



Commission on Equitable Early Childhood Education and Care Funding

Funding Mechanism
Working Group Meeting

March 2, 2020

Funding Mechanism Working Group

Work Plan and Timeline

Approximate Timeline	Topics
February (complete)	<ul style="list-style-type: none">• Validate Work Plan and Timeline• Understand current mechanisms
March 2 (today)	<ul style="list-style-type: none">• Review research available to inform recommendations, including other states• Develop future system requirements
April 7	<ul style="list-style-type: none">• Analyze future system options
May 4	<ul style="list-style-type: none">• Discuss interdependencies with Management & Oversight Working Group and validate potential recommendations
June 8	<ul style="list-style-type: none">• Develop initial recommendation package and implementation considerations
July / August	<ul style="list-style-type: none">• Respond to Commission feedback and inquiry

Today's Agenda

Item	Time
Reminders of our working group's charge	2:00 - 2:10
Process for getting to our recommendations	2:10 - 2:15
Defining our objectives	2:15 - 2:45
Evaluating mechanisms today	2:45 - 3:45
Next steps	3:45 - 3:55
Public Comment	3:55 - 4:00

Funding Mechanism Working Group Charge

Goal: *recommend improved funding mechanisms to move funding from various sources to recipients, in alignment with Guiding Principles*

Key Questions to Answer:

- How can **funding mechanisms be improved** to support the Commission's guiding principles?
- What **funding innovations** could increase efficiency of existing funding?
- **How will funding move** from various sources to recipients?
- How will **recipients of funding be determined**?
- How do funding systems/structures **interact with accountability systems/structures**?

What do we mean by “funding mechanism”?

Funding Mechanism:

The process by which money appropriated for ECEC services is distributed to fund ECEC services.

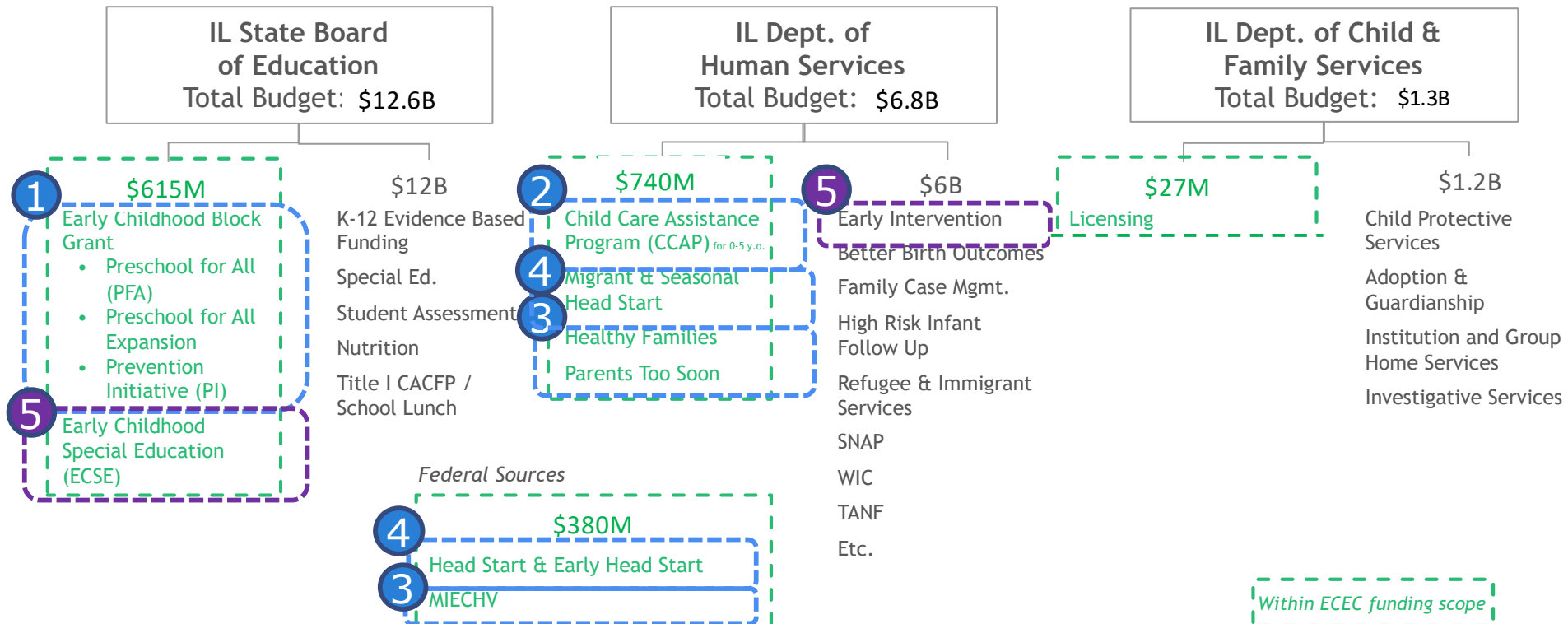
Funding mechanisms in use for Illinois ECEC include:

1. Competitive bid
2. Certificate/Voucher
3. Tuition/Fee-for-service/Co-Pay
4. Formula
5. Non-appropriated funding
6. Tax credits

Reminder: Four major categories of services within scope + informed by Inclusion working group

1. Early Childhood Block Grant
2. Child Care Assistance Program
3. Home Visiting
4. Head Start
5. Inclusion

2020 allocations



Commission's Guiding Principles

High Quality ECEC is a Public Priority

- It should be invested in as such as this is critical to our State's workforce, economy, and welfare of its residents.

Promote Equity

- We will endorse a system that promotes equitable outcomes for children, with intentional focus on race, ethnicity, culture, language, income, children's individual needs, and geography

Embrace Bold System-Level Changes

- Everything is on the table, including how funding flows, how funding decisions are made, and who makes them, to better serve all children and families

Build Upon the Solid Foundation

- We will build upon the successes of Illinois' past and current system, its commitment to a prenatal to 5 system, the lessons from other states, and the expertise and research in the field

Prioritize Family Perspectives, Needs, and Choices

- We will prioritize families' perspectives, needs, and choices as we make recommendations to improve the system

Design for Stability and Sustainability

- We recognize our system must provide funding stability for providers, educators, and staff across mixed delivery settings to better serve families

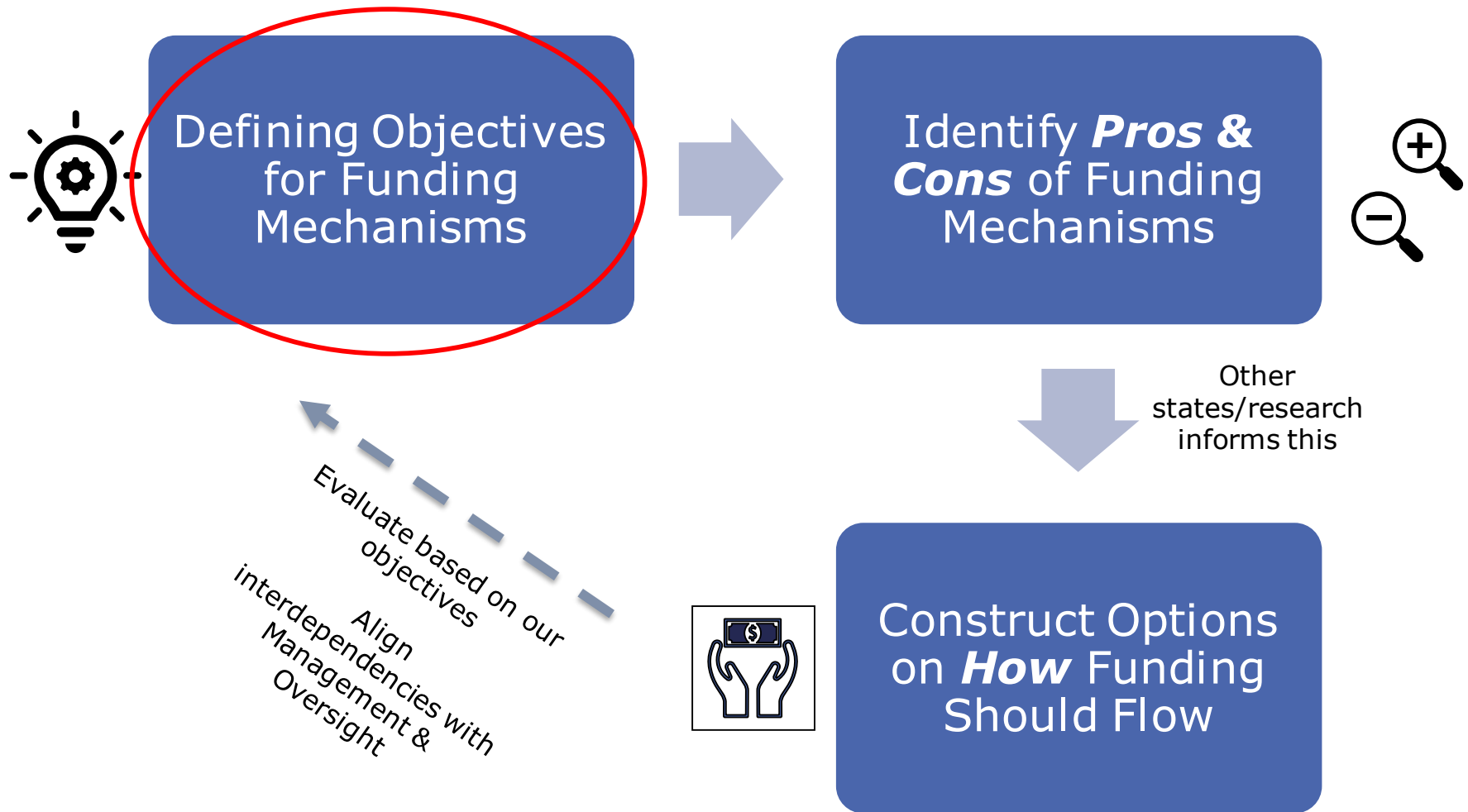
Require System Transparency, Efficiency, and Accountability

- We see these as necessary conditions for all stakeholders, funding distributors, and funding recipients for any future ECEC funding structure

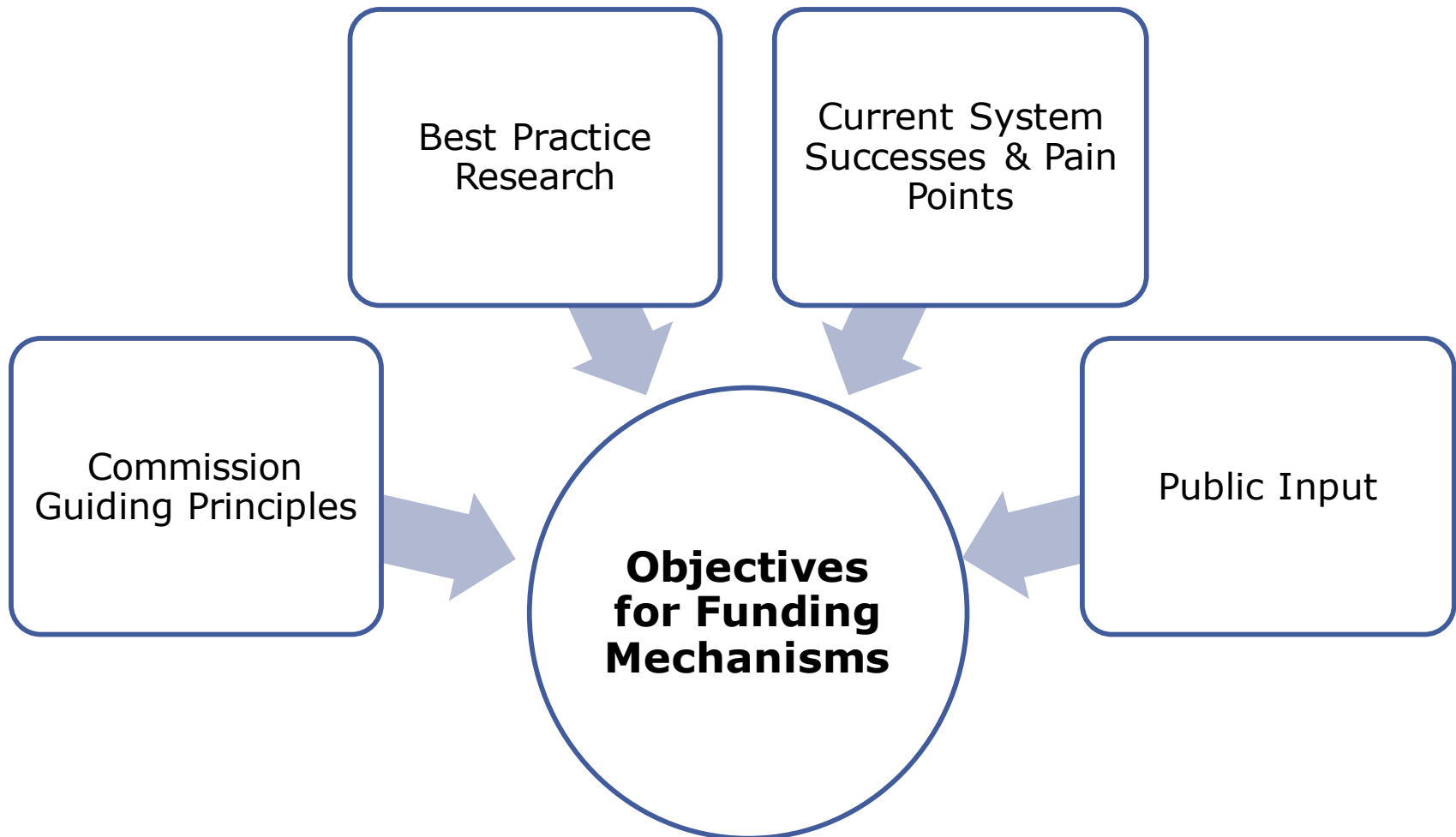
Recognize Implementation Realities

- We will plan for meaningful change over a multi-year time horizon

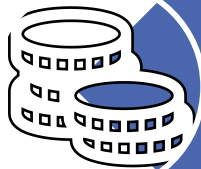
Process: How We Get to Funding Mechanism Recommendations



Informing our Objectives for Funding Mechanisms



We landed here for objectives of funding mechanisms – any modifications?



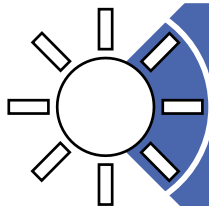
Stability and sustainability

- Support long term planning with funding allocation commitment durations
- Release funds to service providers predictably with consideration to annual planning
- Use state and local infrastructural capacity to support ECEC services



Equitable access to high quality ECEC

- Allocation methods prioritize equitable distribution of and access to services
- Support and incentivize high-quality, effective service delivery
- Specific consideration for program start-up, maintenance, innovation, and CQI



Transparency, accountability, and efficiency

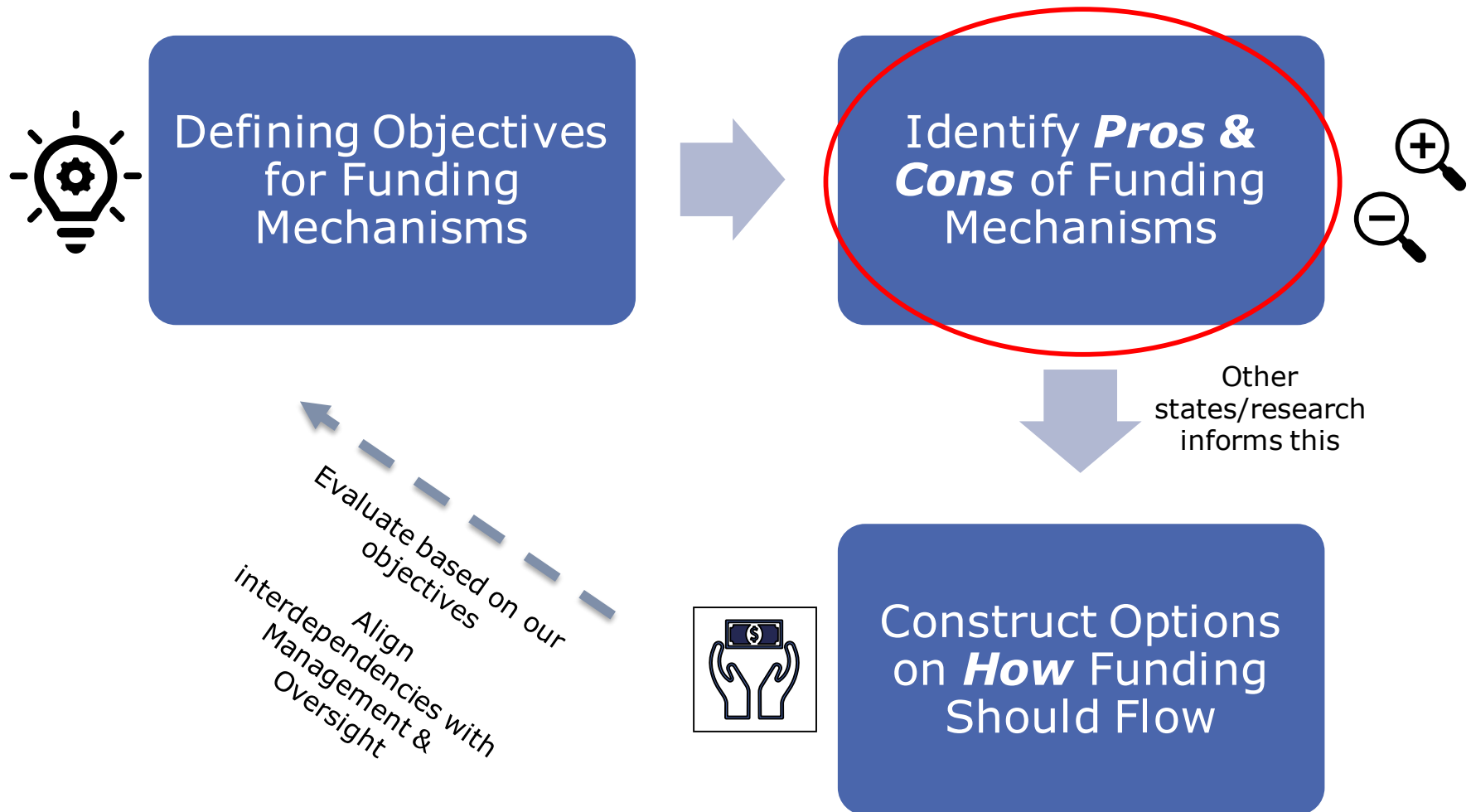
- Clear, accessible communication on allocation process across the ECEC system
- Make clear how mechanisms are monitored and overseen
- Unify or sync funding distribution timelines



Responsiveness to community and family need

- Funding allocation considers individual community needs and context
- Incentivize flexible use of funds to meet community needs and context

Process: How We Get to Funding Mechanism Recommendations



Evaluating current funding mechanisms



Reminder: Funding mechanisms in use for Illinois ECEC include:

1. Competitive bid
2. Certificate/Voucher
3. Tuition/Fee-for-service/Co-Pay
4. Formula
5. Non-appropriated funding
6. Tax credits

What are we learning from research?



What key insights did you gain from pre-reads or other research about...

- the types of mechanisms?
- the aggregation or disaggregation of funding?

Washington

Where they stand out:



Unified
governance



Integrated
systems &
reporting



Quality



Capacity
building

In 2019, Washington consolidated all programming from birth to adolescence under unified Department of Children, Youth, & Families

State focuses heavily on quality, scoring 8 / 10 on the NIEER quality benchmark...

...but only provides State-funded pre-K program to 42% of 3 & 4 year olds at or below 185% the FPL

Total pre-K funding per child in top quartile across the U.S. with total spending per child of \$8.8K for 2018, with nationwide avg. of \$6K

What is Washington's Department of Children, Youth, & Families?

- In 2016, a commission recommended a cabinet level agency be created to oversee the delivery of services to children & families - now named the Department of Children, Youth & Families (DCYF), combining:
 - Children's Administration (CA), Juvenile Rehab (JRA), & Office of Juvenile Justice (formerly under the Department of Social & Health Services)
 - Early education including Pre-K & the licensing and monitoring of child care facilities, (formerly the Department of Early Learning, DEL)

Why is it special?

- The Department of Children, Youth, & Families is the most comprehensive unified model across states covering a child from birth through adolescence
- Focused on preventative vs. reactive methods of caring for at risk children

What can we learn for Illinois?

- **The Report to the Legislature Early Learning Compensation Rates Comparison published in January 2015 reports:**
 - **"In the Full School Day and Extended Day models, state ECEAP dollars (Part Day rate) and Working Connections Child Care (WCCC) subsidy dollars are layered at DEL and provided in a single contract to each ECEAP contractor. This innovative funding strategy allows for increased continuity of care and reduces the administrative burden to ECEAP contractors.**
 - **Awards are made based on a 2-year cycle**
 - **Contracts are renewed annually**
 - **Providers continue as long as they are meeting requirements**
- Consolidation effort requires strong support & comprehensive efforts from the governor, state legislature, & state employees
- Success requires an organizational structure that is well defined with clear roles & responsibilities across functions
- A centralized data collection & reporting system is a necessary component of an integrated early care & education network
 - Supports providing care across multiple dimensions (e.g. tracking families across circumstances, age groups, etc.)
- Communicate changes tied to transition as any changes may be seen as directly related to the consolidation (e.g. child care providers in Washington & updated certification regulations)

Michigan

Where they stand out:



Equitable
fund
disbursement



Integrated
systems &
reporting



Quality

Michigan has focused on providing access to quality pre-K for 4 year olds

100% of low-income 4 year olds had access in 2018, with funding at \$6.5K / child vs. the avg. of \$6K nationally

Michigan pre-K received 10/10 on NIEER quality benchmark supported by a robust quality improvement system...

...but, few investments made in child care for 0-3 year olds and no program offered for 3 year old pre-K

Dedicated funding formula introduced for the 2017-2018 year

What is the Great Start to Quality (GSQ) system?

- GSQ is a 5-level tiered ranking measuring the quality of early childhood programs and providers using ~40 quality indicators across 5 categories rated 1-5
 - Staff Qualifications & Professional Development; Family & Community Partnerships; Administration & management; Environment; Curriculum & Instruction

What has made Michigan successful with 4 year olds?

- GSQ increases quality through aligning monetary incentives with quality, consistent ratings system, & directed investment on where it's needed
 - e.g. 5 star provider reimbursed higher amount than 1 star
 - Families can see which providers are available & what their quality rating is
 - The Office of Great Start can review ratings & and dispatch resources to help build up the quality in certain geographies that are lagging
- **Great Start Readiness Funding Formula allows shifting of resources**
 - **Uses district level incomes, property wealth, & other risk factors to allocate funds**

What can we learn for Illinois?

- Tying quality to reimbursement rates has helped boost the percentage of children receiving higher quality early learning & care as providers are incentivized to improve care
- A standardized, detailed view of quality across providers provides for the ability to implement data-driven quality improvement programming that best serves the children of the state
 - e.g. admins can review quality indicators to look for state-wide or regional trends impacting quality & pilot improvement programs to assist providers
- A funding formula methodology creates more stable funding source as funding is automatically disbursed vs. annual fluctuations in general state appropriations

Georgia

Where they stand out:



Equitable
fund
disbursement



Integrated
systems &
reporting



Quality



Capacity
building

In 1995, Georgia launched universal 4 yr. old pre-K statewide for any families that want to participate in the program, currently 100% of all low-income 4 yr. olds are served

Georgia is able to provide high quality pre-K evidenced by the 8/10 score on the NIEER quality benchmark...

...and do so even though funding per child at \$4K is well below the nationwide avg of \$6K

Though they are top of the pack for pre-K, the state has failed to provide high quality access in child care for 0-3 yr. olds, but recent budget increases are a promising sign of change

What is Georgia's Universal Pre-K?

- Georgia Department of Early Care & Learning oversees the program
- Universal pre-K has grown every year since inception (access increased by 8 percentage points for 4 yr. olds since 2002)
- Program supports salary parity with K-12 teachers
- State lottery revenues fund the program
- Conducted in a variety of settings: public school systems, private providers and blended Head Start/pre-k classrooms
- Program showed 12% score gains across language & literacy, mathematics, general knowledge & behavioral skills for enrolled 4 year olds

Why is it successful?

- Lottery revenue enables the program to bypass traditional annual state / federal appropriations which can be volatile, difficult to plan around, create confusion
 - e.g. planning for workforce requirements, number of slots, etc.
- Guidelines for instruction are standardized across the state with standard curriculum and assessment tools utilized
- States welcomes regular research on the program it can use to enhance the program

What can we learn for Illinois?

- Non-traditional funding streams can provide stability and boost the amount spent on a per child basis
 - By blending a lottery revenue (or similar) with state & federal dollars, quality can be improved while also providing reasonable salaries for teacher
- Including private non-profit and for-profit providers increases capacity

North Carolina

Where they stand out:



Unified governance



Integrated systems & reporting



Quality



Capacity building

North Carolina had the first comprehensive early care & education system based on public / private partnerships in the U.S., bolstered by integrated IT across programming

State prides itself on quality, scoring 8 / 10 on the NIEER quality benchmark...

...but only provides state-funded pre-K to 76% of 3 & 4 year olds that at or below 185% of the FPL

Total pre-K funding per child in top quartile at \$8.5K for 2018, with nationwide avg. of \$6K

What is Smart Start?

- Smart Start is organized around 75 nonprofit partnerships across all 100 counties, administering public / private providers of child care & pre-k
- A nonprofit organization, North Carolina Partnership for Children (NCPC) is the overseeing body, serving ~24K children (excluding pre-k assistance)
- 2017-2018 funding of ~\$180M through the Department of Health & Human Services (\$142M) & through charitable donations (\$39M), **allocated to the local partnerships based on a statewide formula**

Results have been promising

- Areas served by Smart Start or similar programs saw increased reading & math scores across 3rd, 4th, & 5th grade
- Reduced special education placements by 10% in 3rd, 4th, & 5th grade for Smart Start counties; every \$100 a county spent on Smart Start, special education placements dropped by ~1% across the county
- Counties served by Smart Start found children in 5th grade were 13% less likely to be held back

Why is it successful?

- Smart Start utilizes non-traditional funding & programming streams to build the capacity & improve quality of programming
 - Provides support to care providers to improve state quality rating which are tied to reimbursement rates
 - Seeks out new providers & helps them develop sustainable businesses

What can we learn for Illinois?

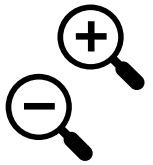
- Public / private partnerships can create non-traditional funding pools to expand access & drive quality improvement
- Community centered administration allows for local programming customization that may better serve that locality

ISBE FY20 RFP Grant Awards*

- Preschool For All (PFA)
 - Range of \$11,747 per child (min \$800, max \$12,547)
 - Average excluding Chicago \$3,566 per child
 - Chicago average \$6,651 per child
- Prevention Initiative (PI)
 - Range of \$12,922 per child (min \$2,623, max \$15,545)
 - Average excluding Chicago \$5,701
 - Chicago average \$7,632

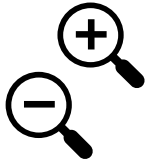
*Chicago is managed statutorily at 37% of ECBG. 25% of ECBG is set aside for PI.

Key Discussion Before We Evaluate Each Funding Mechanism



What are the advantages and disadvantages of leaving blending and braiding to providers as opposed to state/regional level, particularly state appropriation for ECBG + CCAP?

Evaluating funding mechanisms



Today

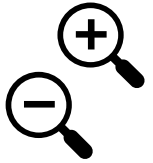
Understand how well various funding mechanisms stack up toward our objectives...



Next Meeting(s)

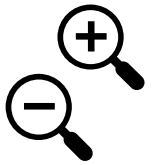
...so that when we construct funding system options, we have a shared understanding of the contexts in which each may be an effective lever

Evaluating funding mechanisms



- What are the pros and cons of each through the lens of our objectives...
 - from the perspective of families?
 - from the perspective of providers?
- In what circumstances or context is each most appropriate?
- What considerations must be kept in mind with each?

Small group discussions – 20 minutes



Evaluating ECEC Funding Mechanisms			
Mechanism	Pros	Cons	<i>When is this mechanism most appropriate?</i>
Competitive bid			
Certificate / voucher			<i>To be discussed next meeting</i>
Formula			
Tuition / fee for service / co-pay			
Non-appropriated funding			
Tax credits/shelters			

Evaluating funding mechanisms – Share out



- What are the pros and cons of each through the lens of our objectives...
 - from the perspective of families?
 - from the perspective of providers?
- In what circumstances or context is each most appropriate?
- What considerations must be kept in mind with each?

Wrapping this up...

What are your key takeaways?

Implications for the work ahead?

Next Steps

- Determine update for next Commission meeting
- Draft future funding options considering today's discussion
- Next Meeting = construct & evaluate future system options