**Funding Mechanisms Recommendations: Pulled from the Report Outline**

**Recommendation: Centralize and coordinate Illinois’ ECEC funding system.**

* 1. The Commission is recommending that the early childhood education and care funding sources be administered and leveraged together in a centralized process and distributed from the state in new ways.
     1. This would be different from the current ECEC funding mechanism, which is spread across three different state agencies and the Governor's Office of Early Childhood Development, which leads to different polices and processes that providers must follow and different funding systems that do not operate on a unified strategy. [*Include “spaghetti” chart showing current system governance and organization of funding distribution.*]
     2. A centralized system will allow policy makers and state leadership to send money to where it is most needed, and it will provide for greater predictability and stability for providers, inherently creating better services for children.
  2. Funding sources to be centralized & coordinated ($X billion of the $1.9 billion)
     1. Early Childhood Block Grant (State General Revenue)
     2. Child Care Assistance Program (State General Revenue, federal Child Care Development Fund, federal Temporary Aid to Needy Families transfer portion)
     3. Parents Too Soon (State General Revenue)
     4. Healthy Families Illinois (State General Revenue)
     5. Maternal, Infant, and Early Childhood Home Visiting (federal)
  3. Funding distribution to be conducted in new ways
     1. Direct distribution to service providers to cover the following services or some combination therein:
        1. education and care,
        2. home visiting
        3. program incubation
        4. program start-up
     2. Direct distribution to service providers or to local or regional support entities to cover the following services or some combination therein:
        1. program incubation
        2. workforce and professional development
        3. training and technical assistance
        4. community systems development
        5. data collection and analysis
        6. family and community engagement
  4. Funding allocation to be conducted in new ways
     1. To create more stability and consistency for providers receiving funds from the State, so that they can better offer services to families, and
     2. To create more transparency in service of equity in the state’s ECEC funding system, something the current fragmented ECEC funding system simply cannot do
  5. Thus, the Commission is recommending that the State transition to a system of weighted formula-based grants and multi-year contracts to administer centralized early childhood education and care funds.
     1. Education & Care and Home Visiting
        1. Based on per-child or per-classroom formulas that are weighted to more equitably support children and communities with a need for greater investment.
        2. Funds could be distributed in advance based on projected enrollments with periodic true ups based on actual enrollments, alleviating significant cash flow burden on providers
        3. Funds could be distributed through longer-term, multi-year contracts that can be reauthorized based on uniform accountability standards rather than recompeted every few years.
        4. Funding amounts for support services could be lump sum amounts based on services to be provided
     2. Program Incubation & Start-Up
        1. Grants to support expansion of high-quality services could be made available to providers through targeted, equity-informed Requests for Proposal or other applications.
        2. Grants should be targeted to communities in the state that have not seen sufficient investment and resources and so do not have sufficient high-quality services.
  6. Providers will attain better fiscal health, stability, and ability to plan their services - ultimately providing a more stable environment for children and families:
     1. Stable, predictable sources of funding mean providers are more likely to stay in business, invest in quality, and be assured of timely payments
     2. More providers may work with the state and thus provide services to eligible families
     3. An equitable distribution of funding that does not privilege those providers with the resources necessary to maneuver a complex funding process can ensure more opportunities for children and families to access services
     4. Less time spent on administrative burden and more time focusing on the core mission - serving young children
  7. Further, the State will attain greater capacity to equitably distribute funding and to understand how all public ECEC funds are invested to support children and families in the state.
  8. This transition must take place slowly and deliberately, over many years as the system becomes more adequately funded, and with significant input from providers and other stakeholders along the way. The transition should begin with those providers that serve primarily low-income families and receive most of their revenue from public sources.
  9. Bring this back to the profiled families and providers - how does this funding distribution change impact their experience, specifically.
  10. To foster equity in the early childhood education and care system, the State must support equitable access to high-quality Early Intervention and Early Childhood Special Education services. More study is urgently needed to determine which funding mechanisms can best support this equitable access.
      1. These programs are intertwined with other systems (such as K-12, Medicaid, and local funding streams) and subject to significant federal law and oversight
      2. Recommendations require involvement of a greater number of members of the field to evaluate more dramatic changes to the system.
      3. For inclusion, funding mechanism and funding goals should be written such that all children who are eligible for services should be able to receive them in a way that meets their needs and the needs of their families
      4. The State must further define how to best provide Early Childhood Special Education services for children ages 3-5 wherever they are in the mixed delivery system, at the location of family choices and informed by their Individualized Education Plan team.
      5. The State must define the funding mechanism parameters that transparently and effectively support providers in offering a continuum of services to meet child and family need in a high-quality setting for children with disabilities and typically developing children.
      6. While this further study is underway, state appropriations for Early Childhood Special Education should remain in the K-12 Evidence-Based Funding Formula with the ultimate goal of integration into a single, unified ECEC system as soon as is feasible.
         1. Meanwhile, the Commission recommends that the ECSE component of the K-12 Evidence-Based Funding formula be corrected to fully reflect adequate cost
      7. The State must evaluate options for an Early Intervention system of payments that can incentivize smooth, equitable family service delivery and effective collaboration, effectively recruit and retain qualified service providers, and promote smooth transitions between programs.
      8. These recommendations indicate progress made on cataloguing and synthesizing both challenges within the current funding mechanisms for these two services and the potential downstream effects of any large-scale changes to those funding mechanisms.