| Evaluating ECEC Funding Mechanisms | | | |
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| 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. | * 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 | * 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 |  |
| **Certificate / voucher**  Families apply for eligibility, and funds for each child are sent directly to the provider. There may be a co-pay. | * 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 | * 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 |  |
| **Formula**  Per child or per classroom rates are set by local/state level and funds are automatically awarded to programs. | * 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 | * 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 |  |
| **Tuition / fee for service / co-pay**  Families pay a portion or all of the cost of ECEC for their child. | * Providers can collect payment directly from families * Can supplement public funds received by a provider | * Can be prohibitively expensive for low- and middle-income families * Incents lowest quality parents will accept |  |
| **Non-appropriated funding**  Funds are allocated and distributed by an entity other than the State of Illinois. | * Diverse revenue streams can help weather fluctuations in state appropriations * Local funds can supplement limited state funds targeted toward equitable distribution | * Limited state authority or flexibility over funding allocation or distribution |  |
| **Tax credits/shelters**  Funds are distributed back to businesses or families via credits to (or reductions in) taxes owed/paid. | * Flexibility of refund means families can use windfall to pay off | * Annual distribution means families rarely plan around them * Only Child Tax Credit is partially refundable * Current credits determined at the federal level * Deductions favor higher-income families |  |