Early Childhood Education and Care (ECEC) Funding Design Workgroup
Meeting 5
April 23, 2025, 4:30 – 6:00 pm
Public attendee link:

https://aftonpartners.zoom.us/webinar/register/WN_lv_qMrc5Rr-vyM3RFjVWpA

In attendance

Workgroup members:

Anita Andrews-Hutchinson (It Takes a Village Child Care Center), Priscilla Bahena (Parent), Shontee Blankenship (Illinois Department of Children and Family Services), Christina De La Rosa (Erie Neighborhood House), Christy Filby (YMCA), Minerva Garcia Sanchez (DeKalb Community Unit School District 428), April Janney (Illinois Action for Children), Tom Layman (Center for Early Learning Funding Equity), Alicia Lynch-Deatherage (Illinois State Board of Education), Marcy Mendenhall (SAL Family and Community Services), Erika Mendez (Latino Policy Forum), Candace Moore (City of Chicago), Irish Parks (Parent), Lesley Schwartz (Illinois Department of Human Services), Delreen Schmidt-Lenz (IECMH and Early Intervention Provider), Jodi Scott (Regional Office of Education 33), Matt Seaton (Illinois State Board of Education), Robin Steans (Advance Illinois), Bryan Stokes III (McCormick Foundation), Edie Washington-Gurley (Illinois Department of Children and Family Services), Emma Watters Reardon (Illinois Healthcare and Family Services).

State Agency Members and Consultants:

Ann Whalen (Early Childhood Transition Director), Megan Bock (Afton Partners), Marissa Ortiz (Afton Partners), Heather Wendell (Afton Partners), Abby McCartney (Afton Partners), Beza Bulega (Afton Partners), Siri Smillie (Afton Partners), Crystal Roman (Afton Partners), Sri Raghunath (Afton Partners), Beza Bulega (Afton Partners), Kristen Garcia (Afton Partners).

Germán Barrios - Interpreter

Members of the public (16)

Bob Spatz, M. Lewis, Mary Kestrel, Kathleen Kimmey, Maya Portillo, Rosario Hernandez, Bri Stormer, Laurel Mateyka, Email Zoko, Angela Farwig, Dan Harris, Zareen Kamal, Rowan Atwood, Neoma Nagahawatte, Ireta Gasner, Leslie McKinily.

Minutes

1. **Welcome & Introduction – Megan Bock, Afton Partners (15 min)**

Megan Bock (Afton Partners) started the meeting by welcoming attendees and introducing the interpreter, Germán Barrios. Germán gave instructions for accessing Spanish interpretation. Megan asked workgroup members to introduce themselves in the chat and reviewed meeting reminders and housekeeping items for the virtual meeting, workgroup norms and the agenda for the meeting.

Megan reminded the workgroup of funding design goals, the timeline for the Funding Design Workgroup, and acknowledged that these conversations are happening within the context of multiple Illinois Department of Early Childhood (IDEC) transition efforts and workstreams moving at the same time. She shared that the Transition Advisory Committee (TAC) heard an update about the Funding Design Workgroup at their April meeting and shared "takeaways and questions to consider" elevated by the TAC during the discussion.

2. **Emerging design principles, small group discussion and share out – Megan Bock, Afton Partners (25 min)**

Megan introduced the content for the first small group discussion by reviewing the conversations the Workgroup has had since the first meeting in November and sharing a summary of "emerging design principles", which reflect information gathering and discussion with this Workgroup, the TAC, IDEC leadership, and legacy agency leadership conversations.

Emerging Funding design principles

Illinois; new funding system must:

- *Streamline current funding streams and reduce administrative burden*
    - *Simplify applications and use non-competitive grants where appropriate*
    - *Combine funding streams with similar purposes and recipients*
    - *Resolve challenges with layered funding in the current system*
- *Work toward funding that:*
    - *Reflects costs of needed services*
    - *Varies according to the needs of the children, families, and communities served*
    - *Promotes competitive workforce compensation*
    - *Ensures fairness across settings in alignment with our commitment to the mixed delivery system*
    - *Accommodates changes over time*
- *Work for programs with a mix of publicly and privately funded children and both existing and new providers*

Workgroup members were divided into four small groups for a 10-minute discussion. The prompt questions were:

- Do you see any big themes missing from the summary? What else would you add?
- Do these emerging funding design principles reflect the direction we want to go?

Each group shared key themes that emerged from their conversations:

- Group 1: The group felt that the emerging design principles are reflective of the things that have come up in conversations but felt that the concept of "holding providers harmless" should be added. They also flagged that afterschool and school-age programs fall under this funding model and should be explicitly acknowledged, and that language should more explicitly center children and families. They also wanted clearer acknowledgement about the realities of existing funding and potential for new funding.

- Group 2: The group flagged that there is a lot to consider or balance within these principles. One theme to add is “collaboration and partnership” -- specifically creatively using existing resources through collaboration and partnerships.
- Group 3: The group felt that the summary captured our conversations. They desire more specificity and conversations about “needed services” and definition for what is included in compensation. They wondered where quality comes in and felt that “cost for needed services” should be emphasized. They discussed the uncertainties for Head Start and that “accommodating changes over time” may include major shifts for federal programs like Head Start.
- Group 4: The group generally agreed that these themes are comprehensive, but wondered how varying levels of quality would be considered in determining the “cost of needed services.” They identified items that were missing: naming that “reducing the administrative burden” also includes simplification of reporting processes for providers and acknowledging that technical and financial support is needed to build capacity and address service gaps or care deserts. They also wondered how other non-funding inputs that are emerging priorities for the system – such as minimizing transitions for children – will be addressed through funding design.

Non-workgroup attendees responded to the same questions on Padlet [see Padlet comments in Appendix A].

- English - https://padlet.com/ssmillie2/FundingDesign_April2025_SmallGroup1_English
- Spanish - https://padlet.com/ssmillie2/FundingDesign_April2025_SmallGroup1_Spanish

3. **Funding Formula possibility in ECEC – Abby McCartney, Afton Partners (15 minutes)**

Abby McCartney (Afton Partners) summarized the funding formulas examined at the March meeting and the takeaways from the discussion, including key questions raised in the discussion and emerging productive tensions. Abby provided an overview of the basic questions a resource-based formula aims to answer, along with “sub-questions” for each of the key questions. The four key questions are:

- How much funding does this recipient need to provide the services that children and families need?
- How much funding is available from non-state sources (e.g. local funding, family contributions)?
- How will the state prioritize its limited resources? What does this mean for each recipient?
- How will the funding be distributed to the recipient?

These questions can be answered with different approaches, and Abby used the examples of the Ontario Child Care formula and Illinois’ K-12 formula (Evidence-Based Funding, or EBF) to show how they answer the “key questions” in different ways.

There are advantages and challenges for a resource-based funding formula approach. Advantages include working toward funding that reflects children and provider needs, is more predictable for providers, improves equity by distributing funds based on need, improves efficiency by considering major sources of available funds in the system together, and gives policy makers a road map to prioritize future funding increases. Challenges include that available funding may not meet all identified needs (or the adequacy target), formulas can be complex, and must be updated regularly to ensure they reflect current needs and circumstances, and it can be challenging to align requirements and practices across funding sources (state, local, federal).

4. **Padlet reflections (5 min)**

Abby invited workgroup members to react to the idea of using a resource-based funding formula for early childhood education and care in a Padlet. Non-workgroup attendees also responded to the questions on Padlet. The prompt questions were:

- **What alternative approaches might exist to achieve our goals?**
  - *Examples:*
    - *Start from money available in the system, allocate it as equitably as possible among recipients*
    - *Use current funding as the foundation of future funding*
- **What other benefits, challenges, opportunities, and unintended consequences do you see to this approach?**

Padlet links [see Padlet comments in Appendix A]:

- Workgroup members - https://padlet.com/ssmillie2/FundingDesign_April2025_PadletReflection_Workgroup
- English – https://padlet.com/ssmillie2/FundingDesign_April2025_PadletReflection_Public
- Spanish – https://padlet.com/ssmillie2/FundingDesign_April2025_PadletReflection_Spanish

5. **Discussion and share out (25 min)**

Workgroup members were divided into three small groups, based on their role (parents and providers, advocacy organizations, state representatives) for a 15-minute discussion. The prompt questions were:

- What emerged in the Padlet reflection that was exciting? Concerning?
- How does this approach compare to how funding works now?
- How could this approach be useful in a system that is not fully funded?

Each group shared key themes that emerged from their conversations:

- Group 1: A formula allows for predictability and improved planning, and we can build on things that we know have worked. While we want to be bold and do things differently, we can learn from our existing systems. The group was excited about the opportunity to be able to be iterative and acknowledge changing student needs. The group consensus was that a formula could still offer transparency and structure to guide prioritization, even without full funding.
- Group 2 and 4 (combined): The group grappled with what a formula looks like in a system without any additional funding available – we are asking people to provide more with the same resources. The group also talked about the opportunity of partnerships and how funding might drive or incentivize collaboration.
- Group 3: This group primarily discussed how a funding formula would work in an underfunded system. They want to hold providers harmless and also make change within a limited system.

They talked about current distribution mechanisms – RFPs are not equitable and CCAP distribution is probably a better example of meeting family needs – and the opportunity to build on what works. They also talked about balancing simplicity with the ability to include different provider types and address complex student needs, but acknowledged that even if formulas are complicated the end experience for the user may be simpler.

Non-workgroup attendees responded to the same questions on Padlet. [see Padlet comments in Appendix A].

- English – https://padlet.com/ssmillie2/FundingDesign_April2025_SmallGroup2_English
- Spanish - https://padlet.com/ssmillie2/FundingDesign_April2025_SmallGroup2_Spanish

6. **Public comment – Megan Bock, Afton Partners (5 min)**

There was no public comment offered. Megan thanked the workgroup and members of the public for attending and sharing insights, asked attendees to complete the post-meeting survey and announced the next meeting will be Wednesday, May 28, from 4:30 – 6 PM.

Appendix: Padlet comments

Small group discussion 1

Do you see any big themes missing from the summary? What else would you add?

- I think the Build Back Better has a 7% of income as the maximum family contribution. Is there going to be a target set for Illinois's funding formula for maximum family contribution?
- While state and federal dollars are major sources of revenue, there are also potentially county, township, municipality, and school district revenues that could (in some cases) provide much needed revenue. Is Illinois's fund formula going to assume any local dollars? If not, how is the state going to ever meet an adequacy target with nearly $10B needed. (Not that that much could come from local, but ...).
- One theme that seems to be missing is identification of gaps in existing funding streams. All parts of early childhood are underfunded to some extent, but there are some areas (e.g., workforce benefits, infant-toddler) that have greater needs than other parts of the system. How does a funding formula work to resolve these gaps?
- would love to be a bit more specific here (that is connected with the fairness piece on the next bullet) workforce compensation should be updated annually and there should be consistent salary scales that reflect competitive wages across setting type honoring credentials, years of experience, and educational attainment
- This is small but significant in my head - when we say a "mix of publicly and privately funded children" can we instead say children and families being served by a mix of public and private funds. I just don't love the possessive nature of the first sentence
- I understand why you are naming the issues layered funders face explicitly but we know they are unique and different just as providers who only draw down 1-2 funding streams are. I would encourage us to be a bit broader in our language to be inclusive of all provider types

Do these emerging funding design principles reflect the direction we want to go?

- Curious for more specificity here- what is meant by "similar purposes" and who would be "similar recipients"- examples could help clarify
- In early childhood, mixed delivery is a given/necessity for the foreseeable future (and not necessarily a bad thing even long-term). However, with opposition to charter schools, vouchers, etc., the dilemma of how to provide public dollars to private organizations, but to make sure that the funding doesn't go to discriminatory organizations is very difficult. (Note the problems with higher ed funding with this US administration.)

Funding formula Padlet reflections

**Workgroup member comments are in italic*

What alternative approaches might exist to achieve our goals?

- *We need a clearer understanding of what we are aiming towards based on what the state is already committed to do. Is the idea that this new funding approach takes effect in July 2026 or is there more time for implementation? Is there support for holding current programs harmless?*
- *Could there be a formula but with flexibilities built into it to add quality components or address certain populations?*
- *Partnerships between larger and small childcare providers that can be sub-recipients of a grant money from the large provider. As well as give smaller childcare centers access to additional resources that expands the client base for children and families. Less providers will be fighting for the same resource as it can be shared.*
- *How could we leverage the CCAP formula model (even though it is not perfect!) that accounts for different regions and base off of that instead of building from scratch.*
- *Infrastructure and capital costs*
- *Are there provider types, setting or services which can be impacted in an unintended way (eliminated funding/services) with this funding model.*
- How does all the cost modeling done in IL fit into a resource based formula? Should we explore a cost- based model (similar to Canadian example)? What about efforts to expand formula-based grants underway in IL and other states?
    - The cost modeling for early childhood was very analogous to the adequacy for EBF.
    - Yep just looking for some more info / understanding of the steps from cost modeling to using an adequacy based formula.
    - We also have several separate cost models. A more integrated cost model at least for center-based services was undertaken several years ago but I'm not sure to what extent that's being considered.
- Consider assigning funds/resources to programs that provide evidence of collaboration with partners in order to provide comprehensive services.
    - Great idea
- It's challenging to think how these concepts could be inclusive of all ece funding streams - it may be that we first have to work to better allocate (maybe with formulas, maybe other work initially) within some silos - then determine which can be integrated and which might need to standalone given their own complexity, or very different delivery model/goals etc
    - Agreed. It should be noted that the EBF in Illinois doesn't address high-cost special Ed, transportation, capital, or early childhood, because they were too complex to include in a single formula. I expect that would happen in EC too.
    - agreed and would add we can also think about multiple mechanisms - not just a formula
- I think it would be really helpful to have two different buckets to consider our approaches. In one bucket I can envision the incremental approach of - this is what our system currently funds and with x more dollars we can achieve y. On the other hand, we know that states have made bold steps in EC funding redesign (i.e. NM, DC) have had an additional public revenue stream. would love to both sides of the argument on the table for discussion.
- Universal and Progressive Sliding Scale: Family costs are based on a universal and progressive sliding scale. For example, under 100% of poverty would be $0. 100% to 200% would be 5% of income, 200%-400% would be 10% of income, greater than 400% would be 20% of income. The numbers could be tweaked to make the budget balance (e.g. greater than 400% might need to go up to 75% or even 90% of income).

    - I mistyped. I meant 75% or 90% of costs not of income, with a cap at 50% of income or some such.
- Have we explored funding regions rather than individual districts/programs/providers? If not, that might be something to consider. Since Birth to Five is already funded and set up around the 39 regions in Illinois, it seems like a possible avenue to explore.
- Has anyone explored the option of paying parents to stay home with their own children? This could solve the workforce problem and the availability of child care spots problem. There could be required 'trainings' that parents would attend (just like ECEC workforce members have to do to maintain their credentials). The outcomes would probably be amazing if it were structured and monitored properly. There would likely be families who would not choose this option so it's not the only solution.
    - Agreed -- I think this is a variation/expansion of paid parental leave

What other benefits, challenges, opportunities, and unintended consequences do you see to this approach?

- *Unlike K12, there is no public funding stream to tap into at the scale likely required...so we'd have to be prepared to do that as a state (and consider what it would take to do so)*
- *This approach can provide flexibility to meet specific, current needs and priorities.*
- *Per discussion in my earlier breakout - how can we differentiate between operating and capital costs? K-12 can bond for capital*
- *We'd need to identify quality funding levels, and allow ourselves to advance over time, I think. And we'd want to ensure we are generating more parity between 0-2 rates and 3-4 yr old rates, so that centers/schools/providers aren't driven by rates, but by need and program.*
- *The benefits would be fiscally sound programs. The obvious challenges would be that (most likely) fewer children and their families will receive services that currently exist.*
- *I like that formula articulates overall need and gives state a clear goal and road map*
- *Formulas would need to be updated to account for changes in landscape, etc.*
- *On the note that resource-based funding formula "can be challenging to align requirements and practices across funding sources (state, local, federal)". I think this is an area we should unpack sooner rather than later as a group before getting too concrete on funding design. Program standards and requirements will be the heart of funding equitably.*
- *For Multilingual learners, there currently aren't any requirements or program standards (outside of PFA/PFAE). If we want a resource based funding formula to be responsive of child and family needs, the funding model has to provide an incentive/carrot to add program standards around ML families.*
- *How would formula address need for more partnerships between prek and pre/after care?*
- *Compensation needs to be at the center of a new funding approach, not weighed as a "trade off." Programs cannot find adequate staff to keep their doors open. There is no access without a well-supported and adequately-compensated workforce.*
- I arrived to the meeting late due to another meeting, so maybe I missed this, but the alignment issues with federal guidelines can be significant with child care. Does some funding need to stay in certificates, for example?
    - Agree, how to align combined funding with differing federal requirements might be a challenge.

- Risk of the Rich get Richer (and/or maintaining the status quo inequities): There is real risk that any formula would maintain or exacerbate the inequities in the status quo.
    - Glad you raised this, Bob. I think we'd have to be very thoughtful about what components would go into a formula to try to mitigate that. But it is more complicated, I think, than the EBF formula, particularly if we're not only thinking about center-based education programs vs the wider array of programs. Which is a part of my point that it could be very difficult to try to develop this for too many programs/funding streams - maybe better to start in a way more targeted way, test, assess and tweak. We know EBF needed a few further tweaks - so I think that's especially possible here.
    - As I mentioned in a different thread, EBF (intentionally excluded due to complexity) Early Childhood, Transportation, high-cost special ED, and Capital. I expect (would hope) that any EC funding formula would exclude elements that were to complex to add into a (version one) formula.
- In k-12 districts serve all kids who enroll. Will EC programs have to commit to serving a certain amount of children and be funded based on that? And how will that incentivize/disincentivize serving specific communities, populations etc?
    - That was one of the questions they had on the powerpoint that I had raised last month -- "How does a funding formula work in an underfunded system where not all children are eligible for funding?" It is a very difficult question to address. It is mathematically easier (but not necessarily politically easier) to build a formula around a program that is universal and have the cost be a sliding scale (with people at the high end of income paying 90%, 95% or 100% than to exclude them.
- I missed the meeting where you went into depth about the Ontario model, but if I remember correctly, part of what made it possible was paid family leave reducing the need for infant and toddler slots. Canada also has a universal health care system. It feels like our overall costs would be more expensive due to these kinds of issues, and, if we used something like the EBF model, there would be a lot of possible inputs by which we could define adequacy.
- Most of the formulas focus on the base cost or per student cost - but the big question for me is how dollars are then distributed in a mixed delivery ecosystem, AND where parent choice is a foundational concept. There are pros and cons to those decisions being made at the state level, with better local data; as well as models where decisions are made more locally. Equity concerns abound in either direction.
- On the slide - it was named that a con to the formula approach is the differences in program standards. this feels significant to name given the differences in current levels of QRIS ratings by provider type. I'm not sure how you correct for that in a formula. if there is a way to capture an intermediate step to address providers who are preparing to meet higher quality standards and providing robust resources in advanced similar to SSQS, that would make sense to me.
- Re: comment on problems with RFP - all true - but also the way ECBG programs are funded is so different from CCAP - and we have challenges in CCAP in actually getting base funding to an entire classroom or set of classrooms in CCAP. So that's an important part of the mechanism as well - in other words, there are elements to how ECBG is funded/grants constructed beyond the RFP element that are important considerations - building infrastructure costs like MH consultation, for example, funding full classrooms not tied to individual students etc. Just think it's worth noting an examination of the full structure of ECBG grants that were developed with a

lot of intention and not dismissing them purely because the RFP process has a number of challenges

- The system and formula for such a large and diverse (along many dimensions) state will need to have some complexity. The question is who/what is best able to deal with the complexity. This is both an opportunity to hide the (unnecessary) complexity from end users (families and providers), but also a risk that there are unintended consequences because if the "black box" calculation is non-intuitive, then it could lead to distrust of the system and/or "bad actors" gaming the system.
- Using a formula can help the state plan better.

Small group discussion 2

- English – https://padlet.com/ssmillie2/FundingDesign_April2025_SmallGroup2_English