ECEC Funding Design Workgroup: Funding **Distribution** Subcommittee

June 24, 2025

Illinois Department of Early Childhood

Meeting expectations & notes

For Subcommittee Members:

- **Please be on video** as much as possible
- **Mute self** when not speaking
- Use **Chat feature or “raise hand” button** for questions or comments
- Technical issues can happen to anyone – **chat privately to Marissa Ortiz for any needs**
- If you are experiencing an unstable connection - **switch to phone call or close other applications**

For Public Participants:

- Attendees can provide input through public comment (last five minutes of meeting)

Introductions:

1. Name
2. Location
3. Role & Organization
4. What would job would you choose if you weren't in ECE?

Note: This meeting has Spanish translation

Workgroup Norms

- Process is part of the solution
- Step Up, Step Back
- Questions seek to understand, be curious
- Prioritize parent experience and provider experience
- Act with courage and vulnerability
- Recognize the difference between intent and impact; I might not intend to hurt or offend but the impact may be to hurt or offend

Today’s goals

Goals

- ✓ Understand and align on the role of the subcommittee
- ✓ Learn about different types of funding distribution mechanisms

Agenda

- ✓ Welcome and introductions
- ✓ Review role and goals of the subcommittee
- ✓ Discussion on distribution mechanisms
- ✓ Public comment, next steps, and adjourn

Funding Design Goals

GOALS: **Develop a funding system for Illinois' early childhood education and care programs that:**

- Promotes an **equitable, inclusive, family-centered system** of quality choice for families of all races, home languages, incomes, and geographies
- Works toward **fair resources for all types of providers**, responsive to family choice
- Supports **opportunity, fair compensation, and high-quality working conditions** for the ECEC workforce
- Improves **predictability** and **stability for families, providers, and the workforce**
- **Reduces complexity and burden** on ECEC providers
- Promotes long-term **system-wide sustainability** through clear and balanced priorities and effective use of all available funds (federal, state, local, and private)

Emerging Design Principles – drawing on input from communities, working groups, and state leadership

1. **Streamline current funding streams** and reduce administrative burden
   - Combine state funds into fewer funding streams with similar purposes and recipients
   - Reduce burden of managing multiple state and federal funding streams by aligning requirements wherever possible
   - Simplify applications and reporting wherever possible
2. **Work toward overall funding (across all available funding sources) that prioritizes equity and covers the cost of expectations**
   - Provides **operational funding** from all sources that is adequate to deliver services that meet licensing standards for all children
   - Provides funding that supports programs to proactively build toward a **family-centered definition of quality,** not just after quality is achieved, and is tied to the **services families want to see** based on children's needs, including for children with disabilities, multi-lingual learners, and historically underserved communities
   - Promotes **competitive workforce compensation**
   - Funding reflects the **different structure** of costs and services in centers, homes, and school districts
3. **Assess gaps** between current funding and need to inform equitable prioritization for future investments
4. Work for **existing and new programs** and programs with a **mix of publicly and privately funded** children
   - **New programs** can enter the system through a transparent process that assesses quality, capacity, and community need
   - Funding design incorporates **local funding** and **parent tuition** alongside state dollars and considers needs of school-age children

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Role & Goals of Subcommittee

Workgroup & Subcommittee Relationship

- Establish principles and direction, and develop a rubric to evaluate options
- Establish charge of subcommittees
- Review and pressure test recommendations from the subcommittees

Workgroup

Sub-committees

- Engage in deeper discussion on specific topics
- Research, analyze, and debate first drafts
- Bring considerations and draft recommendations to the workgroup for discussion

*Our work will also be informed by other workgroups and stakeholder groups

Funding Distribution Subcommittee

ESSENTIAL QUESTION: How should the state distribute funds to providers in a way that best supports our goals?

- What opportunities exist to improve provider funding stability and consistency and what are the implications?
- How can we minimize administrative burden for providers while ensuring accountability for funding?
- Which distribution mechanisms (grants, contracts, vouchers, etc.) should be used for what purposes?
- How might this all differ across different provider types, geographies, sizes, and other factors?

Meetings over the next four months work towards developing a set of funding distribution recommendations.

June	July	August	September
• Review role of the subcommittee • Learn about distribution mechanisms	• Discuss funding distribution rubric • Evaluate options against rubric	• Prioritize distribution mechanisms that best promote design principles & goals	• Incorporate workgroup feedback and finalize recommendations

Discussion:

- What questions do you have about the role or goals of this group?
- Are there any norms or suggestions you have for how this group should operate?

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Discussion on Distribution Mechanisms

Funding Design is a tool to intentionally shape the way that payment supports system goals.

Funding design has two major components:

Funding allocations

How is funding for each recipient determined?

Distribution mechanisms

How should funding move from the state to recipients?

This is connected to but somewhat distinct from funding amounts:

Funding amounts

How much funding is available in the system?

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Distribution Mechanisms

Examples of Distribution Mechanisms:

- **Competitive grants:** Applications are usually merit-based and peer-reviewed; recipients are selected through a Request for Proposals (RFP)/Notice of Funding Opportunity (NOFO) process based on targeted criteria for a set grant period; not all applicants are funded
- **Non-competitive grants**: All eligible applicants receive funding; eligibility and grant requirements are defined by system administrators
- **Vouchers:** Eligible families receive funding and use it to pay providers they select from within a group of eligible, participating providers
- **Payee Agreement:** Qualified providers request payment after they document that a specific service has been delivered to an eligible child/family

- What examples come to mind for each of these mechanisms?
- Are there any mechanisms that are missing from this list?

What are the benefits and limitations of each distribution mechanism?

Distribution Strategy	Examples	Benefits	Limitations / Drawbacks
Competitive Grants	• Early Childhood Block Grant (ECBG)		
Non-Competitive Grants	• Smart Start Workforce Grants (SSWG)		
Vouchers	• Child Care Assistance Program (CCAP)		
Payee Agreement	• Early Intervention direct services		

Add your reflections in google docs: tinyurl.com/ymx2r4t6

Discussion: which distribution tool is most appropriate for which purposes?

Distribution Strategy	Most Appropriate Uses
Competitive Grants	• Add a new program; thinking about expansion; add more to what they are doing, such as quality • Non-competitive is a "base" vs competitive is "additional"
Non-Competitive Grants	• Benefits: Less burdensome in application & more consistency • Limitations: may not be able to get funding over time if eligibility changes; does not allow for differentiation. Need to have access to data about the programs to be able to distribute. Opportunities for non-competitive grants: • Support programs to work towards quality & attaining standards of care. Improve experiences for families and children. Tiered opportunity- funding for those who are coming into being involved with state dollars & funding for those for CQI to work towards what folks have raised for competitive grants (add-on for quality and/or sustainability). • Non-competitive is a "base" vs competitive is "additional" • Alternatively, programs that have established themselves over time – they do not need to keep filling out the same application every year. Perhaps a less frequent review cycle / simpler process. *opportunities around accountability & timeline for monitoring.
Vouchers	• Summary: Helpful for families to have vouchers for access, but reimbursement is unpredictable for providers • Opportunities: optimizing family choice and equitable access
Payee Agreement	• Summary: Issues with stability, but allow people to get paid for services provided – but payment can be quite delayed

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Which distribution tool is most appropriate for which purposes?

Distribution Strategy	Benefits	Limitations / Drawbacks	Most Appropriate Uses
Competitive Grants	• Finite set of dollars can be prioritized • Opportunity to review and assess readiness • Requires programs to demonstrate ability to use funds effectively	• Challenging for FCCs and smaller programs to navigate • Equity issue • Unstable: programs can't predict whether they will receive funds	• May be best for small or pilot programs • Incentivizing behavior that isn't appropriate to require
Non-Competitive Grants	• Low lift application – have to agree to conditions, but no competition • EBF is an example • When we turn competitive grants into formula grants, equity often improves • Receipt of award is stable and predictable	• Performance measure to keep the grant has to be attainable, simple • Hard to assess readiness beyond basic eligibility requirements • Awards and eligibility may need to be trimmed to allow all eligible programs to receive funds	• Clear expectations for grant application and accountability • Fixed and known number of entities that are eligible; predictable participation • Programs where accessibility and equity are paramount
Vouchers	• Flexible for families	• Unpredictable for state and providers	• Programs where family choice is paramount (e.g. for highly mobile families)
Payee Agreement	• Flexible for families and providers	• Unpredictable • Little accountability over providers beyond basic service delivery • Lag time in payment is hard on small providers	• Programs where family choice is paramount

Bringing the conversation back to the Funding Design Workgroup:

- What key takeaways should we share with the workgroup?
- Is there anywhere you would like the workgroup's input prior to our next meeting?

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Public Comment

To join the line to provide public comment, please raise your hand via Webex.

Next Steps & Close:

- Funding Design Workgroup Meeting – **Tuesday, June 24th, 4:30-6 PM**
  - Sharing update?