

Evaluating ECEC Funding Mechanisms			
Mechanism	Pros	Cons	When is this mechanism most appropriate? (e.g., for whom, in what context, with what guardrails, for which programs, etc.)
Competitive bid Programs apply for funds, which are awarded based on quality of application and any priority areas.	<ul style="list-style-type: none"> Funds may be sent to non-governmental entities Quality and accountability requirements can be written into the RFP Priority can be given to high-need communities Can be weighted to support equitable distribution of resources 	<ul style="list-style-type: none"> Privileges communities with resources to successfully apply for funding Short timeline creates environment of uncertainty Delayed timeline can result in RIFs and rehires Very difficult to construct a good competition/RFP—unintended outcomes abound 	

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<p>Certificate / voucher</p> <p>Families apply for eligibility, and funds for each child are sent directly to the provider. There may be a co-pay.</p>	<ul style="list-style-type: none"> • Greater flexibility in allocating resources across a large number of providers • Readily supports subsidized children being served together with private pay children • Accommodates for-profit providers in a straightforward way 	<ul style="list-style-type: none"> • Process can be burdensome for families and providers • Child-by-child funding disincentivizes provider spending on compensation or CQI • More challenging to apply accountability requirements 	

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<p>Formula</p> <p>Per child or per classroom rates are set by local/state level and funds are automatically awarded to programs.</p>	<ul style="list-style-type: none"> • Stability for providers supports long term planning • Can be calculated to support equitable distribution of resources • Can support varied expectations for local contribution to program 	<ul style="list-style-type: none"> • More challenging to incorporate community need and context into allocations • More challenging to apply accountability requirements • More challenging to send funds to non-governmental entities 	

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Tuition / fee for service / co-pay Families pay a portion or all of the cost of ECEC for their child.	<ul style="list-style-type: none"> Providers can collect payment directly from families Can supplement public funds received by a provider 	<ul style="list-style-type: none"> Can be prohibitively expensive for low- and middle-income families Incentivizes lowest quality parents will accept 	

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Non-appropriated funding Funds are allocated and distributed by an entity other than the State of Illinois.	<ul style="list-style-type: none">• Diverse revenue streams can help weather fluctuations in state appropriations• Local funds can supplement limited state funds targeted toward equitable distribution	<ul style="list-style-type: none">• Limited state authority or flexibility over funding allocation or distribution	

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Tax credits/shelters Funds are distributed back to businesses or families via credits to (or reductions in) taxes owed/paid.	<ul style="list-style-type: none">Flexibility of refund means families can use windfall to pay off	<ul style="list-style-type: none">Annual distribution means families rarely plan around themOnly Child Tax Credit is partially refundableCurrent credits determined at the federal levelDeductions favor higher-income families	