



# ECEC Funding Design Workgroup: Funding Distribution Subcommittee

September 17, 2025



# Meeting expectations & notes

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## 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 Kayla Rosen 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)

### Check-in Question:

What's on your mind  
after our last meeting?

*Note: This meeting has Spanish translation*

## Subcommittee 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 and agenda

## Goals

- Understand how site administered contracts and certificates/vouchers work
- Consider benefits of site administered contracts and certificates/vouchers and opportunities to utilize them in a future system
- Adjust emerging direction based on discussions

## Agenda

- Welcome and introductions, role and goals of the subcommittee
- Highlights from previous distribution discussions
- Certificates/vouchers and site administered contracts discussion
- Subcommittee closing
- Public comment, next steps, and adjourn

# Funding Design 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

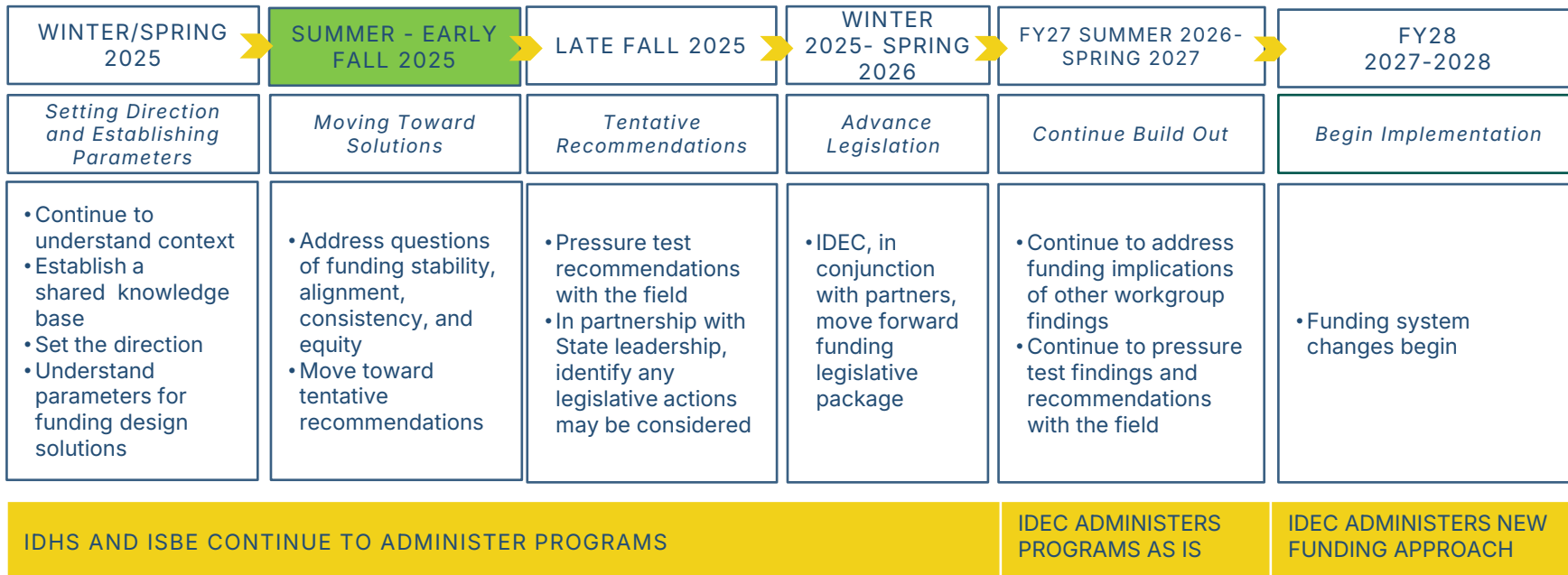
- 1 Reduce administrative burden** by streamlining current funding streams
  - Combine state funds into fewer funding streams with similar purposes and recipients
  - Reduce burden of managing multiple state and federal funding streams by aligning requirements wherever possible
  - Simplify applications and reporting wherever possible

- 2 Builds a transparent road map to full costs of early learning services that enables equity and efficiency**
  - Ensures **operational funding** from all sources that is adequate to deliver services that meet licensing standards for all children and allows transparency in how much existing funding from all sources covers costs
  - Enables a **family-centered definition of quality**, and is tied to the **services families want to see** based on children’s needs, including for children with disabilities and developmental delays, multi-lingual learners, and historically underserved communities
  - Promotes **competitive workforce compensation**
  - Reflects the **different structure** of costs and services in centers, homes, and school districts across programs and requirements
  - **Maximizes** federal funds

- 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 children being served by **public and private funds**
  - 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 and federal dollars while acknowledging the needs of providers who serve school-age children

# Anticipated Timeline





## Roles & Goals of the Subcommittee

## 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, certificates/vouchers, etc.) should be used for what purposes?
- How might this all differ across different provider types, geographies, sizes, and other factors?

## This subcommittee is working towards developing a set of funding distribution recommendations

### June

- Review role of the subcommittee
- Learn about distribution mechanisms

### July

- Consider distribution options
- Evaluate options against guiding principles

### August

- Prioritize distribution mechanisms that best promote design principles & goals

### September

- Incorporate workgroup feedback and finalize recommendations

# How will the two subcommittees work together and maintain alignment?

## 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



# Highlights from Distribution Discussions

## Key Takeaways from last subcommittee and workgroup meetings:

- **Non-competitive grants** can provide **stable base funding**, including multi-year grants for programs with a proven track record of meeting grant expectations
- Need to ensure funding is **inclusive of family, friend and neighbor (FFN)** care, which are often accessed through certificates/vouchers
- Ensure that providers have flexible options for funding, including **access to certificates/vouchers** for providers serving limited numbers of children funded by CCAP
- Desire to learn more about **site administered contracts** and benefits and challenges for providers and families

# Approach to considering feedback and discussion from prior meetings

## 1. Understanding pros and cons of approaches:

- Acknowledgement that competitive grants are inequitable for many programs but also may be a necessary mechanism in a resource-strained environment
- **Agreement on the need for flexible funding options for providers, including non-competitive grants for base funding and certificates/vouchers**
- Considering options and continuing to understand the financial implications for moving to prospective payments

## 2. Reviewing potential scenarios:

- Raised the need for stable, ongoing, multi-year funding for providers through non-competitive grants that **provide regular funding based on the number of children being served**
- **Noted that multi-year funding should be provided to programs who annually meet program performance measures**
- Considered how competitive grants can be layered on for additional supports, like one-time funds
- **Suggested that certificates/vouchers may still be an important option for some providers**

## 3. Synthesizing input:

- Includes feedback and considerations raised by subcommittee, workgroup and state leadership

# Emerging funding distribution approach moves towards a flexible funding system including non-competitive grants for base funding and certificates/vouchers

## Competitive Grants

- One-time investments (i.e. facility improvements)
- Entry of new providers or expansion of programming

## Non-Competitive Grants

- Multi-year grants with up-front payments to support classroom/program-level costs for qualified providers, varied by size/community served
- Funding could vary based on serving priority populations/communities, including children from low-income households, MLL, and children with disabilities and developmental delays
- Funding could vary for home visiting based program model, region, and on extra services provided beyond the program model

## Certificates/Vouchers

- Child care services paid on an upfront basis (i.e. at beginning of the month) for certain types of care (FFN) or in certain specific instances

## Payee Agreements

- Billable services (i.e. Early Intervention)



# Certificates/Vouchers and Site Administered Contracts

## Guiding questions for today's discussion

- How do CCAP site administered contracts and certificates/vouchers work, and how are they different from each other?
- What are the main benefits and challenges of using CCAP site administered contracts and certificates/vouchers?
- In what cases should each approach be used?

# The Child Care Assistance Program (CCAP) helps pay for child care for eligible children and families

## Background Information

- CCAP is funded by federal and state funds
- The Illinois Department of Human Services administers CCAP for the state and Child Care Resource and Referral agencies (CCR&Rs) partner with IDHS to disperse CCAP funding to their local communities
- CCAP requires a copay from parents which depends on their income

## Eligibility Criteria

- **Residency:** Must live in Illinois
- **Activity:** Parent/caregiver must be employed **and/or** going to eligible educational activity
- **Child's Age:** Children in need of care must be under the age of 13 (or 19 with documented special needs)
- **Income:** Must meet income guidelines (family income must not exceed 225% FPL)

# Currently, CCAP funding can be distributed in two ways: certificates/vouchers and site administered contracts

## What are certificates/vouchers?

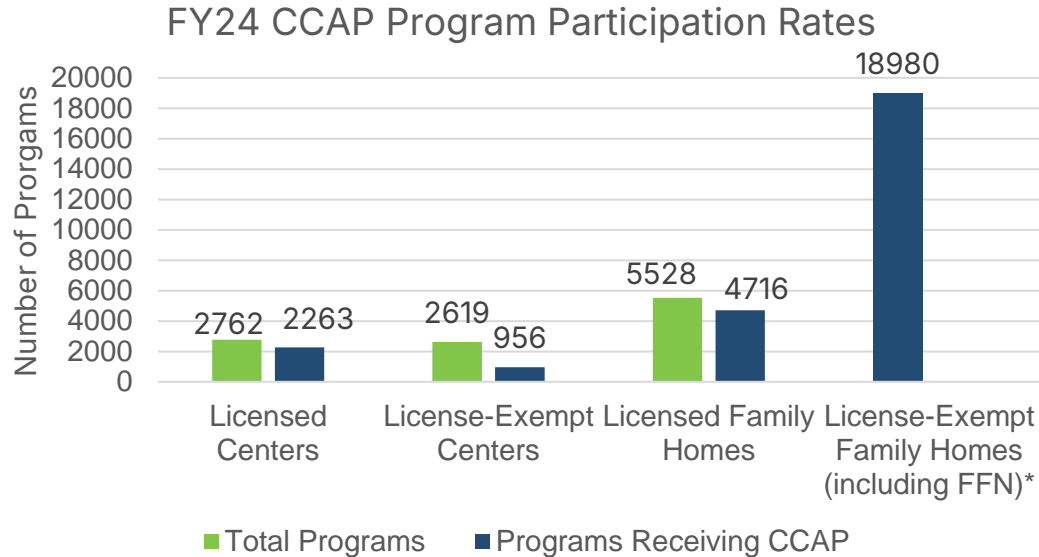
- Parents apply for CCAP and generally receive support with applying for CCAP from their provider. Providers often submit the application to their local CCR&R who determines whether they are eligible.
- Providers must meet CCAP eligibility requirements to receive certificates/vouchers.
- CCR&Rs enter certificate/voucher payments into the State system and funds are then distributed directly to providers by the Illinois Office of Comptroller (IOC).
- Payment is based on number of days children attend the program within a given time frame.

## What are site administered contracts?

- "Site administered" contracts are an alternative distribution mechanism for CCAP where child care programs contract directly with the state (or a provider network) for a negotiated number of slots at specific sites.
- Contracted providers determine family eligibility, collect co-pays, and bill the state each month. Site administered contracts do not need to be structured as providers determining eligibility, but they can be.
- Site administered contracts are a grant to providers and help the state of Illinois meet CCDF requirements for providing child care seats.

*Note: programs can receive both certificates/vouchers and site administered contracts.*

## Among licensed & license-exempt centers and homes, about 73% receive CCAP certificates/vouchers



Note: The total number of children served through informal FFN is unknown.

- **Over 80% of licensed centers receive CCAP funding**, compared to 37% percent of license-exempt centers.
- **Participation rates are nearly identical by setting** for licensed programs: Licensed Centers 82% vs Licensed Homes 85%
- A majority of voucher-receiving programs are **family child care homes, including FFN care**

# Benefits of certificates/vouchers vs. site administered contracts

## Certificates/Vouchers

**Funding follows the family:** Families can use their certificate/vouchers at centers, family child care homes, and eligible license-exempt relatives. If they leave the program, they can use their certificate/voucher at another program.

**Scheduling for non-traditional hours:** Certificates/vouchers can support matching families with non-traditional hour care needs.\*

**Flexibility for providers:** Providers enroll based on demand with no contracted slot caps to manage.

**Potentially fewer administrative considerations:** CCR&Rs/state handle eligibility determinations; providers focus on attendance, co-pays and standard voucher billing.

## Site Administered Contracts

**Predictable Revenue:** Providers have a pre-determined number of slots for CCAP allowing for a determined amount of consistent revenue based on an estimated number of children per site.

**Faster decisions:** Programs determine if families meet eligibility requirements, so they do not need to wait for CCR&Rs to determine eligibility.

**Provide services that meet families' needs:** Providers can offer services for families (extended hours, special needs) when approved.

**One-stop-shop:** Provider manages eligibility, co-pays, attendance and monthly billing; these additional responsibilities mean site-administered contracts often go to larger entities

## Shared Benefits

**Affordability:** Both distribution mechanisms must follow CCDBG affordability rules for families, specifically that copays must be at or below 7% of a families' income.



\*Note: IDHS-DEC currently is engaged in a pilot project for non-traditional hour care

# Challenges with certificates/vouchers vs. site administered contracts

## Certificates/Vouchers

**Eligibility Wait Times:** CCR&Rs determine eligibility/redeterminations; intake delays can postpone start dates and payment

**Potential Revenue Volatility:** Enrollment and attendance can cause revenue to fluctuate month to month

## Site administered contracts

**Potentially More Administrative Burden:** Applications, redeterminations, notices and monthly enrollment report (MER)

**Potential Revenue Volatility:** Enrollment and attendance can cause revenue to fluctuate month to month

## Shared Challenges

**Co-pay risk:** Provider is responsible for collecting family co-pays

**Attendance:** Payment is tied to attendance (70% rule)

**Compliance:** Responsible for licensing, staff training, data systems and record-keeping

## Provider Spotlight

- Tell us about how site administered contracts and certificates/vouchers work and how you use them in your program.
- What do you appreciate about site administered contracts? What do you appreciate about certificates/vouchers?
- What challenges do you experience with site administered contracts and certificates/vouchers?
- How does the enrollment process differ for enrolling families using site administered contracts vs. families using certificates/vouchers?
- Are parent co-pays different for site administered contracts vs. certificates/vouchers?
- How do site administered contracts impact your service to families?
- What changes could make certificates/vouchers more effective for providers? What about site administered contracts?

## Subcommittee discussion

- How does the conversation about site administered contracts impact your thinking about using non-competitive grants?
- What do you see as benefits of non-competitive grants, like site administered contracts? What do you see as benefits with certificates/vouchers?
- What improvements would you make to the current certificate/voucher or site administered contract system to be more effective for families and providers?
- What settings/conditions would work well to use certificates/vouchers?
- What settings/conditions would work well to use non-competitive grants, like site administered contracts?



# Subcommittee Closing

## Where have we been?

June

- Learned about various distribution mechanisms

July

- Reviewed potential distribution scenarios and assessed against guiding principles

August

- Prioritized distribution mechanisms that best promote design principles & goals
- Provided feedback and pressure tested emerging distribution recommendations

September

- Discussed vouchers and site-administered contracts and incorporated workgroup feedback to further refine recommendations

## Returning to our essential question: How should the state distribute funds to providers in a way that best supports our goals?

Guiding Question	What we learned	Where we need more information
What opportunities exist to improve provider funding stability and consistency and what are the implications?	<ul style="list-style-type: none"><li>• Providers need ongoing, stable, multi-year funding to cover base operating costs</li><li>• Providers prefer prospective payments</li><li>• Some providers want to continue to have flexible options for funding, including contracts and vouchers</li></ul>	<ul style="list-style-type: none"><li>• Better understand in what cases and why providers might prefer contract vs certificates/vouchers</li><li>• Further determine implications and fiscal impacts of each distribution approach</li></ul>
How can we minimize administrative burden for providers while ensuring accountability for funding?	<ul style="list-style-type: none"><li>• Use multi-year grants to reduce administrative burden for providers, require that receiving programs meet annual quality and performance measures</li></ul>	<ul style="list-style-type: none"><li>• More conversation needed on how to ensure programs are held accountable without adding additional administrative burden</li><li>• Ongoing dependencies with forthcoming Program Standards Alignment workgroup</li></ul>

## Returning to our essential question: How should the state distribute funds to providers in a way that best supports our goals?

Guiding Question	What we learned	Where we need more information
<p>Which distribution mechanisms (grants, contracts, certificates/vouchers, etc.) should be used for what purposes?</p>	<p>Providers should have the option to participate in either grants/contracts or certificates/vouchers depending on their program needs</p> <ul style="list-style-type: none"> <li>• Non-competitive, multi-year grants should cover base funding</li> <li>• Competitive grants should cover one-time needs or pilot programs</li> <li>• Certificates/Vouchers should be retained for FFN care or other homes/centers with limited CCAP enrollment</li> </ul>	<ul style="list-style-type: none"> <li>• More discussion needed to pressure test different mechanisms and consider impacts of implementation</li> <li>• Implications of continuing certificate/voucher system and determining how different distribution mechanisms would work together to ensure a simple system for children and families</li> </ul>
<p>How might this all differ across different provider types, geographies, sizes, and other factors?</p>	<ul style="list-style-type: none"> <li>• Initial discussions indicated that there is a desire to differentiate based on provider types and sizes</li> </ul>	<ul style="list-style-type: none"> <li>• More work needed to understand interest and impact of differentiating by other factors such as geography, size.</li> </ul>

# Funding Distribution Emerging Recommendations

## Challenges



## Preliminary Recommendations

### Challenge Definition:

- Uncertainty about funding makes it difficult to plan and create seats, leading to instability and limited access for providers and families
- Competitive grant applications make access to funding dependent on capacity to write grants, leading to inequities across the state
- Payment is often received after services have been provided, making it difficult for providers to cover expenses

### Emerging Recommendations:

#### ***Expand Use of Non-Competitive Grants or Contracts for Providers Serving Priority Populations:***

- Providers know they will be funded as long as they meet eligibility criteria
- Longer-term grants or contracts allow providers to create seats, knowing funding will be available
- Levels the playing field by reducing the need to complete complex competitive grant applications
- Build on current successful examples, including Smart Start Workforce Grants and CCAP Site Administered Contracts

#### ***Continue to Use Certificates/Vouchers to Maximize Family Choice:***

- May be appropriate for providers serving fewer numbers of publicly funded children and license-exempt providers
- Explore shifting to payment in advance

#### ***Reserve Use of Competitive Grants for Short-Term or Specialized Funding***

- Allows targeting of funds for specific purposes
- Appropriate when assessing recipient readiness is a key criteria for funding

# Reflections

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- What else should the workgroup consider in continuing conversations and recommendations for funding distribution?
- Any concerns with the current approach?



# What's Next?

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- **Funding distribution conversations will continue in upcoming workgroup meetings:**
  - Next Funding Design workgroup meeting will be in-person in Bloomington, Illinois on Monday September 29<sup>th</sup> from 10 AM-3 PM.
  - Find upcoming workgroup meetings on the IDEC website: [www.idec.illinois.gov/events/list.html](http://www.idec.illinois.gov/events/list.html)
- **In-Person Meeting Goals & Agenda:**
  - Reflecting on where we've been
  - Considering how tentative recommendations would affect families and providers
  - Through the lens of family experiences, identifying opportunities, considerations, and unintended consequences related to the tentative recommendations
  - Preview plans for next six months



Thank you!



# Public Comment

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



# Thank you!



**Close out survey:** We welcome your feedback on the process of this subcommittee, especially as we think about standing up new subcommittees in the fall. What worked well? What could be improved?

*Survey:* <https://docs.google.com/forms/d/e/1FAIpQLSfHQ77Xm-AtITcxPjG71ZhoXyx9zcpaVPvq4H5bhWUv-wMXIfg/viewform?usp=header>



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