



# **Commission on Equitable Early Childhood Education and Care Funding**

Funding Mechanisms Working Group  
Meeting #3

May 4, 2020

# THANK YOU

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Thank you for **staying engaged** in this work – the pandemic has highlighted its importance.

Thank you to several of you in this working group who have been **individually on the front lines** doing work that has saved lives.

Thank you to several of you in this working group who have **directed funding in support of essential child care services**, ultimately enabling others to save lives.

# Funding Mechanism Working Group

## Work Plan and Timeline

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

# What we get to accomplish today

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1. Synthesize working group member perspectives on the **definition of “equitable access”** in the Commission’s charge
2. Re-ground in the **lessons learned from state and provider COVID-19 matters** of relevance to ECEC Funding Mechanisms
3. Re-ground in **where we were as a working group** before COVID-19
4. Begin to **construct options** for a system of ECEC funding mechanisms

# How we get to spend our time

Agenda Item	Timing
Discuss perspectives on Commission survey about “equitable access”	10 min
Review the lessons from COVID-19 for this working group	5 min
Review working group charge, decision process, objectives, and what we have done to date	15 min
Begin constructing funding mechanism options	75 min
Next Steps	10 min
Public Comment	5 min

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## Defining “equitable access”

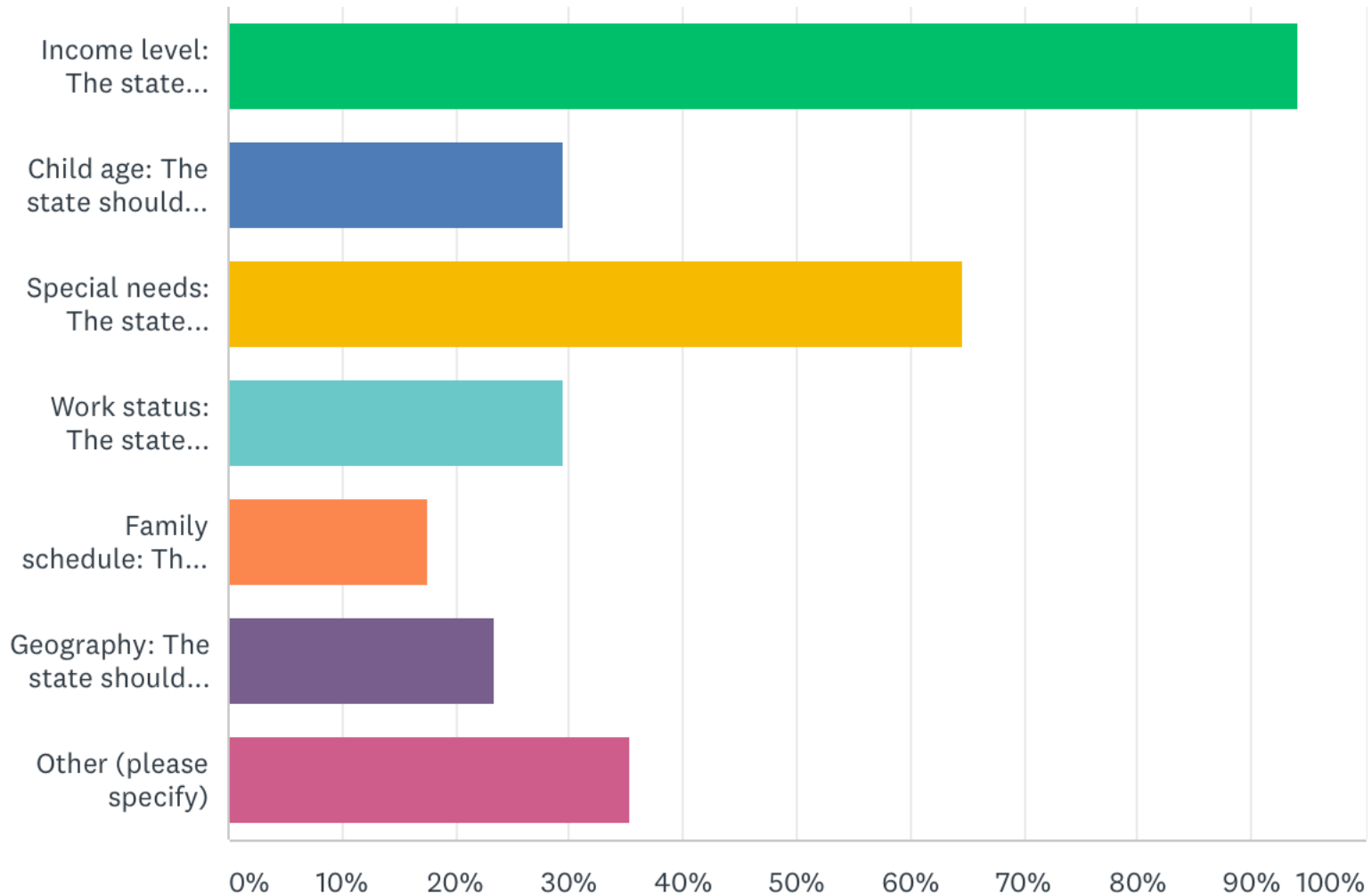
# Commission's Charge

"The Commission shall study and make recommendations to establish funding goals and funding mechanisms to provide equitable access to high-quality early childhood education and care services for all children birth to age five and advise the Governor in planning and implementing these recommendations."



# Commissioner Survey Results

What factors should determine the availability of state early childhood funds for families, in the long run?



# Defining Equitable Access

## *Preliminary Thinking*

- **Income Level:** ECEC services should be ***free for families up to 200% FPL***, with a ***sliding scale tied to income for families above 200% FPL*** (perhaps capped at some higher %FPL)
- **Child Age:** All ***prenatal through 4 years old services*** should be included
- **Service Level:** There should be an assumption of ***high-quality*** services responsive to individual needs
- **Program Settings:** We should prioritize ***mixed income settings***
- **Provider Access:** We must continue to support a ***mixed delivery system***

How does this align with our guiding principles?  
What would you question, change, or add?

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# **Lessons from COVID-19 for our working group**

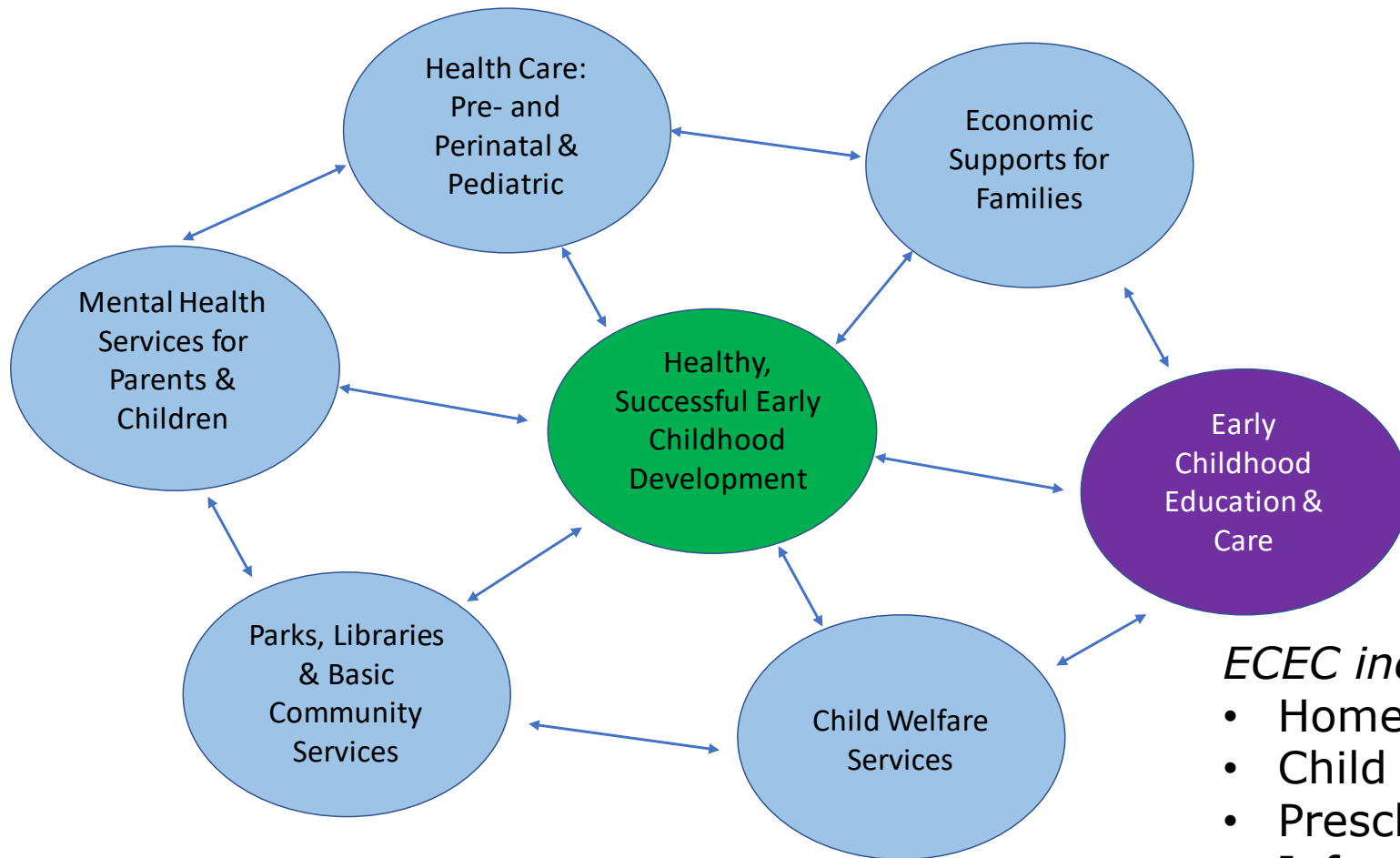
# Impact of COVID-19 crisis on Commission priorities

- **Urgency of Management & Oversight improvement:** creating a streamlined system becomes our biggest priority
- **Funding mechanisms cause confusion:** multiple disconnected funding streams have exacerbated provider decision making challenges
- **Financial ramifications:** funding increases in future year budgets are more uncertain
- **Adequacy still matters:** Poor funding is placing enormous strains on providers and the IL ECEC system. We must focus on long-term wins for adequacy.

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**Where this working group was before  
COVID-19**

# The Commission is focusing specifically on the Early Childhood Education & Care system



- ECEC includes:*
- Home visiting
  - Child care
  - Preschool
  - Infrastructure for these services

# Funding Mechanism Working Group Charge

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

## Key Questions to Answer:

- **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**?
- How can **funding mechanisms be improved** to support the Commission's guiding principles?
- What **funding innovations** could increase efficiency of existing funding?

# Reminder: What do we mean by “funding mechanism”?

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## Funding Mechanism:

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

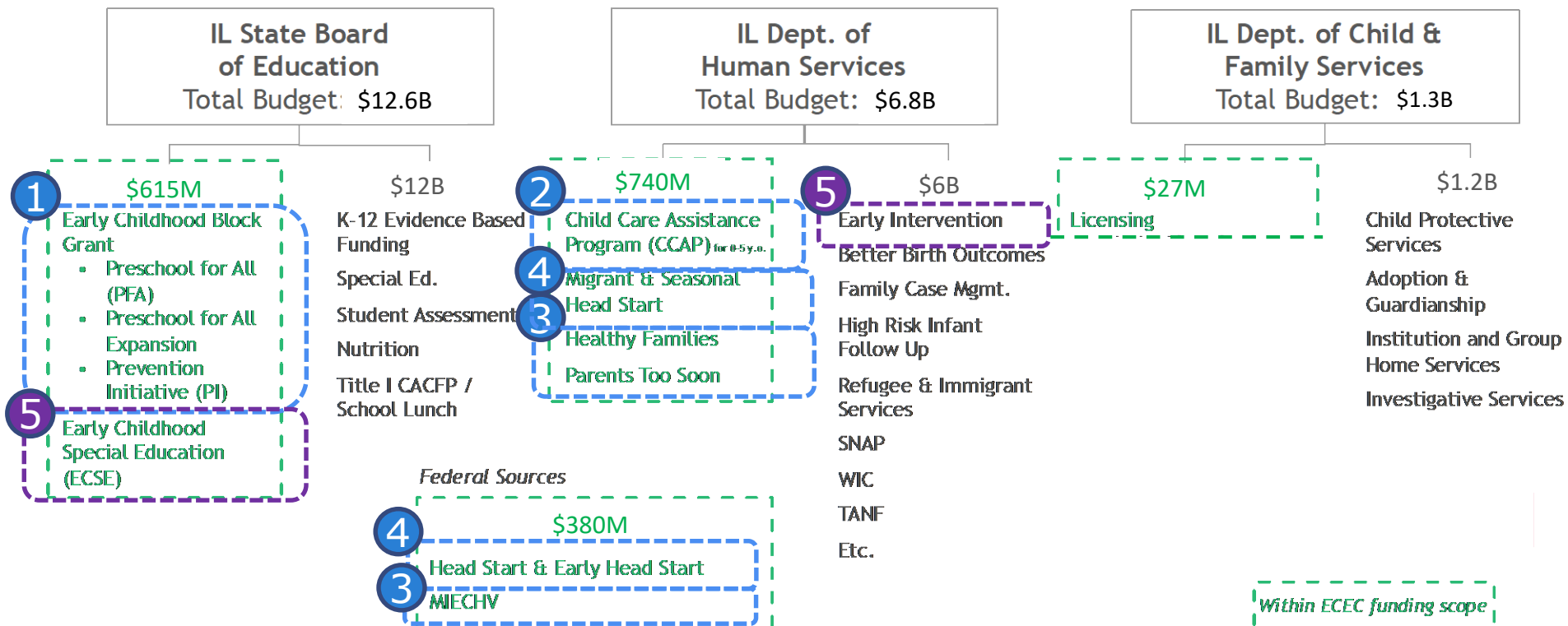
## Funding mechanisms in use for Illinois ECEC include:

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

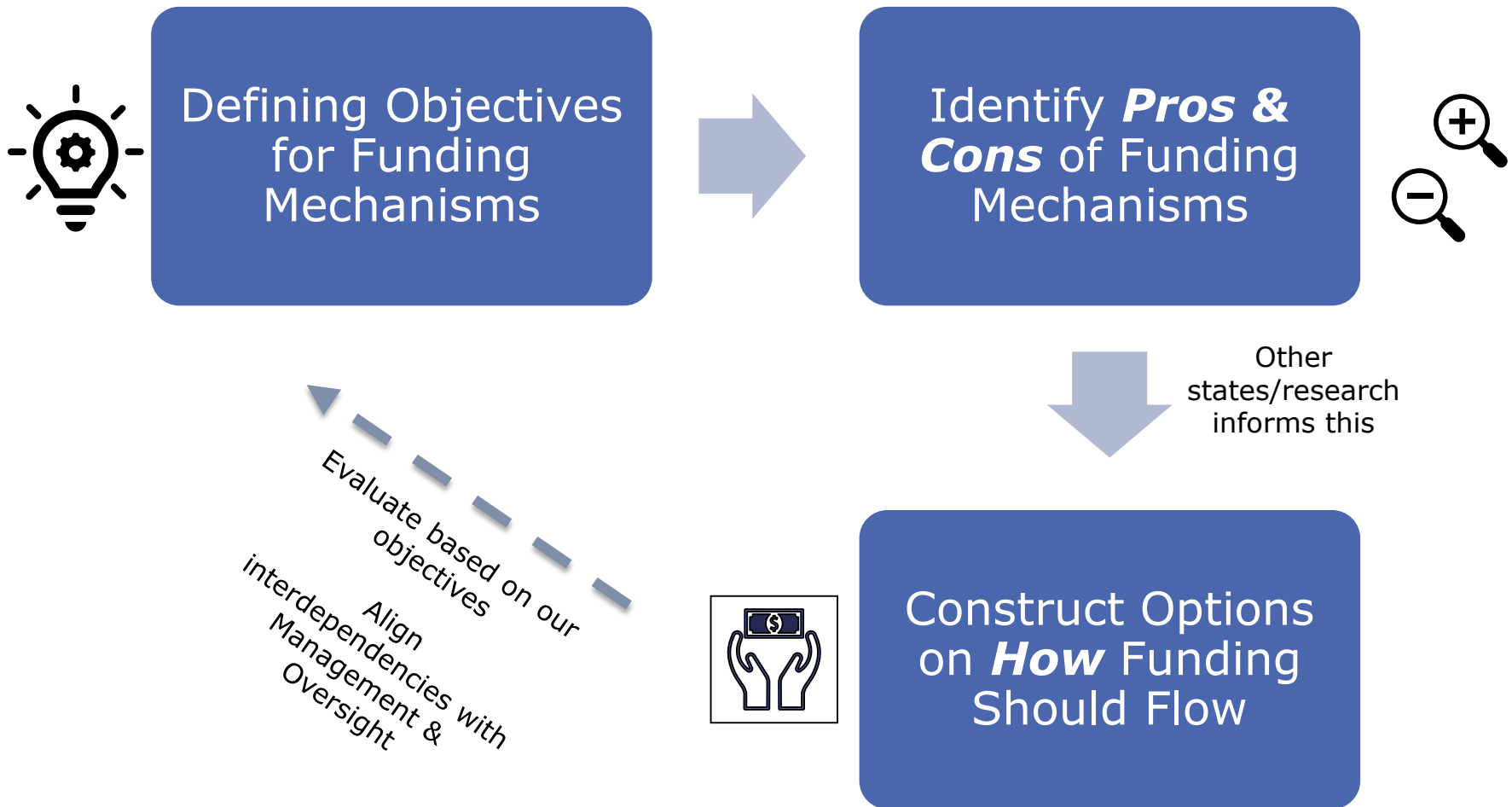
# Reminder: Four major categories of services within scope + informed by Inclusion working group

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

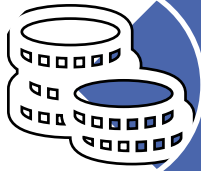
2020 allocations



# Process: How We Get to Funding Mechanism Recommendations



# Objectives for Future System of Funding Mechanisms - *Revised 3/5/20*



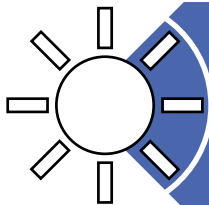
## Stability and sustainability

- Support long term planning with funding allocation commitment durations
- Release funds to service providers predictably with consideration to annual planning
- Build and use state, regional, and local infrastructural capacity to support ECEC services
- Ensure all types of providers in the mixed delivery system are able to provide high quality services



## Equitable access to high quality ECEC

- Structure allocation methods to prioritize equitable distribution of and access to services
- Support and incentivize high-quality, effective service delivery
- Ensure specific consideration for program start-up, maintenance, and innovation
- Include resources to support Continuous Quality Improvement at the program and system levels



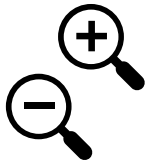
## Transparency, accountability, and efficiency

- Simplify access to funding for families and providers and reduce administrative burden
- Create 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

- Ensure Funding allocation considers individual community needs and context
- Incentivize flexible use of funds to meet community needs and context
- Continue support across the birth-5 continuum and a mixed delivery system



***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?***

**There is value to blending funding sources upstream at the system level.**

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# **Constructing a Future System of Funding Mechanisms**

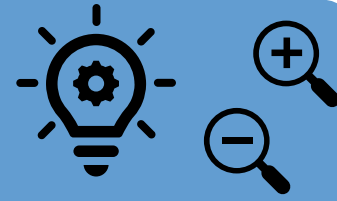
# The Commission's charge includes recommending funding mechanisms – we can also recommend timing of implementation

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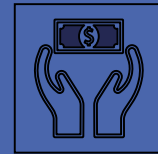
- Commission guiding principle: **Recognize implementation realities**
  - We should develop our recommendations knowing that we are looking at a **multi-year time horizon**
- There will be **limited ability to change** ECEC funding mechanisms **for FY21 and FY22**
- Thus, our working group's focus should be on recommendations for **substantive changes that can be implemented beyond FY22** in consultation with the Early Learning Council

# We get to reimagine a system of funding mechanisms for ECEC

Define the **most important attributes** of funding streams



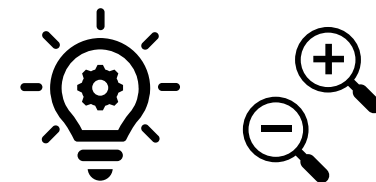
Discuss how each individual funding stream can be **reshaped to incorporate those attributes**



Discuss how those reshaped funding streams might be **effectively combined, allocated, and disbursed**

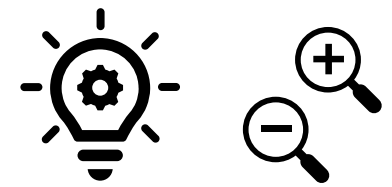


# Evaluating funding mechanisms



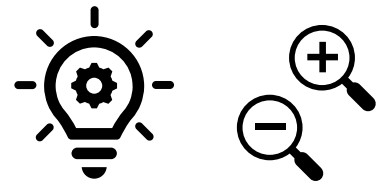
Evaluating ECEC Funding Mechanisms			
Mechanism	Pros	Cons	<i>When is this most appropriate?</i>
Competitive bid			
Certificate / voucher			
Formula			
Tuition / fee for service / co-pay			
Non-appropriated funding			
Tax credits/shelters			

# Evaluating funding mechanisms – Discussion



- What did our pros/cons of existing mechanisms indicate to us:
  - 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?
- Are there other funding distribution / procurement best practices we should be considering?

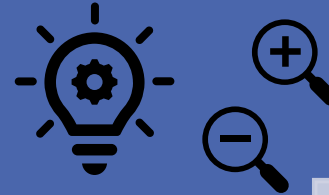
# Evaluating funding mechanisms – Bringing it together



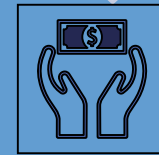
What does this discussion tell us regarding which mechanisms we may consider prioritizing for a future system?

# We get to reimagine a system of funding mechanisms for ECEC

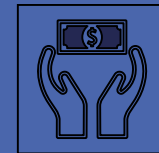
Define the **most important attributes** of funding streams



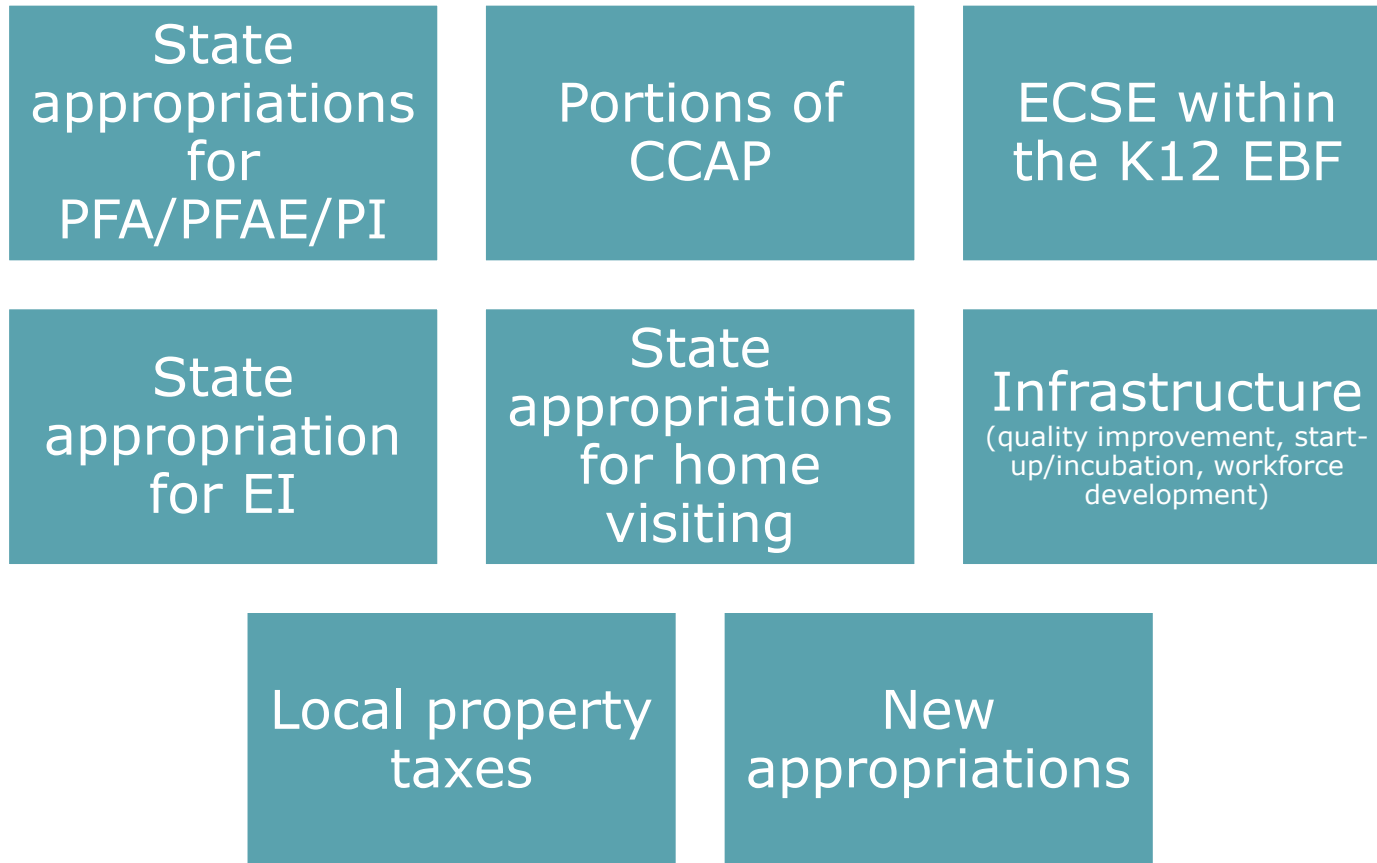
Discuss how each individual funding stream can be **reshaped to incorporate those attributes**



Discuss how those reshaped funding streams might be **effectively combined**



# These ECEC funding streams are defined by state law and policy



**This is our working group's scope**

Estimated to be >\$1B million of current \$2B

# How do our conclusions on mechanism attributes apply to current funding streams?

State  
appropriations for  
PFA/PFAE/PI

Portions of CCAP

ECSE within the  
K12 EBF

State  
appropriation for  
EI

State  
appropriations for  
home visiting

Infrastructure  
(quality improvement, start-  
up/incubation, workforce  
development)

Local property  
taxes

New  
appropriations

# Which funding mechanism may be appropriate for which funding streams?

**Prevention Initiative**

**Preschool For All**

**Preschool For All  
Expansion**

**Child Care Assistance  
Program**

**Parents Too Soon**

**Healthy Families  
Illinois**

**Infrastructure**  
(quality improvement, start-up,  
workforce development, etc.)

**Local property taxes**

**Competitive  
Bid**

**Certificate /  
Voucher**

**Formula**

**Tuition /  
Fee-for-service /  
Co-pay**

**Other  
Mechanisms**

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## Next Steps

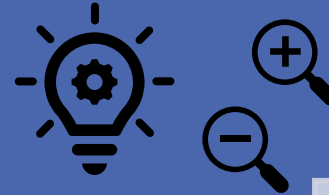
# Working Group Member Reflections

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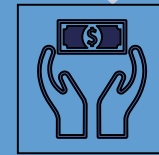
- How do you feel about **today's discussions**?
- What parts of today do you think should be part of the **Commission meeting update**?
- What feels most important to you for this group to **tackle in the next month**?

# Next Steps

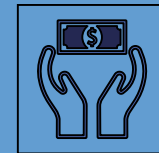
Define the **most important attributes** of funding streams



Discuss how each individual funding stream can be **reshaped to incorporate those attributes**



Discuss how those reshaped funding streams might be **effectively combined**



# Interdependency with Management & Oversight key question



**At the state level, should M&O capacities be  
coordinated or centralized for all ECEC services?**

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# Public Comment

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# Appendix

# Commission Guiding Principles

These Guiding Principles reflect the Commission's values and beliefs, guide how it operates, and lay a foundation for decision-making.

## 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 five 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.

# The State's ECEC Actions

## Establishment of new rules for child care centers and homes operating during the emergency

- Policies for homes and centers to operate as emergency child care providers, offering care for children of essential workers
- Guidelines for care, including for children with disabilities
- Extensions to training and renewal deadlines

## Financial support for Emergency Child Care providers

- Stipend to offset some of the additional costs providers may incur during the emergency
- Increased reimbursement rate for emergency care
- Categorical CCAP eligibility for all Priority Essential Workers

## Financial support for ECEC programs

- Simplified waiver process for CCAP 80% attendance requirement for March & April; Parent co-pays reduced to \$1 for April & May
- PFA/PI program funding will not be affected by closure and may be used to meet the child care needs of non-enrolled children of essential workers
- Sharing information on federal relief packages and technical assistance resources

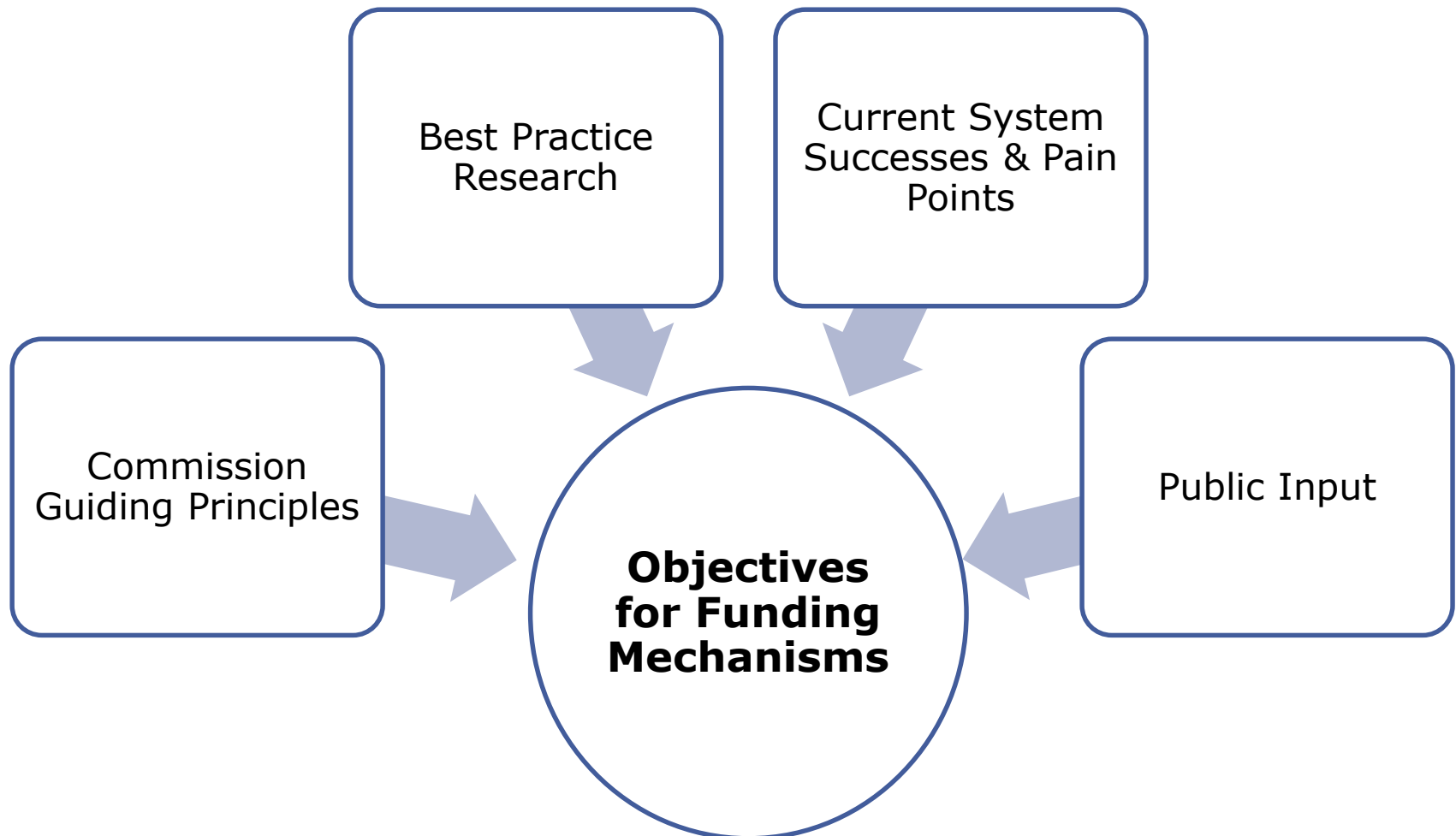
## Communications across stakeholders

- GOECD webinars on COVID-19 Child Care Business Practices and Resources
- New websites, guidance, FAQs, etc. all publicly posted and available
- Letters to families
- Dedicated helpline

# Challenges highlight the urgency of the Commission's charge

- **Inconsistency in continued instructional support** across ECEC while settings are closed (Head Start, PFA, child care, etc.)
- Current **management and oversight system requires multiple conversations with many offices before making ECEC decisions**, even on an urgent timeline
- Inconsistent relationships with community entities (like CCR&Rs and INCCRRA) makes **reopening emergency child care confusing**
- Providers want to know how to access funding and how to stay afloat – but **wide variation in funding** makes this challenging
- Child care is an **essential service**, yet **most ECEC workers would receive more on expanded unemployment insurance**
- Information on **policies from multiple agencies** makes it **challenging to provide consistent messaging and answer questions uniformly**
- Standing the system back up and **rebuilding infrastructure and supports following the pandemic will require even greater effort and collaboration**

# Informing our Objectives for Funding Mechanisms



# Some ECEC funding streams are totally or significantly dictated by federal law

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HeadStart &  
Migrant/Seasonal

Portions of CCAP

IDEA Parts B & C

Medicaid

MIECHV

Estimated to be >\$500M million of current ~\$2B

How does the existence of these funding streams impact our working group's decisions on mechanisms for what we CAN change?