

Commission on Equitable Early Childhood Education and Care Funding

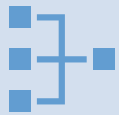
Funding Mechanisms Working Group
Meeting #5

June 29, 2020

Today's Goals



Recap on the **progress we have made thus far and the recent Commission meeting**



Go another layer deeper with our recommendation for **a future system of funding mechanisms**

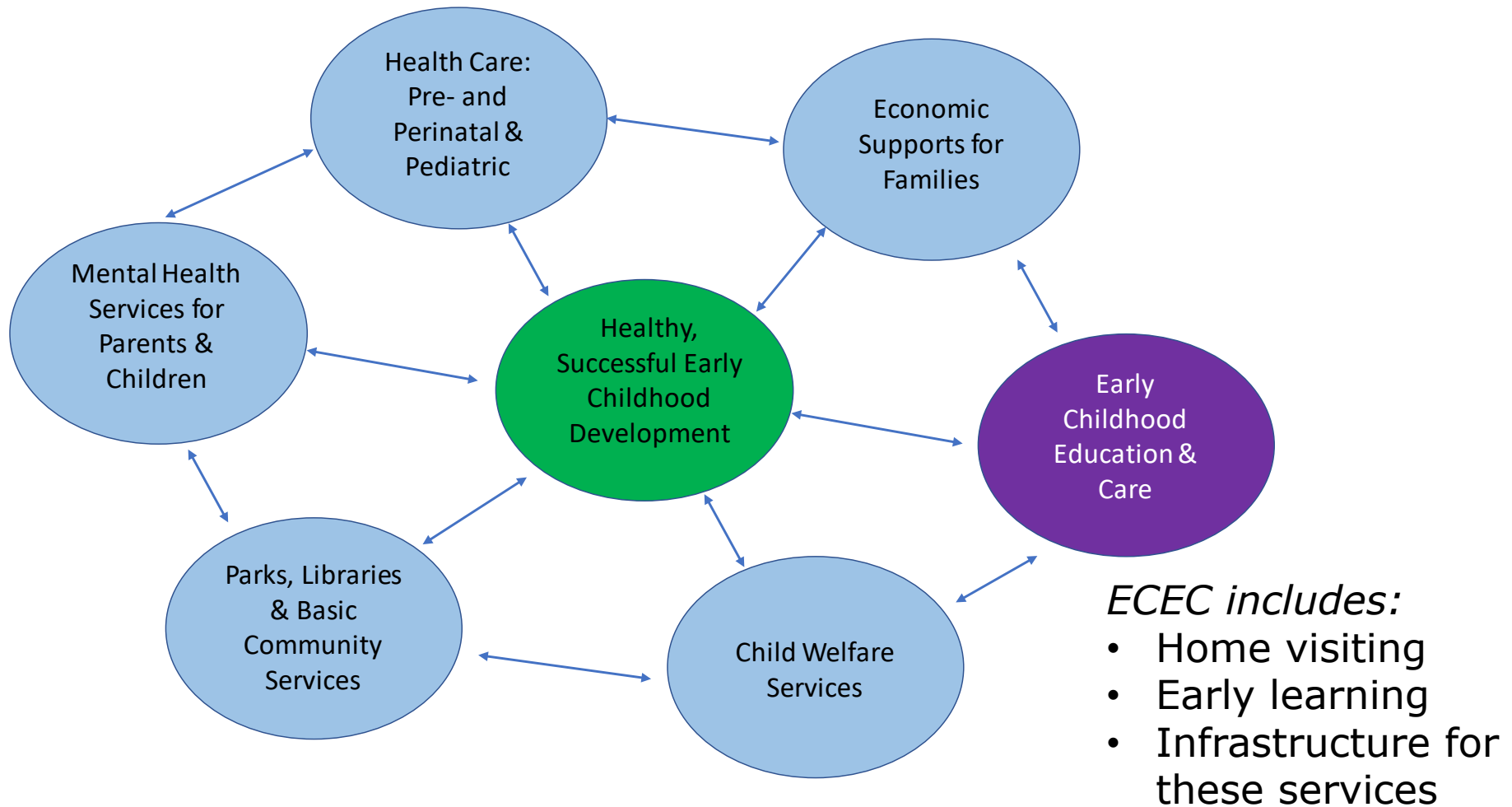


Identify **interdependencies** to discuss with **Management & Oversight**

Today's Agenda

Agenda Item	Timing
Recap our progress & the Commission meeting	15 minutes
Go another layer deeper in our recommendations	85 minutes
Confirm plan for work with Management & Oversight	10 minutes
Next Steps	5 minutes
Public Comment	5 minutes

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



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 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?

What do we mean by “funding mechanism”?

Funding Mechanism:

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

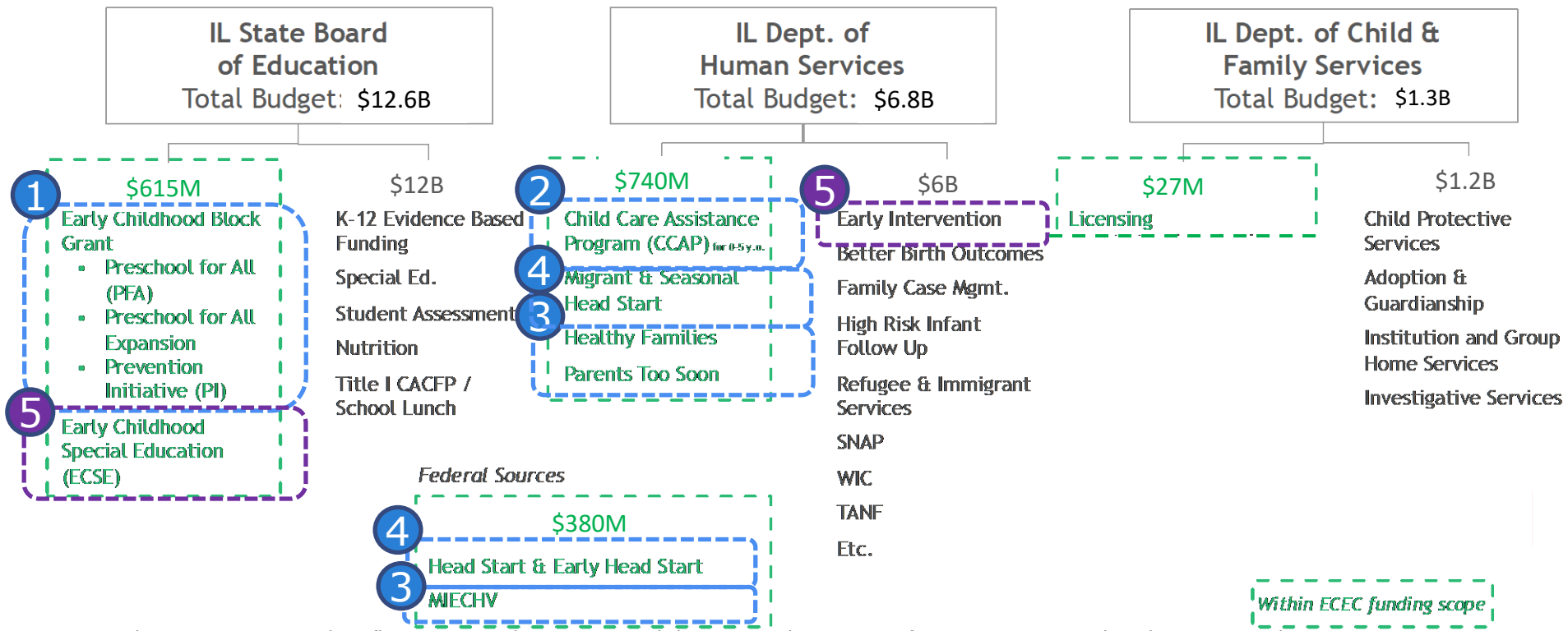
Funding mechanisms in use for Illinois ECEC include:

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

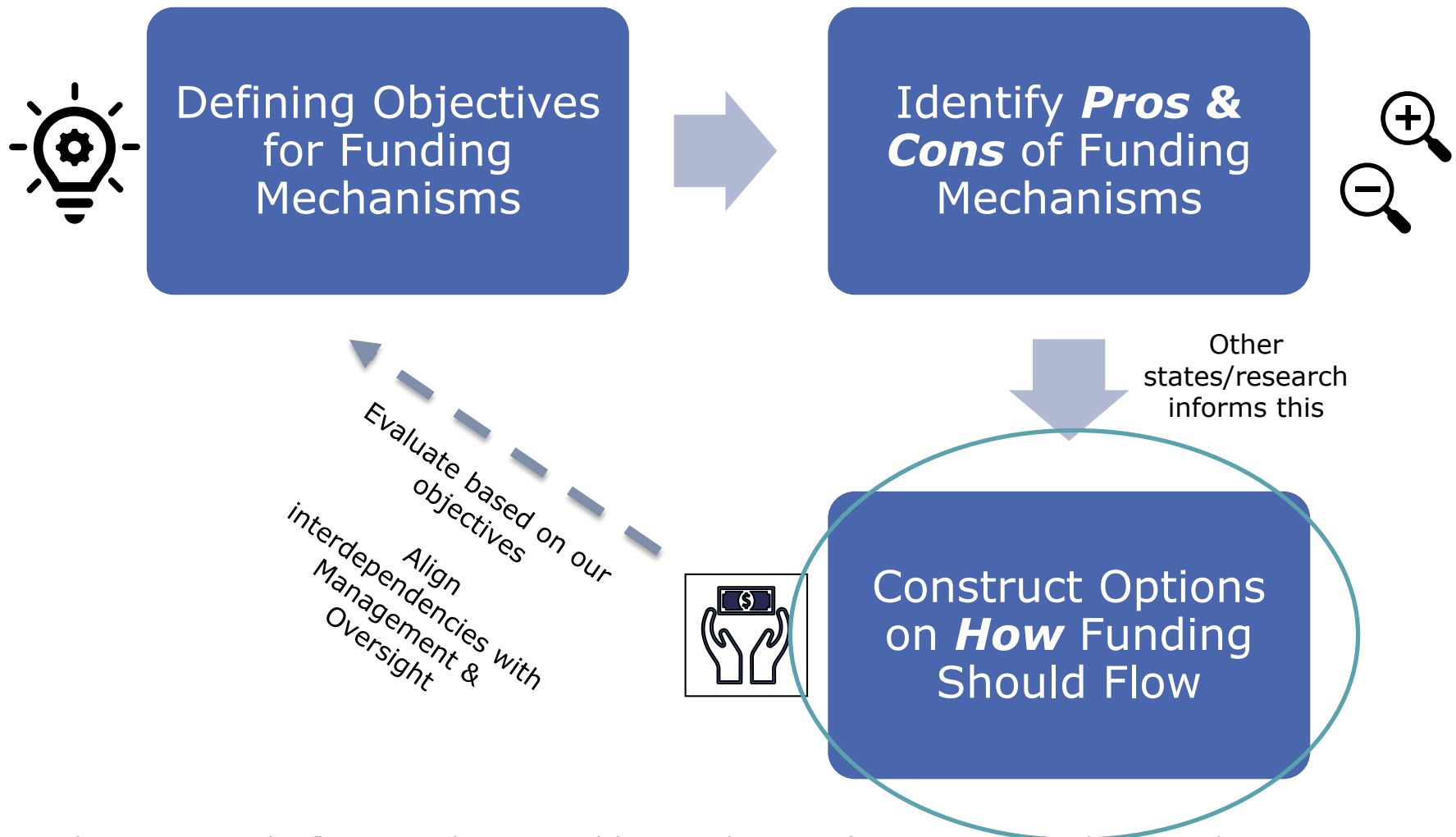
1. Early Childhood Block Grant
2. Child Care Assistance Program
3. Home Visiting
4. Head Start
5. Inclusion

2020 allocations



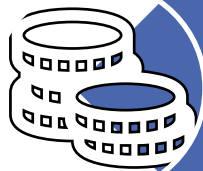
Working Group materials reflect ongoing discussions and decision making. Any information presented in these materials is preliminary and subject to change.

Process: How We Get to Funding Mechanism Recommendations



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Objectives for Future System of Funding Mechanisms



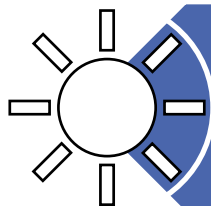
Stability and sustainability

- 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 (including smooth transitions for inclusion) and a mixed delivery system

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Likely no option will meet all these objectives; the working group will prioritize what matters most during its evaluation of potential funding mechanism options.



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

Key Discussion

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

- **Formula** may be most **stable and sustainable**. It can help support longstanding high-quality providers and be useful next step for providers newer to public funding who have demonstrated quality. If not fully funded, it may be difficult to disburse equitably.
- **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 for very small providers (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.

Initial Conclusions



Construct a **new funding allocation process**

Targeted, equity-informed RFP process for new providers to be eligible for state funding
Multi-year service contracts for returning providers, with reauthorization based on uniform accountability standards



Construct a **new system of funding mechanisms**

Funds allocated through a coordinated process
Funds distributed for **streamlined uses** (e.g., education & care, home visiting, capacity & infrastructure, start-up & incubation)



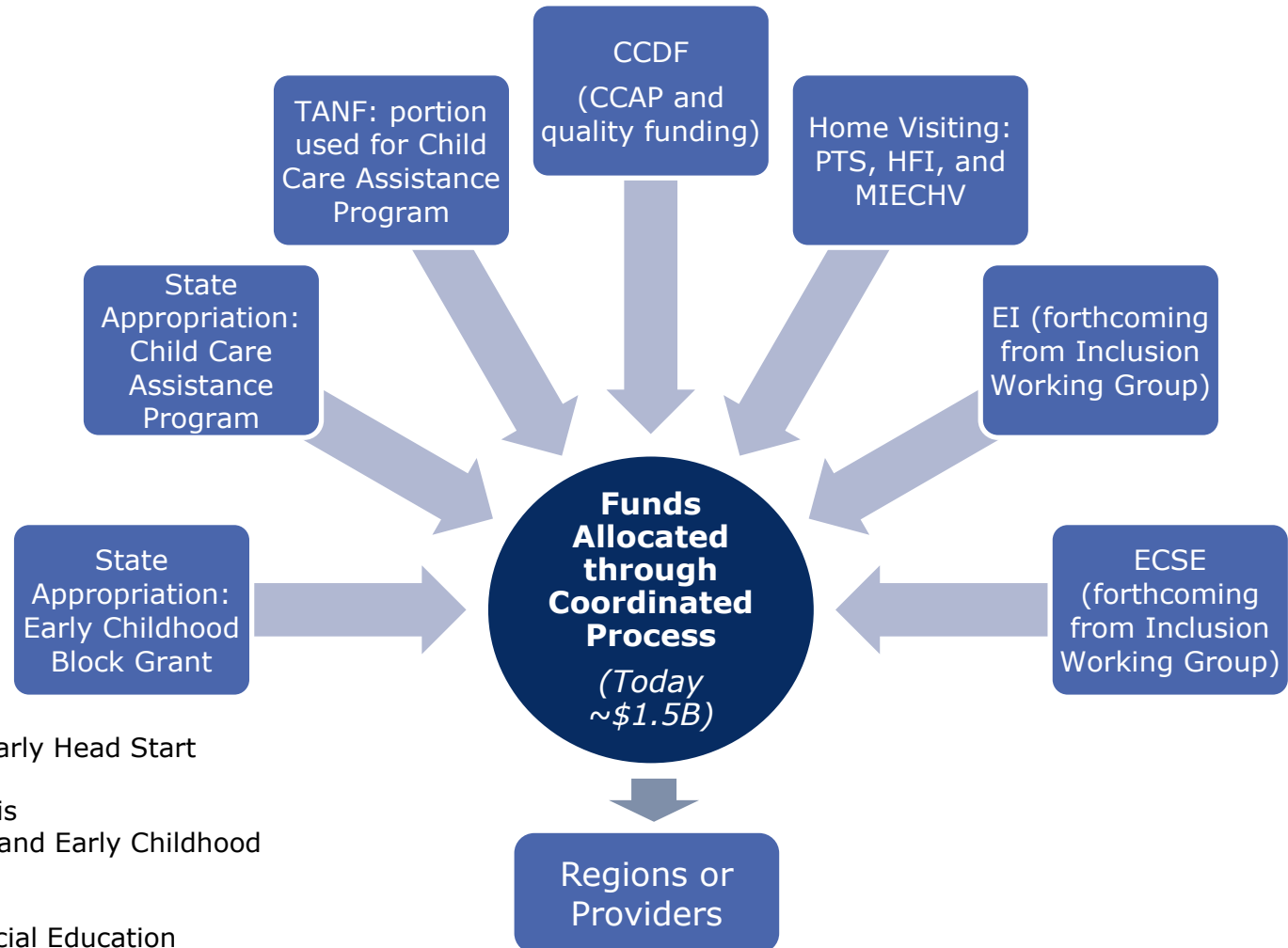
Construct **new funding mechanisms**

Equity-informed per-child formulas for education & care and home visiting
Targeted, equity-informed grants for capacity & infrastructure and start-up & incubation



Future State:

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:

How will recipients of funding be determined?

New Providers

As discussed previously, the Working Group should consider the exact parameters of which kinds of providers should be included in this approach.

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

Existing Providers

As discussed previously, the Working Group should consider the exact parameters of which kinds of providers should be included in this approach.

- 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.



A Level Deeper into Future State:

How will recipients of funding be determined?

New Provider RFP Process

- *What should the goals be for a new provider RFP process?*
 - *What criteria and design principles would we like to see used in this RFP process?*
 - *What kinds of providers will be included in this process?*
- Receive **contract** via targeted, equity-informed **RFP process** led by state agency and informed by regional entities
 - Engage regional entities to draft accessible RFP targeted to quality providers in high-need, low-supply areas
 - Make grants available for incubation and start-up support
 - Pair with separate regional funds for engagement and technical assistance to support providers through application process
 - Disburse funds prior to providers rendering services
 - Implement cycle of analysis, evaluation, and honing of the process to ensure equity
 - Use a formula to proportionally allot funds to regions/age groups to prioritize equitable distribution

Implementation Note

The transition to contracted funding will take significant development time (estimate 1-3 years)



A Level Deeper into Future State:

How will recipients of funding be determined?

Existing Provider Multi-Year Contracting

- *What key terms and conditions should be part of multi-year provider contracts?*
- *What kinds of providers will be included in this process?*

- 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, regionally informed.
 - Providers meet or exceed quality expectations to renew
- Request **contract modifications** within contract term and/or at contract renewal for the types of services provided, number of children served, and geography served.
- Implement cycle of **analysis, evaluation, and honing** of the process to **ensure equity**

Implementation Note

The transition to contracted funding will take significant development time (estimate 1-3 years)



Future State:

How will funding move from various sources to recipients?

Service Type	Funding Mechanism	Components of Mechanism
Education & Care	Per-child formula disbursed via multi-year contract	Number of children Need factors Dosage
Home Visiting	Per-child formula disbursed via multi-year contract	Number of children
Capacity & Infrastructure <small>Note: the Working Group should consider whether it wants this funding to be a standalone funding stream or included in base funding.</small>	Targeted Competitive Grant	State-led competition / regionally informed
Incubation & Start-Up	Targeted Competitive Grant	State-determined allocation upon successful RFP process
Early Intervention & Early Childhood Special Education	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:

How will funding move from various sources to recipients?

Service Type <small>(Excludes providers not fitting for contracts)</small>	Funding Mechanism	Components of Mechanism
Education & Care	Per-child formula* disbursed via multi-year contract	Number of children Need factors Dosage
Home Visiting	Per-child formula* disbursed via multi-year contract	Number of children

What **core components** should be included in a

- Formula for education & care?
- Formula for home visiting?



of Children



Age of Children



Dosage / Time of service



Need designation



Region

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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Planning our work with Management & Oversight



- Provide M&O working group with an **overview of this group's recommended system** of funding mechanisms
- Tentative - Joint working group **questions to answer:**
 1. What **M&O structural and staffing components are necessary** to effectively carry out core pieces of the recommended system of funding mechanisms (RFP, multi-year contracts, design/allocation of formulas and grants, coordinated funding allocation process)?
 2. What does this mean for **regional/local M&O capacities** as well as the **distribution of funding from state to provider or state to region or a blend**?
 3. What **flexibilities and authorities** would be needed for each of the existing appropriations and sources of funds to effectuate this coordinated process and system of funding mechanisms?
 4. What do we need to do with our recommendations to **ensure that future funding mechanisms move away from reimbursement model** to a periodic funding model with an annual true-up process?
 5. How can we leverage advocates to help us **assess impact of our recommendations on providers and families**?
- What else?

Future State Recommendation:

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?

July – September 2020



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?

July - September 2020



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?

During implementation

Next Steps

Working Group Member Reflections

- How do you feel about **today's discussions**?
- What is top of mind for you as we enter into the **final phase of our working group's work**?

Public Comment

THANK YOU



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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.

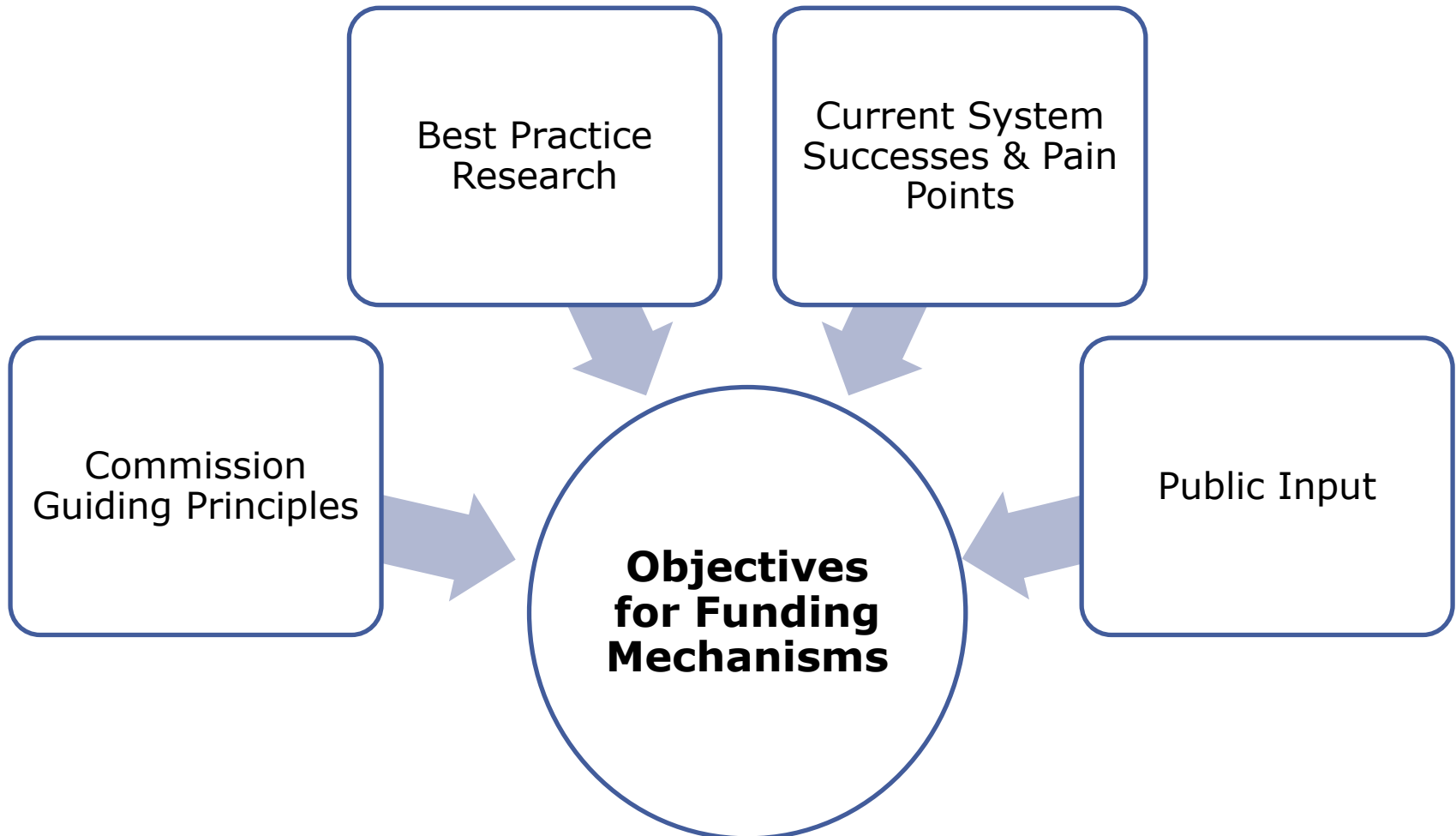
Recognize Implementation Realities

- 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