

# Commission on Equitable Early Childhood Education and Care Funding

Funding Mechanisms Working Group  
Meeting #4

June 10, 2020

# THANK YOU - AGAIN

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Thank you for **staying engaged** in this work – our country's racial injustices and the pandemic have highlighted its importance.

Thank you to all of you for **what you are doing for our state and our families** during this time and always.

# 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	<ul style="list-style-type: none"><li>• Develop future system requirements</li></ul>
June 10 (today)	<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>• Discuss interdependencies with Management &amp; Oversight Working Group</li><li>• Respond to Commission feedback and inquiry</li></ul>

Working Group materials reflect ongoing discussions and decision making. Any information presented in these materials is preliminary and subject to change.

# What we get to accomplish today



Recap on the **progress we have made thus far**, including last month's discussion on pros/cons of funding mechanisms

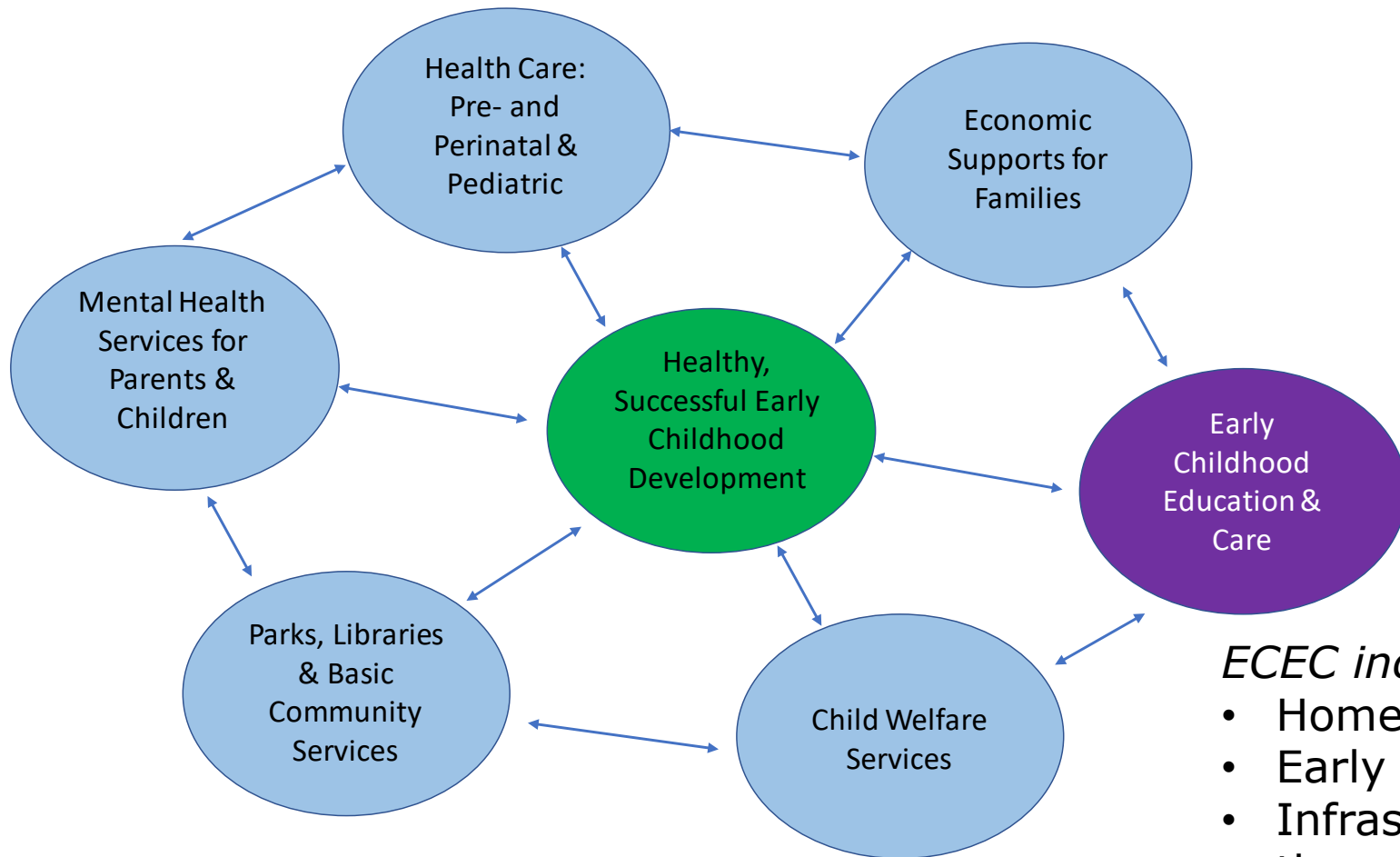


Consider drafted **examples of a future system of funding mechanisms**

# How we get to spend our time

<b>Agenda Item</b>	<b>Timing</b>
Recap our process and our work thus far	1:00-1:20 pm
Consider drafted examples of a future system of funding mechanisms	1:20-2:40 pm
Next Steps	2:40-2:55 pm
Public Comment	2:55-3:00 pm

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



- ECEC includes:*
- Home visiting
  - Early learning
  - 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”?

## 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:

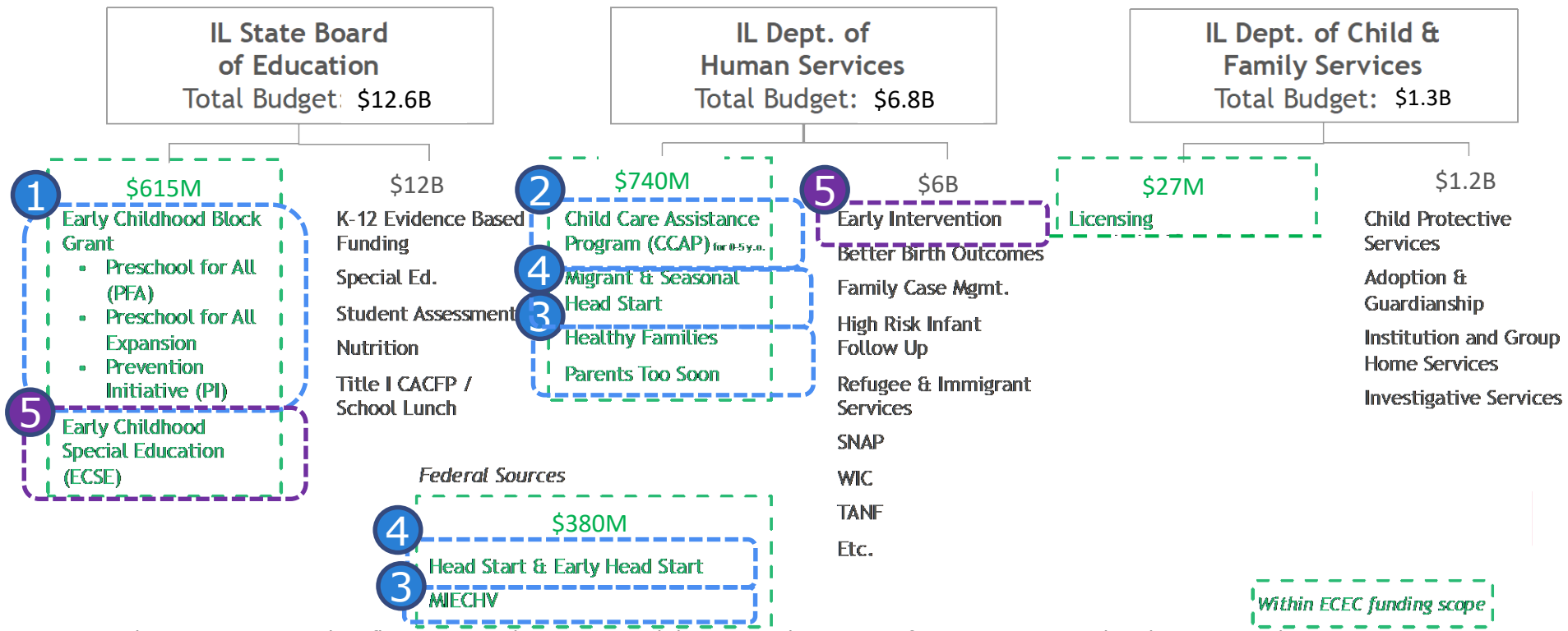
1. Competitive bid
2. Certificate/Voucher
3. Tuition/Fee-for-service/Co-Pay
4. Formula
5. Non-appropriated funding
6. Tax credits



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

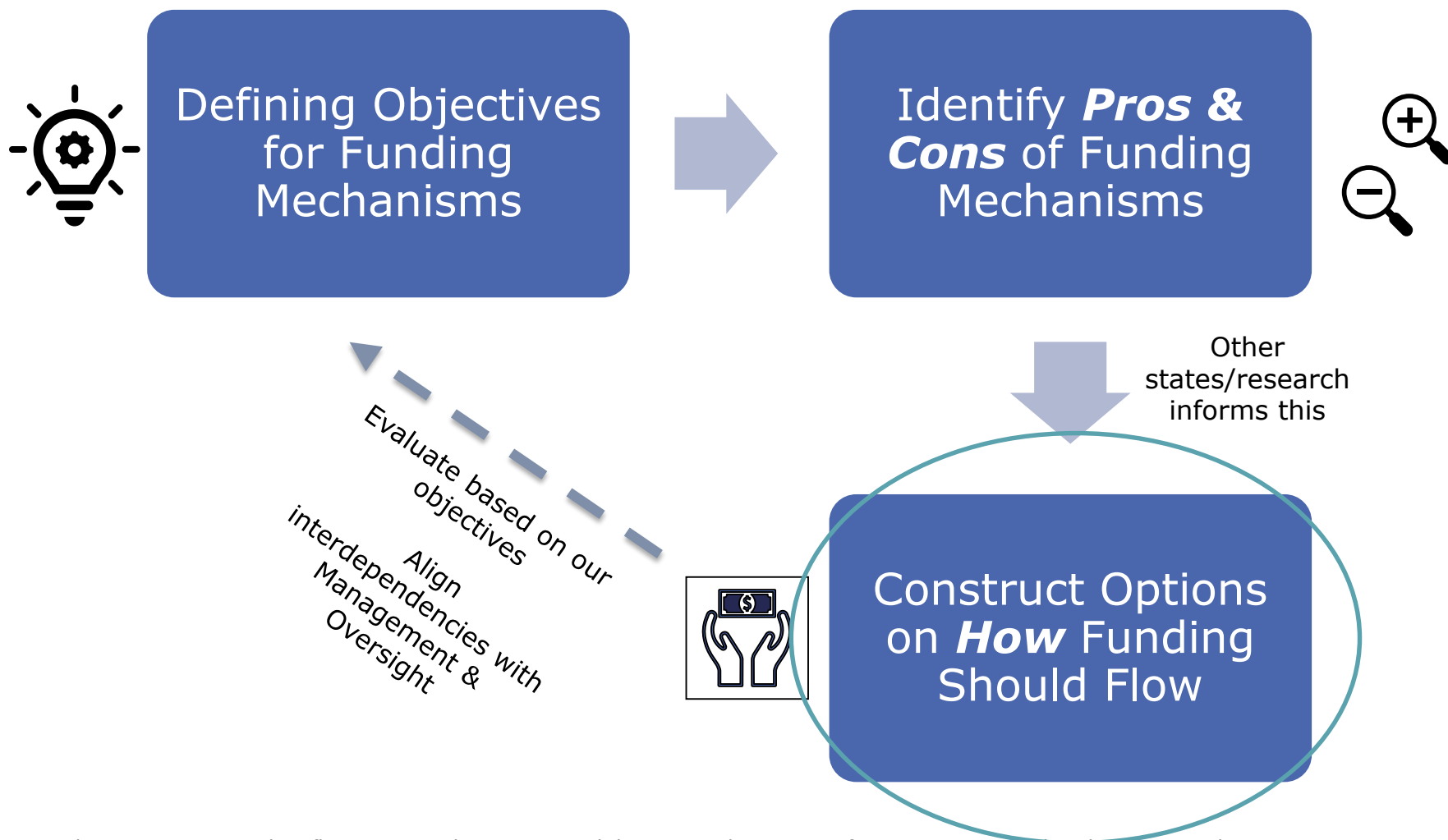
1. Early Childhood Block Grant
2. Child Care Assistance Program
3. Home Visiting
4. Head Start
5. Inclusion

2020 allocations

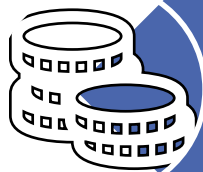


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# Process: How We Get to Funding Mechanism Recommendations



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



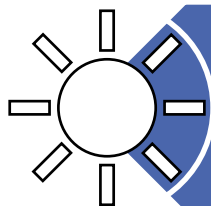
## Stability and sustainability

- 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

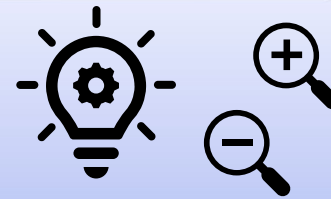
- Ensure Funding allocation considers individual community needs and context
- Incentivize flexible use of funds to meet community needs and context
- Continue support across the birth-5 continuum and a mixed delivery system



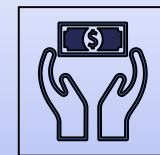
**There is value to blending  
funding sources upstream at  
the system level.**

# 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**



# Outcome of our last meeting

We have **identified attributes and most appropriate use of primary funding mechanisms** in use today:

- **Formula** may be most stable and sustainable, but if not fully funded, it may be difficult to disburse equitably. It may be useful to fund fully operating providers (i.e., graduating from start-up to a level where formula is appropriate). It may be difficult to implement in a mixed delivery system.
- **RFP/competitive bid** seems most appropriate for incubation and start-up purposes. It is also appropriate for differentiating between varying levels of quality among providers. It could help get providers into a formula.
- **Certificates and vouchers** seem to work best when there is not an intent to support all children and families in the state (e.g., Family, Friend, and Neighbor care)
- **Tuition/fees** seem appropriate to use in tandem with the above three mechanisms

**Intended purpose and use of funds should be considered when selecting a funding mechanism.**

# A Disclaimer

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- The following draft straw man was developed in response to the outcome of our last meeting and to guide discussions of how funding should flow (both allocation and disbursement).
- Slides 16-19 are meant as a preliminary jumping off point, not an initial set of recommendations.
- Our process will be to develop and iteratively refine our recommendations, share them with the Commission, and further refine (using feedback from experts and stakeholders internal and external to the Commission) before submitting to the Commission for approval.

# Future State: **SAMPLE DRAFT STRAW MAN**



## How will recipients of funding be determined?

### New Providers

- Receive **contract** via targeted, equity-informed **RFP process** led by state agency and informed by regional entities

### Existing Providers

- Operate under **multi-year contract** with the state which specifies **services** to be provided, **number of children** to be served, and **geography** to serve.
- Receive **annual evaluation** based on a statewide unified set of quality standards specified in provider's contract.
- Receive **contract reauthorization** through a **uniform accountability process** that is state led and regionally informed.
- Request **contract modifications** within contract term and/or at contract renewal for the types of services provided, number of children served, and geography served.

*What would need to be true for this straw man model to live up to our objectives?*



# Future State: **SAMPLE DRAFT STRAW MAN**



How will funding move from various sources to recipients?

Service Type	Funding Mechanism	Components of Mechanism
<b>Education &amp; Care</b>	Per-child formula disbursed via multi-year contract	Number of children Need factors Dosage
<b>Home Visiting</b>	Per-child formula disbursed via multi-year contract	Number of children
<b>Capacity &amp; Infrastructure</b>	Targeted Competitive Grant	State-led competition / regionally informed
<b>Incubation &amp; Start-Up</b>	Targeted Competitive Grant	State-determined allocation upon successful RFP process
<b>Early Intervention &amp; Early Childhood Special Education</b>	Input from Inclusion Working Group	

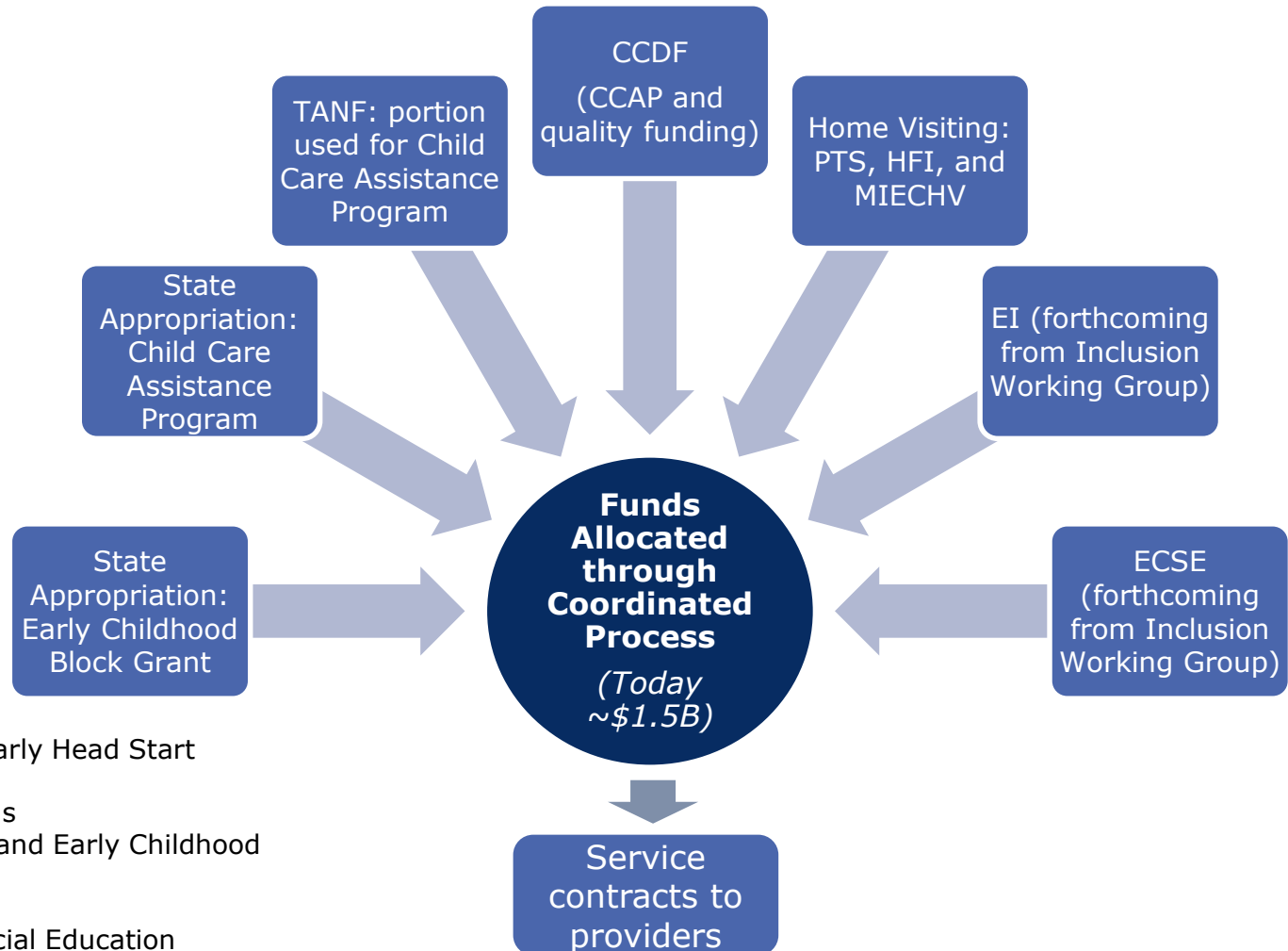
**NOTE:** Per-child formula for eligible children may include sliding per-child rate to support families with co-pay or partial tuition.

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# Future State: **SAMPLE DRAFT STRAW MAN**



How will funding move from various sources to recipients?



**NOTE:** Excludes Head and Early Head Start  
PTS = Parents Too Soon  
HFI = Healthy Families Illinois  
MIECHV = Maternal, Infant, and Early Childhood Home Visiting  
EI = Early Intervention  
ECSE = Early Childhood Special Education

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# Future State Recommendation: **SAMPLE DRAFT**

## How do we vet our approach to changing the system of funding mechanisms?



### Family & Provider Case Studies:

Create prototype of several providers and families

What services do they offer and/or receive today?  
How much funding do they receive?



### Compare to Objectives:

Map how funding would go to the providers versus current system of mechanisms

How might this be better for providers? Worse for providers?  
How might this be better for families? Worse for families?



### Funding Impact:

Determine fiscal implications at the provider level

In any new approach, how much money would prototype providers receive for what services/children compared to today?

How much do we estimate would need to be set aside to "hold harmless" funding that existing providers currently receive?

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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

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# Interdependency with Management & Oversight key questions



**At the state level, should M&O capacities, including administration of funding mechanisms, be carried out by a new agency or existing agency for all ECEC services?**

**Which components of funding mechanism administration should be carried out at the state level, and which parts should be carried out at a regional or local level?**

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# Public Comment



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# Supplemental Slides

# 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."



# 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.

# 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.

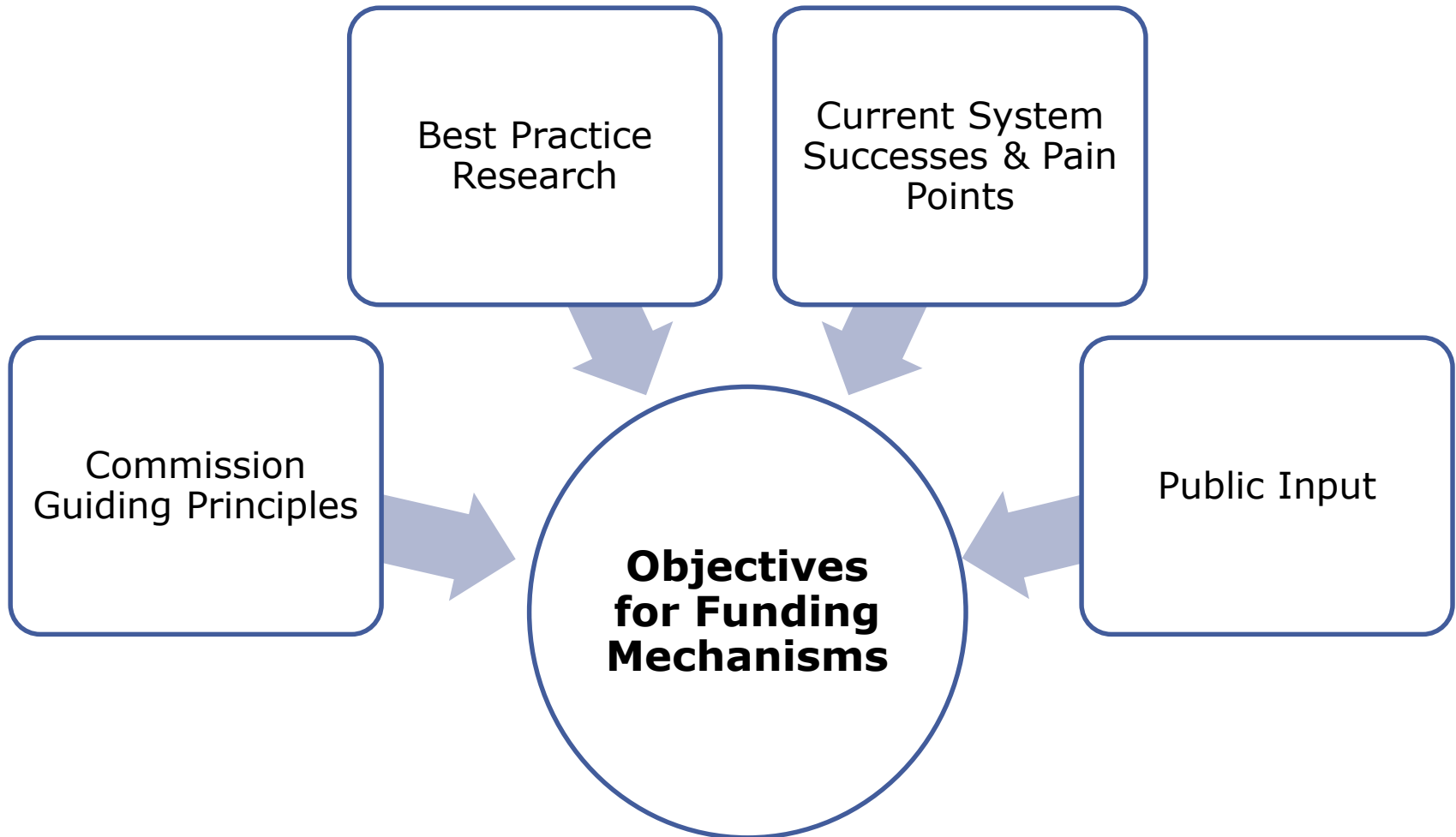
## Recognize Implementation Realities

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

# 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



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

- 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