.[27] Linking those systems to an easily understood and accessible set of tax credits gave the public a new lens to view their value and purpoe.[28]

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All of the Louisiana School Readiness Tax Credits are tied to the state's career lattice and/or quality rating system. The amount of the tax credit available for parents, child care workers, and providers/businesses increases depending on the quality star rating of the program or the caregiver's professional attainment.[29] The new credit for parents can be claimed in addition to the existing state and federal Child and Dependent Care Credit. A parent using a provider with at least two stars will receive an enhancement of 50 percent of the existing state credit, while a parent who enrolls their child in a five star rated program will receive an enhancement of 200 percent of the existing state credit.[30] This structure makes the credit a very attractive financial reward, which is central to spurring and sustaining participation.

One of the limitations of the Louisiana program however, is that the provider credits are subject to strict eligibility requirements which not all providers can meet. A center serving subsidized children, but rated less than two stars receives no benefit. Similarly, a center rated four or five stars, but not serving subsidized children also receives no benefit.[31] The caregiver individual tax credit for early educators is only available to those enrolled in the statewide professional registry and who have worked at least six months in a center participating in QRIS. While the credit increases according to the level of professional development, workers who do not enroll in the registry, or who work in centers that do not participate in QRIS are ineligible. Though the Louisiana worker credit is a worthwhile approach to promoting professional development and quality standards, it provides little benefit to early educators who are poorly compensated and do not have access to professional development opportunities.

In contrast to this, the proposed Massachusetts Early Educators Earned Income Tax Credit would reach the workers in the most immediate need, allowing them to keep more of their pay to spend on personal necessities or professional development. The Massachusetts credit would be available to early educators who earn low to moderate incomes. Following the model of the current state and federal earned income tax credits, claimants with the lowest incomes would receive the largest refunds to help bridge the disparity. The average amount of the credit is estimated at approximately $255. When this is taken in conjunction with the state average Earned Income Tax Credit benefit of $255, and the federal average Earned Income Tax Credit benefit of $1,700, it is part of a significant tax-based relief package.

Tax Credits and Low Income Families

Refundable tax credits, in particular, would provide relief to early educators without the stigma that can be associated with receiving other government benefits.

Studies have shown that while the Earned Income Tax Credit (EITC) is not claimed by all who are entitled, participation rates among eligible families are markedly higher for EITC than for the Food Stamp Program and the Temporary Assistance for Needy Families (TANF) public assistance program.

The projected cost of the credit is relatively low. It would cost the state approximately $3.6 million in foregone revenue to fund the credit, based on the Bureau of Labor Statistics' data for number of child care workers in Massachusetts whose income renders them eligible for the existing Earned Income Tax Credit. Since the credit would be administered and managed by existing state agencies, it would not generate additional administrative costs normally associated with job creation, systems development and office space.

Moving Massachusetts forward

A tax credit cannot be seen as a silver bullet for the problem of low compensation. However, by enacting this tax credit within twelve months, the state will provide early educators a measure of relief.

Unlike the Louisiana worker credit, the proposed tax credit for Massachusetts would not be linked to any other early education and care system. Though such linkages can promote participation in quality-enhancing programs, eligibility requirements based on participation in early education and care programs can, conversely, alienate the segments of the field which need the most attention. Since low compensation is a fundamental barrier for many early educators who desire professional development to provide high-quality care, this proposal addresses the issue with a singular focus.

By targeting professionals who are eligible for the federal Earned Income Tax Credit, the benefit is directed at those who are most in need of financial relief. The proposed refundable tax credit would directly and immediately address the issue of inadequate compensation for early educators by providing a cash benefit to the lowest wage earners in the field. When coupled with the federal EITC and existing state tax credit, the cash benefit (averaged at $2,210) is a substantial addition to a cash-strapped early educator.

To the extent that there has ever been legislative support for increased early education funding in Massachusetts, the current fiscal climate is prime for a new tax credit proposal. The potential success/popularity of this credit could also set the stage for a more robust package that could mesh well with the upcoming roll-out of the state's new early education and care initiatives, draw the interest and support of even more partners, increase public support, and elevate the status of the field.

3

The creation of an early education endowment fund that may provide monetary support for compensation, the career lattice, and supplements the market rate for high quality programs.

Recommendation Three

What is it?

- An endowment fund is a pool of capital that is invested to produce income. The income generated from investments (not the principal) is distributed to support activities which advance the purpose of the endowment.
- Endowment funds can be established with money from grants, awards, charitable contributions, and a range of other public and private sources.

Where has it worked?

- Nebraska's Sixpence Early Learning Fund is a $60 million statewide early childhood education endowment created in 2006 and financed by a public-private partnership. The state designated $40 million, while a private entity committed to raise another $20 million.[32]
- Last year, Sixpence gave approximately $1.5 million in grants to 11 Nebraska school districts to support early education services and center based care for at-risk children.[33]

How can Massachusetts do it?

- An early education endowment fund would be best managed and administered by an existing early education organization or by a foundation with a board of advisors/trustees that sets policy, oversees access, selects grantees, and evaluates the fund.
- A statewide early education endowment should represent a public/private partnership, consisting of contributions from public, private, and foundational partners who would also be represented on the board.

The Detailed Plan

There are generally two types of endowment. The first, a *true endowment,* is created though a written agreement with a donor who restricts the use of funds to only the earnings. The second is a *quasi-endowment,* which simply designates the fund for a specific purpose. Unlike a *true endowment*, the purpose of a *quasi-endowment* can be changed by a resolution from the board of advisors.[34] As such, an early education endowment fund could appropriately be termed a *quasi-endowment*, as it would be overseen by a board of advisors or trustees who are responsible for setting policy and overseeing fund performance.

Cultural institutions, colleges, and universities have relied on endowments to sustain their operations, activities, and programs for many years. Higher education institutions, for example, frequently receive major gifts from alumni or individuals who have benefited from their programs and wish to "give back" by enabling the institution to continue making a difference in the lives of others.[35] Today, increasing numbers of forward thinking entities and organizations in early education and other fields are doing the same, as endowments provide an opportunity for donors to make substantial contributions that can have an impact for generations to come.[36] As such, the success of an early education endowment in Massachusetts will depend partly on the extent to which community members view themselves, their families, and their businesses as beneficiaries of high-quality early education and care.[37]

This recommendation calls for the creation of an endowment fund to support a range of early education and care activities throughout the state. Those activities include, but are not limited to, implementation of a career lattice that is tied to wages (the first recommendation of The Blueprint), expanding access to professional development for caregivers, higher reimbursement rates for programs that accept vouchers, and increased support for high-quality, evidence-based programming for children. Funds from Massachusetts' endowment fund would be distributed as grants to early education and care programs that fit criteria set forth by the endowment's board.

Early Education Endowment Funding: The Nebraska Model

Nebraska's early childhood education endowment fund, the Sixpence Early Learning Fund, was created by statute in 2006 and is wholly financed by a public/private partnership. The state agreed to designate earnings on $40 million of public funds, while the Nebraska Children and Families Foundation agreed to designate earnings on $20 million from the $60 million endowment.[38] The public and private monies for the endowment are invested separately, and the profits from those investments are then pooled in a cash fund at the Nebraska Department of Education.[39] A six person Board of Trustees, four of whom are Governor-appointed, allocate the endowment funds in the form of grants to support early education. They also recommend rules and regulations for birth to age 3 care statewide.[40] The trustees include representatives of public and private sector partners, rural and urban communities, the Commissioner of Education, and the Director of Health and Human Services.[41]

As of this date the endowment has received significant foundational support ($10 million) from the Buffett Early Learning Fund. Additionally, the Nebraska Children and Families Foundation has raised $5.7 million toward its initial $20 million commitment. Once that goal is met and the endowment reaches $60 million, it is expected that the fund will be able to give approximately $3 million in grants annually. Last year the endowment gave approximately $1.5 million in total to 11 grantees.[42]

Nebraska's fund was established to eliminate the achievement gap that can arise in later years by enabling parents and caregivers to provide high-quality care to at-risk infants and toddlers.[43] As such, the endowment provides grants to school districts who partner with at least one community based entity to provide services to at-risk children aged 0-3. Grants range from $75,000 to $375,000 and are matched 100% by the grantee's local community. Matching dollars can be existing federal, state or local dollars, private, or in-kind resources.[44] Applications are reviewed by a panel of early care and education professionals who recommend recipients to the Board of Trustees for approval and selection. The fund currently supports 11 school districts in Nebraska who offer a range of services and center based care to its target population.[45]

Because Sixpence is not a *true endowment*, but rather a *quasi-endowment*, the Nebraska Children and Families Foundation was granted permission (by the legislature) to use up to 10% of the cash fund to provide technical assistance to applicants and grantees (which includes ensuring access to the fund, maintaining program quality, and carrying out evaluations). In its administrative and managerial capacity, the Nebraska Children and Families Foundation is responsible for those functions as well as investing the private funds and working with the Board of Trustees to evaluate and select grantees. Since the Foundation performs non-traditional functions, in the sense that its activities are not primarily in grant-making but rather in the areas of policy development and public/private partnership building, the organization has contracted with several entities to carry out all of its Sixpence-related duties.

There are two individuals who work closely with Sixpence applicants and grantees to provide technical assistance. One is a Foundation staff member and the other is provided by the Nebraska Department of Education. The Nebraska Children and Families Foundation has also contracted with an outside company to perform program evaluations and an Omaha-based financial services group to invest the private money for the fund. To that end, the Foundation has also convened a financial advisory committee—separate from the Board of Trustees—which meets regularly to oversee, evaluate, and advise the investments.

Reimbursement Rates: Supplemented by an Endowment Fund

From a provider's perspective, the financial stability of an early childhood program is largely dictated by the strength of its revenue stream.[46] Most programs rely on tuition (parent fees) and public funds (government subsidies) to meet overhead costs each month. Maintaining full enrollment, collecting fees in full and on time, and identifying third party funding sources are priorities for many providers.[47] The reimbursement rate is also extremely important for programs that provide subsidized care to children from low-income families, as well as children in state custody or foster care.

The reimbursement rate dictates the amount of money the government pays a provider for giving care to subsidy-eligible children, and is based on data collected from a market rate survey.[48] Though market rate surveys are federally mandated for the purpose of accurately setting child care prices nationwide, they are carried out locally.[49] As such, market rates vary by region, and even within a region, due to forces that are unique to each local market. Regardless of the rate ceiling determined by the market survey, federal guidelines suggest that providers be reimbursed at the 75th percentile.[50] However, many states— including Massachusetts—fail to do so.

Massachusetts provides access to subsidized care for almost 25% of the state's children, which is commendable. However, to ensure that those children receive the highest quality care possible, the programs they attend must be financially healthy. Massachusetts currently reimburses many subsidized care providers at a level below the 50th percentile (less than the median market rate). This recommendation proposes using monies from the proposed early education endowment fund to raise the reimbursement rate for all providers to at least the median, and to give additional rate supplements to high-quality programs.

According 2009 research conducted by the National Women's Law Center, Massachusetts' reimbursement rates are between the 20th and 75th percentile of the 2007 market rate for center based care, and between the 35th and 55th percentile of the 2007 market rate for family child care.[51] Raising the reimbursement rate to at least the median for all providers who accept vouchers will enable programs to use the increased revenue to support better compensation, quality improvements, and professional development.

Reimbursement Rates: What Other States Are Doing Well

Just as market rates vary by locality, so does reimbursement administration. Some states pay higher rates to providers that are accredited, offer "hard to find" care (such as weekend and evening hours), or infant care. Reimbursement rates for providers that are exempt from state licensing requirements may also be lower than those of providers who are not exempt. Still, payment rates to child care providers must be adequate so they can continue providing care to families who rely on vouchers.

In our region, Maine, New York, and Rhode Island follow the federal guidelines and reimburse providers at the 75th percentile.[52] While those states stand as proof that it is possible to reimburse at or near the suggested level, it must be noted that none of them rely on the most current market rate data. Market rate surveys are only mandated biennially, so reimbursement rates are often based on data that is at least two years old.[53] This lag time represents another obstacle for providers whose costs and expenses are steadily increasing.

While Pennsylvania does not reimburse all programs at the 75th percentile, it provides a sound model for a tiered reimbursement system that is linked to quality standards. Base rates in Pennsylvania depend on factors such as the location of the program, the concentration of low-income children in the county where it is located, whether it is part or full-time care, and the type of care. Rates for center based care for infants, toddlers, and preschoolers are set at least at the 62nd percentile of market rates for full-time care and the 58th percentile for part-time care. Rates for center based care in counties with a concentration of young children in poverty are set at least at the 72nd percentile for full-time care and the 60th percentile for part-time care. Rates for group or family child care for infants, toddlers, and preschoolers are set at least at the 55th percentile for full-time care and the 50th percentile for part-time care. Rates for center based, group or family child care for school-age children are set at least at the 40th percentile.[54]

Additionally, all programs that participate in Pennsylvania's quality rating system (Keystone STARS) and have reached at least level two receive a subsidy add-on.[55] The add-on, or "tiered reimbursement," is automatically applied to the daily subsidized child care rate for the program, and increases with each STAR level.[56] The supplement is calculated per child, such that level two full-time programs receive a $.70 bonus for each child receiving government subsidies, while level two part-time programs receive $.30 per child. Level three full time-programs receive $2.20 per child, while level three part-time programs receive $.95 per child, and level four full-time programs receive $3.00 per child while level four part-time programs receive $1.30 per child.[57]

The Pennsylvania reimbursement system was designed to reduce the use of unregulated child care and to expand participation in Keystone STARS.[58] Policy makers relied on studies of child care subsidy administration in other states which have shown that devising financial incentives for programs to participate in quality rating systems can create valuable product differentiation in the child care market.[59] Such differentiation allows parents to recognize high-quality care, thereby decreasing the likelihood that they will chose an unregulated caregiver.[60]

How Can Massachusetts Do It?

Massachusetts, like many states, lacks sufficient funding for the early care and education activities we claim to value. Given the current fiscal crisis on the state and federal level, a new revenue stream—one that is dedicated to meeting the needs of the early childhood educators, programs, and the children and families they serve—must be identified to fill the void. Having been successful in several other states, an early education endowment fund presents itself as one such for Massachusetts.

An endowment fund could be used to meet the twin goals of increasing compensation for educators while also improving the quality of child care. The proceeds from a statewide endowment fund would be used not only to set higher reimbursement rates for providers, but also to support early education systems development (such as a career lattice), to promote quality-enhancing activities, and to enhance the overall financial health of the field. Massachusetts is currently in the process of developing a statewide quality rating system (QRIS) for early education programs that could support a tiered reimbursement system once it is iplemented.

Establishing an endowment is one of several creative means of tapping into the state's resources, which can prove that Massachusetts has the wisdom to learn from the accomplishments of others, the strength to admit the areas in which it has fallen short, and the courage to have faith that our citizenry—individuals and corporations alike—will heed the call to invest in our children. To that end, the Bessie Tartt Wilson Initiative for Children is working to develop a model for an early education endowment that is based on a public/private partnership and is structured after Nebraska's successful Sixpence Early Learning Fund.

Massachusetts' endowment fund need not be the size of Nebraska's to be successful. Many funds reinvest earnings in the early years to build a sufficient base for future grant-making. The importance is having a farsighted vision which sees not only the needs of the field, but also that Massachusetts has the resources necessary to address those needs. Public/private partnerships must be built, and those partners must pledge funds to support the creation of a statewide early education endowment fund.

Recommendation Four

4

The development of a loan forgiveness program for early educators that requires a commitment to the field.

What is it?

- Loan forgiveness programs cancel a portion of educational loans when the recipient makes a commitment to stay in a certain field or work in regions in need of services for a period ranging from one to five years.
- These programs tend to be better than scholarships at attracting and retaining workers because they require a commitment to stay in the field of study.

Where has it worked?

- Pennsylvania's "Quality Early Education Loan Forgiveness Program," which was active up until June 30, 2008, provided up to $3,300 per year for up to three years for early educators who received an associate or bachelor's degree between 2004 and 2006.[61]
- Illinois' Teachers and Child Care Providers Loan Repayment Program provides up to $5,000 to students who enter the child care profession and serve in low-income areas. Early educators become eligible after two years in the field.[62]
- The Federal government has various loan forgiveness programs in place for various fields, including child care. However, the program is not accepting new applicants and the future of the program is uncertain.

How can Massachusetts do it?

- By following the systems set forth by the Federal government's loan forgiveness program for child care workers, Massachusetts can create a program that exchanges debt repayment for continued employment in the field.
- Considering that Massachusetts sees rates of attrition higher than the rest of the country, it is important to encourage early educators to remain in the field.

The Detailed Plan

Loan forgiveness is a strategy to help offset the ever-increasing cost of pursuing higher education. It is often seen as a better option to attract workers to a certain field than scholarships, because scholarships often do not require a commitment period to stay in the field of study. However, loan forgiveness programs almost always require a commitment of a year or more in the field of study; otherwise loan payments cease.

Loan Forgiveness and Loan Default: What is the Difference?

Many people are hard-pressed to explain the difference between loan forgiveness and loan default. In some cases, the terms are used interchangeably when they are, in actuality, conflicting situations.

Loan forgiveness is a program, funded by the state or federal government that "erases" student loans for college graduates who commit to working in a certain field for a period of time. Loan default is what occurs when a college graduate fails to pay his or her loans for more than six consecutive months. At this point, credit reporting companies are notified of the nonpayment.

Furthermore, when in loan default it is nearly impossible to qualify for a non-private loan if a student wanted to return to school. Loan default is the biggest barrier to securing a loan, and therefore, to securing loan forgiveness.

The federal government already offers a variety of loan forgiveness programs that work in this manner. These programs have been successful in attracting educated workers to particular fields and service areas. One of the existing federal loan forgiveness programs specifically targets early educators. The Child Care Provider Loan Forgiveness Program offers forgiveness of certain loans when educators commit to working in a low-income community for a period ranging from two to five years. This was only a demonstration program, however. As a result it received limited funding and is now closed to new applicants.

The Pennsylvania Model

From 2006 to 2008, Pennsylvania offered loan forgiveness to early childhood educators. The PHEAA (Pennsylvania Higher Education Assistance Agency) Early Childhood Loan Forgiveness Program targeted early educators who had received an associate's or bachelor's degree in Early Childhood Education or a related field between 2004 and 2006, and who earned an annual income up to $30,000.[63] The program offered up to $3,300 per year for up to three years.[64] Funding for the program ended June 30, 2008.

The Illinois Model

Illinois has a similar state-funded loan forgiveness program called the Illinois Teachers and Child Care Providers Loan Repayment Program. Created in 2003, this program is open to early educators who are accessing the federal government's loan forgiveness program by providing matching funds. It provides up to $5,000 for early educators who have worked two consecutive years in a child care facility in a low-income area in the state.[65]

Since 2006, the program has received $500,000 annually. For the 2009-2010 fiscal years, funding for the program was fully expended by March 2010, so no new applicants were accepted. The managing organization, the Illinois Student Assistance Commission, expects to receive level funding for FY2011. However, the federal Child Care Provider Loan Forgiveness Program is no longer accepting new applicants, so it is likely that no new awards from the Illinois state loan forgiveness program will be made.[66] It is unclear whether the program will continue in upcoming years.

Between 2003 and 2009, 542 child care providers were able to use the Illinois Teachers and Child Care Providers Loan Repayment program to help them afford to return to school. The breakdown of spending is seen here:

Table 5.6 of the 2009 ISAC Data Book:

Illinois Teacher and Child Care Providers Loan Repayment Program Summary of Recipients and Payout FY2003-FY2009[67]

Fiscal Year	Recipients	Payout
2003	27	$154,076 *(includes $19,568 in admin expenses)*
2004	29	$148,886 *(includes $11,448 in admin expenses)*
2005	48	$230,791
2006	102	$497,639
2007	112	$485,146
2008	111	$498,926
2009	114	$499,974

Spending for the program has been well documented, but there has not been a third-party review of the program to find if it has achieved its goal of encouraging students to enter the early child care profession and serve in low-income areas of the state. Despite the absence of a formal report, data from the Illinois Department of Human Services shows that turnover rates between 2003 and 2009 decreased for every position within the field. In 2003, the turnover rate for early childhood teachers was 38%; in 2009, the same position had a turnover rate of 28%.[68] Similarly, the turnover rate for early childhood assistants dropped from 55% to 39% in the same time period.[69] While the reduced rate of turnover cannot, and should not, be attributed solely to the loan repayment program, it is likely that the program has played some part in this reduction.

How can Massachusetts do it?

Massachusetts has a state-funded loan forgiveness program for health professionals that has been active for ten years. Another loan forgiveness program is being considered for licensed social workers and human service providers. While these programs are not directed at early educators, the systems used may be applicable in creating a loan forgiveness program for early educators.

In 2007, The National Association of Social Workers (NASW) created a bill for a loan forgiveness program for the field. As the fact sheet distributed by the Association's Massachusetts chapter states, "the bill would create a student loan repayment program administered by the board of higher education for licensed social workers and credentialed direct care human service workers. Eligible social workers will have completed a baccalaureate or masters degree in social work at a public or private college or university in Massachusetts. The purpose of the program is to encourage social workers and direct care human service providers to work in child protective services or in other underserved areas in accordance with guidelines established by the board of higher education in consultation with the Executive Office of Health and Human Services."[70] NASW continued to advocate for the bill through the 2009-2010 legislative session and gained support, but the bill was not passed. It should be noted that in 2008, Massachusetts set aside more than $1 million of American Recovery and Reinvestment Act funding to create a loan forgiveness program that includes the social work field. That program is the Massachusetts State Loan Repayment Program.[71]

The Massachusetts State Loan Repayment Program offers up to $50,000 ($25,000 per year for two years) for health professionals who make a two year commitment to work in community that is experiencing a significant shortage of health care providers.[72] It is funded by a grant from the federal Bureau of Health Professionals and state money from the Department of Public Health. The program is open to health professionals providing primary care including physicians, nurse practitioners, oral health, and behavioral health. Behavioral health providers are categorized as Social Workers, Psychologists, Mental Health Counselors, Professional Counselors and Marriage and Family Therapists. Social workers (masters or doctoral degree in social work) are eligible for up to $20,000 per year ($40,000 total over two years).[73]

The regulations of the Massachusetts State Loan Repayment Program are similar to regulations seen in federal programs. One stipulation is that providers cannot apply for any other loan repayment programs at the same time. In addition, loan repayments received cannot exceed the amount of the provider's qualified educational debt. Finally, providers applying for the program must be willing to make a contractual agreement with the MA Department of Public Health and their employer to work full-time for to years.[74]

By following the system set forth by the Federal government's loan forgiveness program for child care workers, Massachusetts can create a program that exchanges debt repayment for continued employment in the field. Considering that Massachusetts experiences rates of attrition that are higher than the rest of the country, it is important to encourage early educators to remain in the field. Reports that support high-quality early education often cite regular interaction with familiar faces as extremely beneficial to the learning process for infants and toddlers. To continue to create the case for increased compensation and government spending, there should be systems in place that support long-term work in the field.

Communication and Legislative Strategy

Bessie Tartt Wilson Initiative for Children realizes that implementation of these recommendations will require a concerted effort to engage the early education field, gain public support, and win over the legislature. Our efforts will employ a two-fold approach to roll out the Blueprint for Early Education Compensation Reform. The plan involves strategically targeting the mass media to help raise awareness about the issue and the related recommendations in the Blueprint, while simultaneously meeting with legislators at the State House to garner support.

Beginning in late summer 2010, Bessie Tartt Wilson Initiative for Children will develop a series of materials to be used in our outreach with both the print and broadcast media. We will conduct town meetings and small conferences throughout Massachusetts, sharing our work with early educators, administrators, and other professionals in the field. We will also utilize new methods of communication, including web seminars and social networking to spread our work beyond the state.

Our plans to engage the Massachusetts legislature will include a series of meetings, starting with the Chairs of the Education Committee. In addition, we also hope to meet with all the members of the Education Committee, along with the Chairs of the Labor Committee and the Committee on Taxation. We will apprise them of our recent work and make the case why our recommendations, if implemented, will be beneficial for the early education workforce and the Commonwealth as a whole.

Bessie Tartt Wilson Initiative for Children will also utilize its time on Beacon Hill to revisit longstanding friends and supporters of the organization, both in the House and Senate. The goal of these meetings will be to apprise them of the Blueprint, and to secure their support and the support of their colleagues for our legislative initiatives to improve the field of early education.

Conclusion

"Are we doing all that we can to produce children who, although beginning life in poverty, have the best chance to lead productive lives in the future?"

This question is from BTWIC's 2006 report, *Keeping the Promise*. It, at best, remains unanswered and at worst is answered with a resounding "no." All aspects of adult human capital build on capacities developed in childhood, and successful early education relies heavily on the quality and professional satisfaction of educators. But early educators face serious challenges surviving on existing compensation rates, and as a result they cannot finance their education, a key factor in professional advancement. In 2009, we launched this initiative with town meetings that convened over 600 members of the field to discuss the current state of the field. We found that 32% receive government assistance in the form of food stamps, WIC, or free/reduced price lunches for their children; 54% believe they cannot afford to attend college; 41% have trouble paying bills; 13% borrow money to make ends meet; and 18% have old student loans to pay. Poor compensation is the largest stressor for early educators and the principal barrier to their effectiveness. The lack of appropriate compensation causes personal and professional stress, low morale, and affects the children who rely on continuous care from educators who feel valued and equipped for success.

The Blueprint for Early Education Compensation Reform offers creative solutions to a problem that has plagued the field for decades. By looking at the challenges of compensation in a different light, the Bessie Tartt Wilson Initiative for Children and the Task Force for Early Education Compensation Reform have created recommendations that will energize those looking to create positive change in the lives of infants and toddlers throughout the Commonwealth.

Massachusetts has a forward thinking governing body and serves as a model for progressive policy and action. However, the state also relies on facts and data to support decisions on new spending. The blueprint provides ample information and examples to make the case for implementing each recommendation. As the state begins to move out of the unfavorable economic conditions it has weathered in recent years, those who are committed to early education and care have a unique opportunity to create a framework that will withstand any economic climate and reshape the profession. This Blueprint illustrates the way to create such a framework.

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