National Early Care & Education WORKFORCE CENTER

State Models for Financing Early Educator Wage Scales

Compensation and Financial Relief

Research-to-practice brief series

The National Early Care and Education (ECE) Workforce Center is a joint research and technical assistance center that equips state and local leaders to drive change in ECE workforce policy.

This brief is based on a review of publicly available information on state early childhood agency websites, legislation, Child Care Development Fund (CCDF) plans, press releases, and evaluation reports as of March 25, 2026.

Intended audience

This brief is intended for state and local administrators as well as advocates for ECE workforce compensation.

Top Line Takeaways

Wage scales are structures or systems that provide guidelines for wages based on economic indicators and other criteria such as credentials, years of experience, and location.[1] There are currently no examples of statewide, universal early care and education (ECE) wage scale implementation. However, several states are implementing initiatives to raise some educator wages to recommended levels, and New Mexico is building toward statewide mandatory ECE wage scale implementation in their publicly funded programs in 2027. Additionally, several states are dispensing funding to cover the difference between salaries indicated by early educator wage scales and actual salaries in select state-funded programs.

In this brief, we discuss possible federal, state, and private funding sources for ECE wage scale adjustments and highlight efforts in New Mexico, Oregon, and the District of Columbia. We describe:

- How most states that have found funding to bring early educator wages up to wage scale minimums have used a combination of state general funds, state early education trust funds, and specific revenue sources (e.g., taxes on high-income earners, oil and gas revenues, corporate activity taxes).
- Considerations for administrators and advocates interested in securing funding for wage scale efforts in their own states.

Background

Definition and Structure

Wage scales, also known as salary schedules and salary scales, are structures or systems, created by state agencies, which provide guidelines for wages based on economic indicators and other criteria such as credentials, years of experience, and location.[2] Wage scales are different from compensation scales, which account for benefits beyond wages (e.g., retirement, health insurance).[3] The minimum wages on these scales are typically based on regional estimates from the Bureau of Labor Statistics (BLS), market rate surveys, living wage estimates, or self-sufficiency standards. Several states, including Illinois and Colorado, have used the Massachusetts Institute of Technology's living wage calculator to inform wage scales.[4,5]

Some wage scales aim to provide pay parity (similar pay) with other jobs (typically public pre-K or kindergarten). The idea behind parity policies is to make wages for ECE jobs competitive with those for comparable public education jobs that have similar responsibilities and require similar credentials. Policies aimed at bringing early educator wages up to the level of public kindergarten teachers are addressing a significant pay gap, typically as much as $10,000 to $20,000 annually.[6,7]

Wage scales are intended to attract and retain qualified educators by raising wages. Research suggests that higher educator wages are associated with lower turnover and higher-quality educator-child interactions, which, in turn, positively impact children's development.[8,9,10,11,12] In the field of ECE, wage scales typically include a table of hourly or annualized pay rates for various positions by levels of education and/or experience (see example in Table 1). Education and experience levels are often based on levels in state ECE credentialing systems (i.e., point-based systems that incorporate education attainment and years of experience).

Table 1. Example wage scale

Level	Qualifications, Credentials, & Experience	Minimum Annual Salary
Level 4	Master's degree & 5+ years of experience OR competency-based assessment equivalency & 5+ years of experience	$77,000
Level 3	Master's degree & 0-5 years of experience OR competency-based assessment equivalency & 0-5 years of experience	$74,874
Level 2	Bachelor's degree & 3+ years of experience OR competency-based assessment equivalency & 3+ years of experience	$72,747
Level 1	Bachelor's degree & 0-3 years of experience OR competency-based assessment equivalency & 0-3 years of experience	$66,685
Entry Level	Associate's degree & 3+ years of experience OR competency-based assessment equivalency & 3+ years of experience	$62,122

Note: This example is based on New Mexico's draft wage scale for lead ECE teachers/professionals. Due to space constraints, we do not display the role categories, essential responsibilities, or shared competencies listed in the state's complete wage scale.[13]

Types of Wage Scale Implementation

After defining a wage scale, the next step is to put the wage scale to use. This process is known as implementation. Implementing wage scales involves putting a system in place to pay educators the difference between wage scale levels and their current pay. Wage scales can either be voluntary (i.e., suggested, recommended) or mandated.

Voluntary wage scales typically describe suggested wages for all center-based, school-based, and home-based child care programs (see Colorado[14]). Voluntary wage scales can be useful for cost modeling and planning for future ECE funding efforts. However, they are not expected to drive broad wage increases because they are not supported by requirements or supplemental funding.

States generally cannot mandate specific wage levels for early educators working in privately funded programs (beyond setting a state minimum wage) without also addressing funding because:

- Most child care businesses operate on thin margins and rely on parent fees and subsidies, which may not cover the costs of increasing teacher wages.[15]
- Most providers cannot raise tuition rates to cover wage increases because many parents cannot afford higher rates.[16]

- If states set wage requirements without providing additional funding, providers cannot absorb the cost, which can reduce supply or participation in child care subsidy systems (if higher wages are required for participation).[17]

States typically mandate wage scales (with some flexibility) through setting requirements for accepting public funding (either state or federal). For example, states often require wage standards if providers want to serve children through child care subsidy programs, engage in public pre-K contracts, participate in the state quality rating and improvement system, or receive grants or child care stabilization funds. To date,[a] five states have published wage scales that are required for participation in certain ECE programs, such as public pre-K: Arizona, Delaware, Oregon, the District of Columbia, and New Mexico.

Based on Child Care and Development Fund (CCDF) plans and public information from state websites, several states are either planning to create or revise voluntary wage scales: Arkansas, Colorado, Connecticut, Illinois, Iowa, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, North Carolina, Rhode Island, South Carolina, and Vermont.[18,19] They may have plans to implement the scales by providing funding for wage adjustments or making the wage scales mandatory in the near future.

As states are working to implement and sustain wage scales, it is crucial to consider how enhanced wages will be financed. Building off the strategic public financing framework developed by the Children's Funding Project,[20,21] this brief provides the following structure for state and local administrators to follow as they seek sustainable ways to fund wage scales:

- Step 1: Estimate the costs associated with intended wage scales
- Step 2: Identify current and available funding
- Step 3: Propose revenue sources to fill the gap

Step 1. Estimate Costs Associated with Wage Scales

Estimating the costs associated with wage scales requires administrators and policymakers to consider several questions about the costs of wage adjustments, wage scale administration, and wage scale evaluation. Below, we answer common questions about what goes into wage scale cost estimations.

How much will it cost to bring wages up to the wage scale level? The cost of educator wage adjustments pertains to how much money programs need to bring existing educator wages up to the wage floor or wage scale level. Cost estimation modeling is an essential step in understanding these costs. A cost estimation model is a tool used to understand the cost of providing child care in different settings and with different features (e.g., levels of quality).[22] Administrators can build increased wages into the cost estimation model, allowing them to see what the costs would be in different scenarios.

For example, New Mexico's latest cost estimation model for setting child care subsidy rates lays out the per child costs involved in implementing their proposed wage scale for programs accepting subsidies. Costs differ depending on quality ratings, which reflect staff credentials.[23] They explain the rates per child that a provider must charge to achieve the minimum salary indicated in their wage scales if they operate at full capacity and collect full revenue from all families.

How might costs increase once the wage scale is implemented? The financial investment needed for wage scales will depend on the size and characteristics of the workforce, including years of experience and education levels. If wage scale implementation is expected to attract more educators with higher qualifications, programs also need to plan for the associated costs of a workforce that qualifies to earn

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[a] This brief is based on a review of publicly available information on state early childhood agency websites, legislation, CCDF plans, press releases, and evaluation reports as of March 25, 2026.

higher wages. Cost estimates should include changes within the incumbent workforce as well as growth in the workforce overall.

How much will it cost to plan and oversee implementation of the wage scale? The cost of wage scale administration consists of staff time or contract costs to build a wage scale tailored to the local context and develop policies and practices for administering the wage scale (e.g., new or refined approaches to subsidy reimbursements, grants). Estimating administrative costs includes consideration of the systems through which funds are dispensed. For example, states may need to budget funds for a third-party organization to track, send, and verify payments at a fixed annual cost or hire internal staff to handle administration of funds. Legislation for the District of Columbia's Pay Equity Fund (discussed in-depth below) clearly articulates the administrative costs for which the Office of the State Superintendent of Education can be reimbursed (see section 2A of D.C. Act 25-506).[26]

Box 1. Cost Estimation Resources

P5 Fiscal Strategies has several fiscal modeling resources[24] that may be helpful for administrators considering wage scale implementation.

Publicly available tools can also help administrators estimate provider costs, including the Provider Cost of Quality Calculator,[25] developed by the federal Office of Child Care.

States may also want to factor in costs for providers to participate in wage scale implementation. MDRC conducted a cost study of Colorado's teacher salary increase pilot program,[27] finding that administrative costs for programs related to completing applications, adhering to reporting requirements, and administering salary increases were relatively small (less than $200 per teacher). However, it is important to compensate programs for these administrative burdens.

What are the projected costs of communication about wage scale payments? States should budget for media campaigns and other communications associated with getting programs/individuals to opt-in to wage scale programs. For example, states may need to invest in creating flyers, videos, physical mailers, texts, emails, or newsletters informing people about the wage scale program. They may also need to create and distribute wage calculators, tax information, or cost estimation tools.

What level of technical assistance might be necessary to help with implementation? Technical assistance can help programs learn how to administer wage adjustments according to state guidelines. However, providing technical assistance can be costly in terms of staff time and resources and should be accounted for when budgeting costs for wage scale implementation. In complex systems, staffed helplines and other resources may be helpful. If states plan to require programs to allocate funding for staff wage adjustments according to specific criteria, professional development events or webinars may be necessary for accurate payments.

How might administrative costs differ based on method of payment? Payment through employers is often preferable because it ensures that early educators receive a single paycheck that will be counted towards their Social Security earnings. However, sending payments to child care businesses/facilities requires them to take on additional cost burdens, including payroll taxes. Funding to implement the wage scale through this approach should fully cover these additional administrative costs.

Sending payments directly to early educators can reduce administrative costs. However, direct payments require educators to plan for the additional income tax that is not deducted from the direct payment. If educators do not realize that they should reserve a portion of supplemental payments for taxes, they may have trouble paying taxes when they are due. Therefore, funding should include costs to provide outreach and support to prepare early educators to pay the additional tax on their increased income.

The District of Columbia's Pay Equity Fund (discussed below) has used both direct-to-provider and facility-based payments. They initially sent supplemental payments directly to educators, in addition to regular paychecks. In 2024, the District of Columbia shifted to facility-based payments.[28] In facilities that opt-in, early educators see compensation increases in their paychecks (based on their roles and credentials). To address the administrative costs of facility-based payments, the funding amounts are based on a formula that includes an administrative supplement for facility costs related to program participation. For another example of how states have thought through these administrative issues, see New Mexico's report on their plans for a unified early childhood wage scale and career lattice, developed in partnership with the National ECE Workforce Center.[29]

How should wage scale payments be adapted for family child care providers (FCC)? Some states have suggested it may be necessary to provide additional funding for FCCs to meet minimum salary requirements. For example, the District of Columbia's Pay Equity Fund includes an additional "Child Development Home Enhancement," which gives an additional 25 percent of the base award for FCC providers. The documentation for their 2025 funding formula states that FCCs have differing business models than centers and often face greater difficulty operating at fiscally sustainable levels.[30] For that reason, the District of Columbia is directing additional resources to them to meet minimum salary requirements.

How can administrators address the early educators' potential loss of public benefits? Benefits cliffs[31] can arise when someone receiving public assistance accepts wage adjustment payments or when their salary increase impacts the assistance they receive. The new wages could make them ineligible for programs that they rely on for economic stability (e.g., food assistance, housing, health care or child care subsidies) without increasing their income enough to pay these expenses independently. A study of Colorado's 2022 salary increase pilot showed that some participants lost Supplemental Nutrition Assistance Program (SNAP) benefits as their wages increased.[32]

Ideally, programs should provide wages that bring educators up to an income level that allows them to afford benefits without support from public programs or provide benefits that are likely to be lost (e.g., health insurance, child care subsidies). Providing periodic payments to educators instead of direct wage increases can help early educators avoid immediate eligibility recalculations (for programs that restrict participation based on monthly income). However, periodic payments are typically still counted as income and can lead to benefits cliffs. Pairing wage increases with expanded eligibility can help buffer the effects of wage increases. For example, New Mexico has expanded child care subsidy eligibility along with increasing educator wages.[33] Similarly, the District of Columbia has made educators eligible for low-cost health insurance while providing Pay Equity Fund payments.[34]

What data and evaluation costs are projected? Data tracking costs will depend on existing data infrastructure that enables states to track the qualifications and wages of early educators. States with workforce registries can use those systems to estimate payments and track key educator outcomes like turnover. States without these systems will need to implement new data systems and distribute surveys or other data collection instruments to track implementation. Creating statewide ECE workforce data systems typically requires state and federal grants that can provide funding for multiple years.[35]

Evaluation costs are also important to account for in wage scale pilots. It is important to know whether implementation features are working effectively and to understand how the initiative is affecting early educators with different characteristics. Sharing positive results can play a role in expanding and securing sustainable funding. There are no precise rules, but reports on evaluating state programs recommend that states should budget about 15-25 percent of annual program costs for a third-party program evaluation and ongoing data collection.[36] However, these costs will vary based on the evaluation model and the scale of data collection.[37]

Step 2. Identify Current and Available Funding

Despite recognition in the field that wage increases are necessary to increase educator supply, retention, and well-being, it has been difficult to implement wage scales because of the already high cost of child care for parents and insufficient public funding to supplement parent fees. Existing public funding that is currently allocated to ECE is insufficient to cover the costs of providing living or competitive wages for the ECE workforce.[38] State leaders must inventory available funding to find stable revenue sources that they can leverage to support the implementation of the wage scale.[39] This process of taking an inventory of available funding is often referred to as "fiscal mapping."

Fiscal mapping identifies where dollars for ECE programs are coming from, how they are being used, and where opportunities may exist to leverage funding for the wage scale. There are often dozens of federal, state, local, and private funding sources contributing to ECE programs, or that could contribute to ECE programs (see Box 2). State and local budget documents, appropriations bills, program reports, and other related resources all provide information on how money that can be used to finance wage scales is flowing through state systems.

Once the complex funding landscape is clear, system leaders can have conversations about whether the current use of funds aligns with current needs, whether there are inefficiencies, and whether there are existing funding sources that could be expanded. For example, are there existing funding streams that do not spend their full allocations each year and, if so, why? Are different funding streams funding the same efforts? Are all available federal dollars being drawn down?

Historical allocation and expenditure data combined with on-the-ground knowledge of political priorities also enables leaders to develop a reasonable estimate of how much money is likely to be available in the future. This exercise helps identify whether new funding sources (e.g., new taxes) are needed, and if so, how much is necessary to fill gaps. Example fiscal maps and resources for conducting fiscal mapping are available online from organizations such as the Children's Funding Project.[40]

Box 2. Example funding streams for ECE programs

To sustainably fund an early educator wage scale, a diverse mix of public, private, and philanthropic resources can be leveraged. Below, we describe some common and potential sources of funding for ECE workforce wage adjustments.

Head Start/Early Head Start. Head Start delivers preschool and other services to eligible families with children ages 3 to 5 and their families, whereas Early Head Start serves eligible families with children up to age 3. Head Start and Early Head Start—which account for a large share of the funding for ECE—are federally funded child care programs that have specific staff wage requirements. They help fund workforce compensation by setting higher compensation rates than many community-based child care centers. They also provide professional development opportunities for teachers and staff, which can be extended to other members of the ECE workforce through partnerships. States may also use their own funds to contribute towards Head Start and Early Head Start programing.

Child Care and Development Fund (CCDF). The Child Care and Development Block Grant's (CCDBG) CCDF is the largest federal source of ECE funding. CCDF primarily provides states and localities with grants to help subsidize out-of-pocket child care costs for families with low incomes who are working or in school. Designed to encourage family economic self-sufficiency by supporting employment and education among parents with low incomes, CCDF subsidizes the cost of child care for eligible families. CCDF funding can be used to reimburse child care programs at rates that allow them to pay their teachers according to wage scales.

Preschool Development Grants. Preschool Development Grant Birth to Five (PDG B-5) funding is available to states and territories to support early childhood services. PDG B-5 grants are issued as one-year planning grants or three-year renewal grants. Funds support a needs assessment, strategic planning, family engagement, quality improvement, workforce compensation and supports, and direct services for young children. PDG B-5 grants can improve child care and early learning programs by building stronger systems and infrastructure. Funding can be used to improve child care quality and safety, enhance collaboration across the ECE system, conduct needs assessments, and collect data to evaluate and improve programming. In terms of workforce supports, PDG B-5 funds can be used to implement wage scales, expand benefits, issue bonuses or scholarships, and analyze data on compensation and related workforce support efforts.

Medicaid. Medicaid provides health coverage to eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. Medicaid funding can be used to increase compensation for staff working with young children with disabilities (services that fall under Part C of the Individuals with Disabilities Education Act [IDEA]). These funds can be used to improve compensation for home visitors and other staff supporting children with documented disabilities. Although Medicaid funding primarily impacts educators working outside the classroom, it can be applied to teaching staff who meet certain criteria.

Other sources include:

- Individuals with Disabilities Education Act (IDEA)
- Child and Adult Care Food Program
- Community Development Block Grant
- State general fund
- Private foundations
- Parent fees
- Employer contributions

Step 3. Fill the Gap With Additional Revenue Sources

Using insights from steps 1 and 2, administrators can compare costs to existing revenue sources to identify whether there is a gap between the amount of funding currently available and the amount that is needed to implement a wage scale. Increased investments in ECE wage scales should not be covered by reducing other essential services to children and families, so in many cases, there will be a gap that needs to be filled.

The process of securing support for new revenue sources is beyond the scope of this brief. However, after identifying a viable strategy for increasing revenue for wage adjustment payments, administrators must work with members of the executive branch and articulate the importance of additional funding to the legislature. States have justified spending on salary scales by comparing the requested increased spending to the amount the state loses annually due to employees being unable to pay for child care. For example, New Mexico estimates that it loses approximately $589 million in productivity, wages, and revenue due to child care shortages.[41] The following strategies/sources can be considered to fill an identified gap.

State general fund allocations are a key avenue for funding wage scales. During annual budgeting, legislators may assign a specific amount of money from the general fund to be used for early educator wage adjustments. These discretionary funds are helpful because they tend to be more reliable and/or less restrictive than competitive grants, one-time funding, or federal funds. They can also be a way to signal that state leadership views early educator compensation as a core responsibility instead of a temporary initiative. For example, once New Mexico published a unified wage scale and career lattice in 2025, the state allocated approximately $60 million in general funds to implement the wage scale in FY2026. The governor's office has published press releases indicating that funding this work is part of their vision to help educators and families in New Mexico achieve health, learning, and well-being.[42,43] One of the drawbacks of relying only on discretionary funds from state general fund allocations is that they are subject to state budgeting process, which may not account for rising program costs or the costs of quality. The District of Columbia's Pay Equity Fund faced funding cuts after the first two years of the program, necessitating changes in the size and scope of payments.[44]

Specific ECE accounts or trusts can offer protected funding. A handful of states (i.e., Connecticut, New Mexico, Montana, the District of Columbia) have dedicated trusts or endowments[45] for early childhood program investments. Typically, these funds are state-managed and initially funded with allocations from the state general fund. They can only be used for specific purposes, such as expanding access to child care or increasing compensation for early educators. Funds are commonly disbursed in the form of grants to ECE programs and are more insulated from changing political priorities.

Dedicated funds, sometimes called special funds, are funds collected from one revenue source that must be appropriated for a specific expenditure, in accordance with state law. Some sources of revenue that states and localities can use to generate funding for wage increases include corporate and business taxes, estate and inheritance taxes, personal income taxes, property taxes, sales taxes, excise or sin taxes (e.g., alcohol, lottery, tobacco), special district government taxes, and other county/jurisdiction-based taxes or fees.[46,b] Initiating and implementing new taxes is complicated and involves collaboration between early childhood agency administrators, advocacy organizations, program and budget administrators, and state legislators. However, as we discuss below, states that have successfully bolstered their funds for salary increases have leaned on tax increases to secure the necessary funds. Leading scholars of financing investments in the ECE workforce advise decision makers to pursue stability by selecting a tax base that can generate substantial revenue, one that will be stable and increase with the growth of the population and average wages. Voter approval may be required to create new taxes, increase tax rates, or approve special levies or bond measures. Some states allow ballot measures or initiatives where voters can approve or reject changes in taxes. The National Academies of Sciences, Engineering, and Medicine recommend that decision makers focus on broad-based taxes that can generate substantial revenue with relatively low tax rates and, ultimately, pursue fairness by distributing the tax burden in line with taxpayers' ability to pay.[47]

Public-private partnerships offer additional opportunities for funding, such as businesses contributing through corporate social responsibility initiatives and foundations supporting wage adjustments. Employers can also contribute to the costs of child care through tri-share programs, which split child care costs between the employee, the employer, and the government. For example, Michigan's Tri-Share Program[48] enables eligible employees at participating employers to pay one third of the cost of child care, with the state and the employer covering the remaining two thirds equally. Throughout the state, there are several organizations that serve as hubs to facilitate the receipt of contributions and process payments to child care providers. This program provides child care assistance to parents that would not qualify for traditional child care subsidies and can help provide higher wages for providers.

[b] For a breakdown of typical sources of revenue for state and local governments see the Tax Policy Briefing Book, a product of the Urban Institute.

Financing Examples

Below, we discuss funding in states that are currently administering programs that dispense funding to cover the difference between salaries indicated by ECE wage scales and early educators' actual salaries. Although none of the programs below represent full implementation of an ECE wage scale, they are useful examples of how states and localities can secure more funding for wage adjustments for early educators.

District of Columbia (DC):

In 2021, the DC council passed legislation[49] to create an **Early Childhood Educator Pay Equity Fund (PEF)** to "increase the minimum compensation for employees of early childhood development providers" and to pay "agency administrative costs" associated with increasing minimum compensation pursuant to the salary scale passed or approved by the council. Teachers and assistant teachers can receive PEF payments if they work over a certain number of hours per week in a licensed program that agrees to participate in the PEF.

Originally, payments went straight to individual child care teachers. However, starting in 2024, the payments were made to licensed programs based on a formula that factored in wage scales for minimum salaries.[50] Child care providers participating in the PEF must pay their teachers and assistant teachers wages that meet or exceed minimum salaries. This means teachers receive one regular paycheck, not one-time bonuses or lump-sum payments.

The PEF is still functioning as of 2026. However, it was underfunded in the FY2026 budget. To keep the program operational, administrators have lowered the required pay rates for assistant and lead teachers, implemented waitlists, and reduced base awards for part-time educators.[51] Despite these challenges, the PEF is a valuable example of a wage scale program that serves educators in community-based facilities. Evaluations show that the payments increase wages and reduce turnover, with social and economic benefits exceeding costs.[52]

Key Funding Sources

- **Tax on high-income earners (wealth tax).** The PEF is primarily funded by a tax on individuals with annual incomes over $250,000. The tax rate is 9.25 percent of the excess over $250,000 (an increase of .75%). For income between $500,000 to $1 million, the tax rate is 9.75 percent of the excess over $500,000 (an increase of 1%). For income over $1 million, the tax rate is 10.75 percent of the excess over $1 million (an increase of 1.8%). DC residents did not have to vote on the "wealth tax;" the necessary tax code changes were approved by the DC Council.
- **Local funds**. The PEF receives contributions through appropriations from the city's budget, with specific amounts allocated each fiscal year. Funds from the PEF that are not used must remain in the fund and are not returned to the general pool.
- **Public-private partnerships** were used to fund several evaluations. For example, philanthropic organizations including the Bezos Family Foundation, Klingenstein Philanthropies, and DC Action funded an evaluation by Mathematica, which showed a 23 percent return on investment for the state, as well as a 7 percent increase in child care employment (an increase in the supply of teachers and child care slots).[53]
- **Federal Child Care Policy Research Partnership** grant activities also supported evaluation efforts. As part of the federal grant, the Urban Institute evaluated the implementation of the PEF.[54]

New Mexico:

New Mexico has moved toward broad implementation of an ECE wage scale. In 2025, the state increased minimum salaries for public pre-K teachers and enabled pay parity for community-based pre-K teachers.[55] As of 2026, New Mexico has two programs that provide wage adjustments for early educators in line with a defined salary scale: The infant-toddler pay parity program[56] and the pre-K parity program.[57] Both programs allow educators to apply to receive additional compensation comparable to educators working in a public-school setting. They provide monthly payments to make up the difference between wage scale payment levels and the yearly wages paid by educators' employers.

In 2027, New Mexico will be implementing a sweeping wage scale in their new universal child care program. There will be a state investment of close to $200 million for child care assistance and for the development and implementation of New Mexico's new early childhood wage scale and career ladder.[58,59,60] New Mexico worked with the National ECE Workforce Center to create a unified wage scale and career lattice framework,[61] which provides updated aspirational salaries for early educators and other early childhood professionals based on roles, competencies, and qualifications/experience.

The legislation that provides funding for the universal child care program (SB 241) includes fiscal safeguards to ensure sustainability, including co-pay adjustments and waitlists.[62] If inflation spikes or oil revenues decline to certain levels, the state will require families with higher incomes to pay a larger share of their children's child care tuition. In addition, if demand for child care exceeds funding, they will implement waitlists.

Key Funding Sources

- **Land Grant Permanent Fund:** A 2022 constitutional amendment (approved through a ballot measure[63]) allowed New Mexico to allocate an additional 1.25 percent annual distribution from the Land Grant Permanent Fund to support early childhood education, generating approximately $100 million annually. This fund has been and will be used to finance upcoming early educator salary increases. It is primarily funded through oil and gas revenues.
- **Early Childhood Trust Fund:** Parity and wage scale efforts in New Mexico are primarily funded through the Early Childhood Trust Fund, which was created in 2020 to fund early childhood programming (see HB 83).[64] The fund was launched with general fund appropriations and will be sustained by oil and gas revenues as well as revenue from federal mineral leasing. The fund generates investment earnings that can sustain ECE programs over time.

Oregon

Oregon's Early Learning Council (ELC) published minimum and target salary guidelines for early childhood educators as part of their statewide early learning system planning, called Raise Up Oregon, in 2019.[65] The statewide plan called for the creation of early educator compensation requirements that aligned with kindergarten educator compensation across publicly funded ECE programs. Although the state has not enacted a broad early learning salary scale, Oregon requires participants in two grant-funded early learning programs provide lead teachers and teaching assistants with salaries that meet minimum salary requirements established by the ELC.

Oregon Prenatal to Kindergarten (OPK)[66] is a state-funded program that expands Head Start services to more families in Oregon through community-based child care centers and family child care programs for children 0-5.[67] Child care programs apply to receive OPK grants and, if awarded, must agree to follow Head Start Program Performance Standards,[68] serve eligible children/families, and provide specific training and wages to teachers. Programs must agree to pay lead and assistant teachers wages that meet the minimums set by the Early Learning Council.[69]

The Preschool Promise Program[70] is a free, publicly funded high-quality preschool program available to Oregon families with incomes at or below 200% of the federal poverty level (FPL). The program serves children ages 3-5 using a mixed-delivery model (including center-based child care, family child care programs, and schools). To receive Preschool Promise grants, programs must agree to pay teachers wages that meet the minimums set by the ELC.[71] Programs are required to participate in SPARK, Oregon's Quality Rating and Improvement System, to be eligible for Preschool Promise.

Key Funding Sources

- **State General Fund:** Preschool Promise and OPK are funded through state general fund dollars.
- **Corporate Activity Tax (CAT) directed to the Early Learning Account:** Oregon has a broad tax on businesses whose proceeds are distributed among education accounts, including the Early Learning Account. Commercial activities are taxed at .57 percent for businesses that have over $1 million in commercial activity.[72] At least 20 percent of revenues are directed to the Early Learning Account.

Ongoing Practical and Theoretical Issues With Wage Scale Funding

Although the states profiled in this brief are making important strides in funding wage scales for early educators, other than New Mexico, most are still only funding wage adjustments for certain segments of the ECE workforce, and benchmarks for pay parity are aligned with salaries of the lowest paid public school educators. In addition, states still struggle to secure funding due to differing views on the appropriateness of public funding for child care. Below, we discuss some ongoing issues and considerations for states that plan to implement and fund wage scales.

Are current wage scales adequately increasing compensation? A 2022 piece on Oregon's wage scale efforts noted that staff in Oregon found kindergarten pay to be a problematic benchmark, given that kindergarten teachers receive the lowest levels of pay within the K-12 system.[73] They also noted that despite pay increases through wage scales, pre-K teachers still face significant inequities with respect to overall compensation. Notably, they lack access to benefits such as health insurance and retirement programs that are offered to K-12 teachers in the public education system. Evidence from the District of Columbia's Pay Equity Fund shows the efficacy of their initial payment levels.[74] More work is needed to determine what level of compensation is effective in reducing turnover and increasing child care supply and quality.

Which groups or programs are currently included in wage scales, and which ones are left out? Given the complexities of requiring private child care programs to pay specific wages, many wage scales are limited to publicly funded programs such as pre-K. Infant/ toddler educators in privately funded settings make lower wages than those who serve older children and those in publicly funded programs (e.g., Head Start, public pre-K).[75] However, they are often left out of wage scale initiatives because of the complexity of providing them with state-funded salary adjustments.

Many states also limit wage adjustments to teachers in programs that meet certain criteria, such as participating in quality rating and improvement systems (QRIS) or having certain QRIS ratings. It is common for states to require community-based programs participating in mixed-delivery pre-K to be part of the QRIS and to achieve a specific rating level (see Oregon's program requirements for an example).[76]

Some states, including District of Columbia and New Mexico, have offered broad wage scale pay adjustments for teachers and staff in licensed child care programs. New Mexico implemented universal child care in November 2025. The new initiative, established under regulatory changes in the Child Care Assistance Program Act, provides child care subsidies for working families regardless of income.[77,78]

Approximately 5,000 early educators are needed to staff the universal system. The state is hoping to attract more educators by launching statewide recruitment campaigns and raising subsidy reimbursement rates. Programs that agree to pay entry-level staff a minimum of $18 per hour will receive higher "incentive" reimbursement rates.[79] Legislators are currently working to define long-term funding mechanisms for these incentive reimbursement rates.[80]

How durable are the revenue sources? Revenue sources vary in how durable or sustainable they are. As previously noted, some require regular legislative approval through appropriation, which can lead to changes and gaps in funding. Other sources are necessarily time limited, including federal COVID-19 relief funding or may not be sustainable due to fluctuations and overall reductions in spending in this category, including narrowly defined excise taxes (e.g., tobacco taxes)[81]. For each revenue source, different infrastructure and planning is needed to ensure that funds raised are accessible and sufficient year after year.

Remaining Research-to-Practice Gaps

Although wage scale funding is a prominent issue in the ECE field, relatively little empirical research has addressed the implementation and effectiveness of wage scale efforts. Most existing studies have focused on the effects of wage-increase pilot programs for small groups of educators.[82] Evidence regarding large-scale implementation and effectiveness mostly comes from the District of Columbia's Pay Equity Fund, which has a unique structure.[83,84] Future research should address the following questions:

- Does bringing wages up to scale guidelines influence turnover and retention? How does this vary by ECE setting, educator demographics, and role?
- How does access to wage scale adjustments vary by provider type? Are FCCs and other community-based programs being included in initiatives to increase wages?
- How do early educator experiences differ in wage scale initiatives that direct funding to programs versus those that direct funding to individuals? Which option is least burdensome? What additional administrative costs or tax implications are associated with each funding type?
- To what extent are participants in wage scale programs encountering benefits cliffs? How can states or localities protect individuals from being worse off financially when they receive higher wages that are not high enough to offset the loss of benefits?
- How are states or localities increasing the wages of educators outside of state pre-K or their subsidy system? The D.C. Pay Equity Fund offers one example; are there other potential options?
- What is the role of the business community or employer-sponsored child care in supporting increased wages? How have communities forged partnerships with businesses to fund wage scale implementation?

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The National Early Care and Education (ECE) Workforce Center is a joint research and technical assistance center that equips state and local leaders to drive change in ECE workforce policy. To learn more about the center, please visit our website https://www.nationaleceworkforcecenter.org/.

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