



Commission on Equitable Early Childhood Education and Care Funding

Funding Mechanism Working Group
Meeting 1 – 2/4/2020

Funding Mechanism Meeting 1 Agenda

Item	Time
Introductions, Group Charge, and Work Plan	1:00-1:20
Today's Mechanisms and Their Rationale/Intent	1:20-2:20
Funding Mechanisms in the Context of the Commission's Guiding Principles	2:20-2:40
Next Steps	2:40-3:00

Pre-Readings

- NIEER 2016 report "Funding Landscape for Preschool with a Highly Qualified Workforce": section titled "Pre-K Funding for State Programs – the Current Landscape"
- BCG Report excerpt on current funding mechanisms

Funding Mechanism Meeting 1 Goals

- ***Validate the work plan*** to accomplish our Working Group Charge
- Review ***today's mechanisms*** and discuss ***what choices has the State made and why?***
- Understand the ***current structure relative to*** the Commission's ***guiding principle***
- Identify ***next steps***

Working Group Charge & Work Plan

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 can **funding mechanisms be improved** to support the Commission's guiding principles?
- What **funding innovations** could increase efficiency of existing funding?
- **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**?

What do we mean when we say “funding mechanisms”?

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

For example, here are the kinds of funding mechanisms that are in use for ECEC in Illinois today

- 1. Competitive bid** – RFP and/or grant application and/or contracting process to identify vendor provider and award amount
- 2. Certificate/Voucher** – individual families apply for eligibility; funding goes directly to provider
- 3. Tuition/Fee-for-service** – private family pays a provider for ECEC services
- 4. Formula** – allocation of funds, based on rule, to an entity to provide services

Funding Mechanisms are a key lever for actualizing this Commission's goal, in line with its guiding principles

When done well, Funding Mechanisms can...

- Improve access to high quality services
- Ensure equitable allocation of resources to promote equitable outcomes
- Promote a cohesive ECEC system
- Improve system transparency, accountability, and efficiency

Commission's Guiding Principles (Revised)

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 5 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

Work Plan and Timeline

Approximate Timeline	Meta-Topics
February (Today)	<ul style="list-style-type: none">• Validate Work Plan and Timeline• Understand current mechanisms
March	<ul style="list-style-type: none">• Review research available to inform recommendations, including other states• Develop future system requirements
April	<ul style="list-style-type: none">• Analyze future system options
May	<ul style="list-style-type: none">• Discuss interdependencies with Management & Oversight Working Group and validate potential recommendations
June	<ul style="list-style-type: none">• Develop initial recommendation package and implementation considerations
July / August	<ul style="list-style-type: none">• Respond to Commission feedback and inquiry

Work done to date on Funding Mechanisms

- Inventory of mechanisms used in current funding streams
- Modeling of equity implications of formula vs. grant
- Scan of other states' approaches to distributing funding for ECEC

Some national organizations have done good background work on this, which you received as pre-reads

Current State
Funding Mechanism Overview

ECEC funding is more complex than K-12

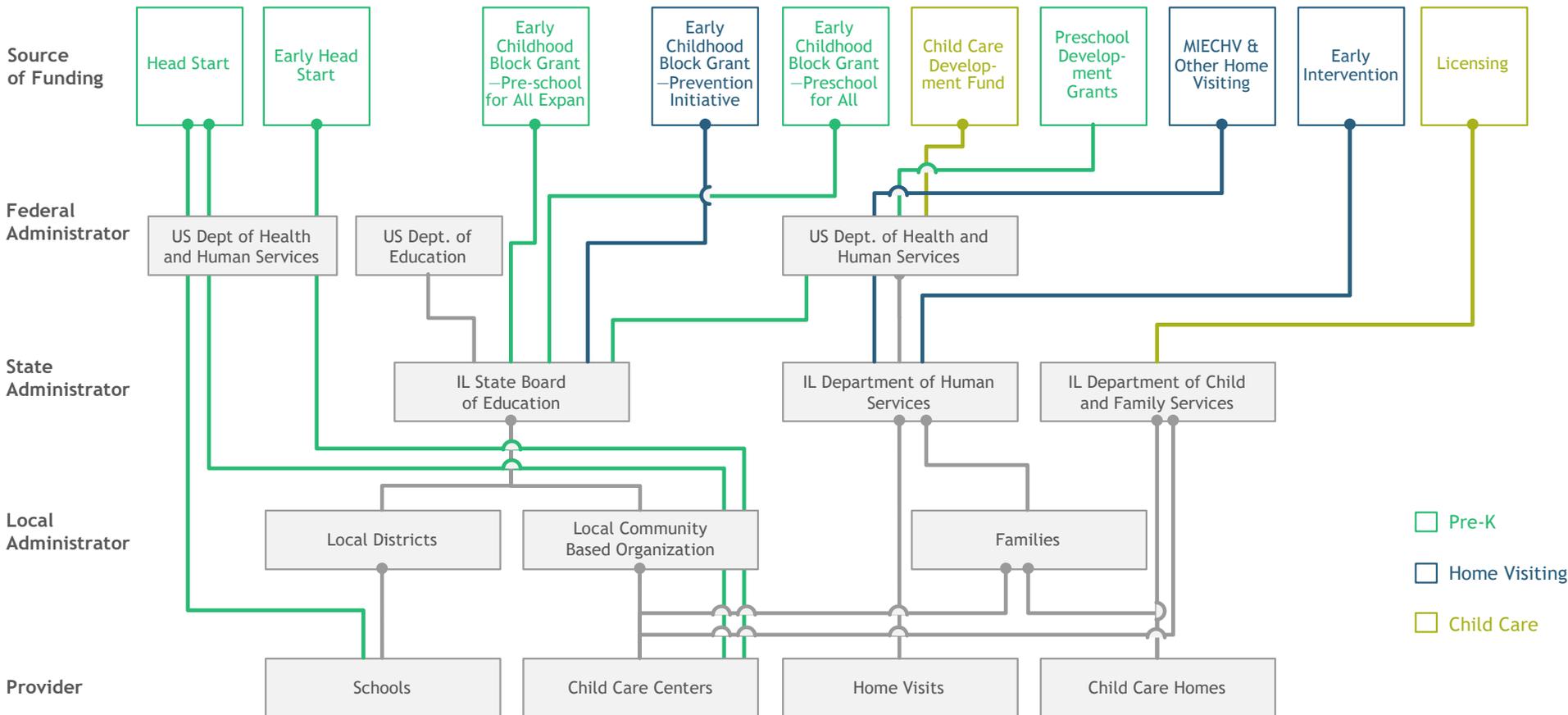
- Early Childhood Education and Care services serve dual purposes:
 1. To **support the child** through nurturing, supportive environments, thereby building the child's **readiness for Kindergarten**
 2. To **support parents' ability to participate in the workforce**
- Children and families have **different service needs that require different settings and program models**
- Funding recipient list incorporates many different types of organizations – not as clean as "Local Education Agencies"
- Funding is much less stable

Mechanisms are both a contributor to and product of this systemic complexity...

How does funding flow today?

Map of funding streams and administrators

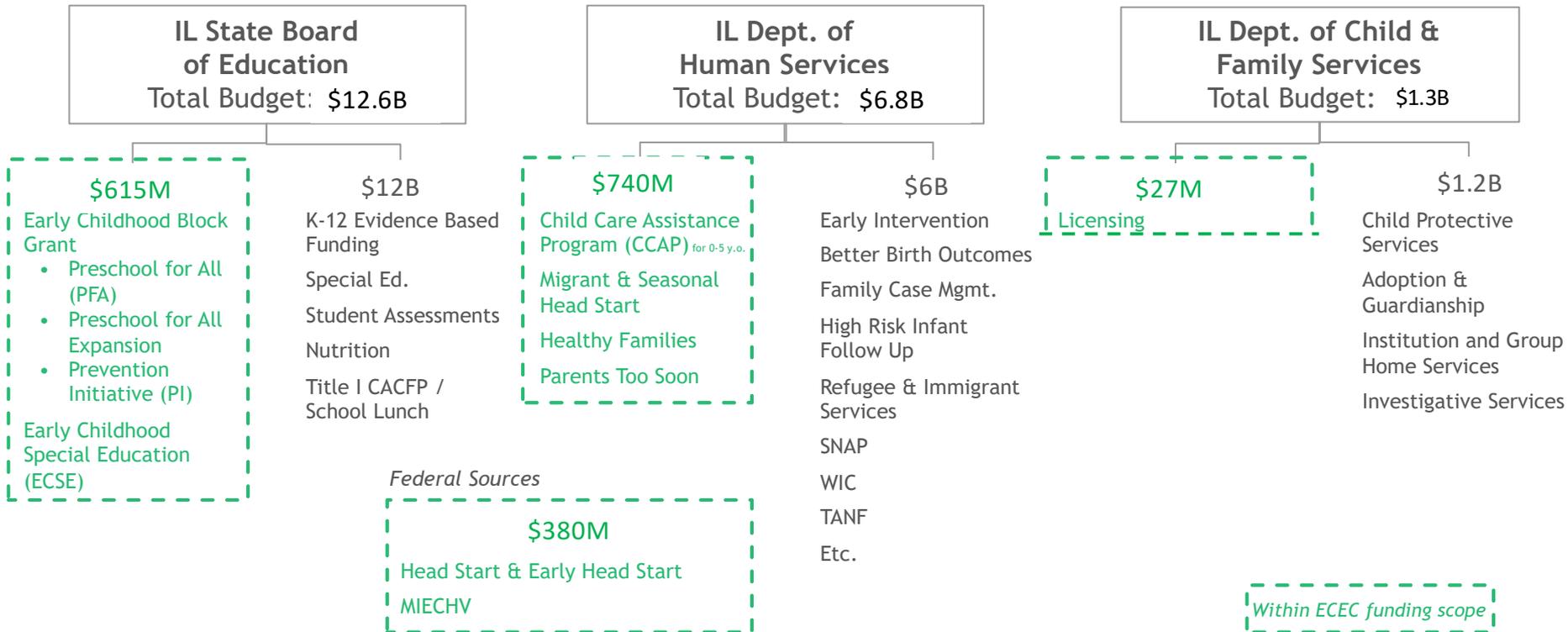
Fragmented funding means providers & families depend on multiple sources across many agencies



These agencies currently administer \$1.8 billion annually in federal and state funding on ECEC services and programs *through a variety of funding mechanisms*

This variety of funding mechanisms is managed by multiple agencies

2020 allocations



Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

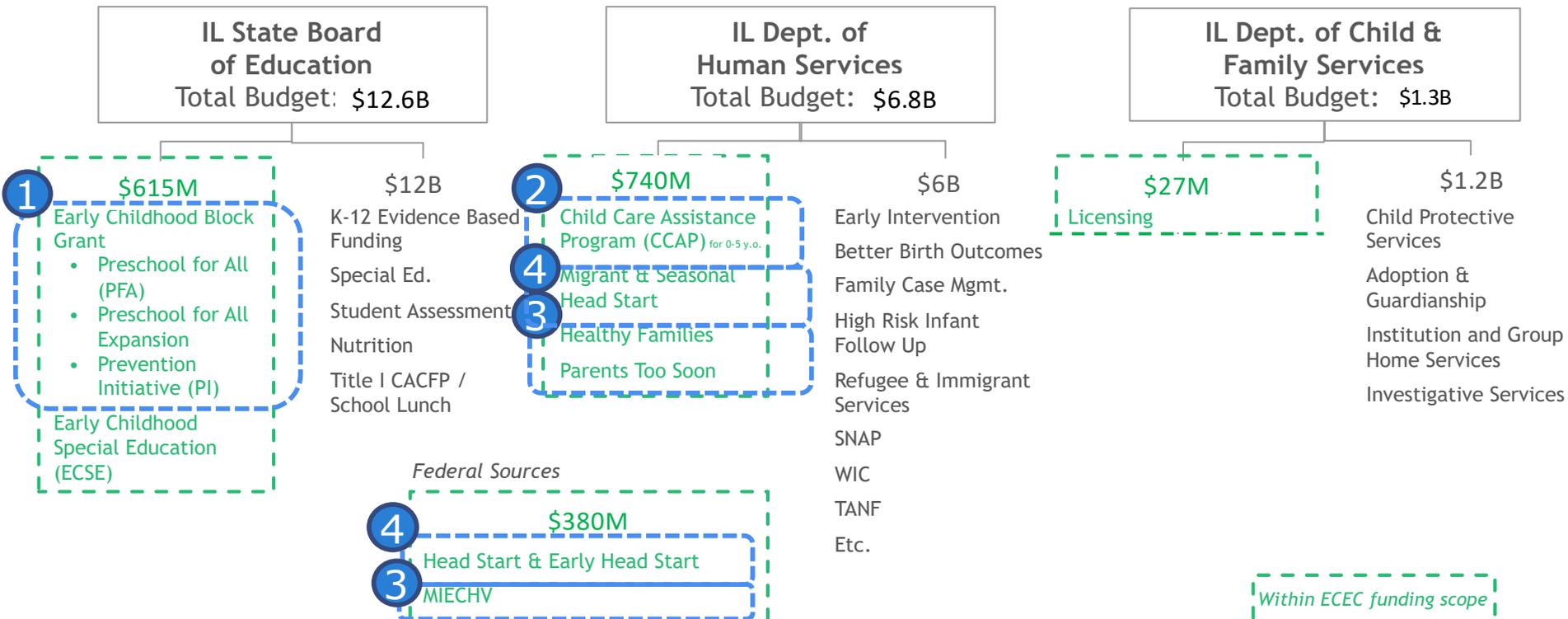
*GOECD coordinates state initiatives to create an integrated system of quality ECEC programs across agencies.

* Early Learning Council plays an important role

This Working Group will primarily focus on funding mechanisms of **four major categories of services**

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

2020 allocations

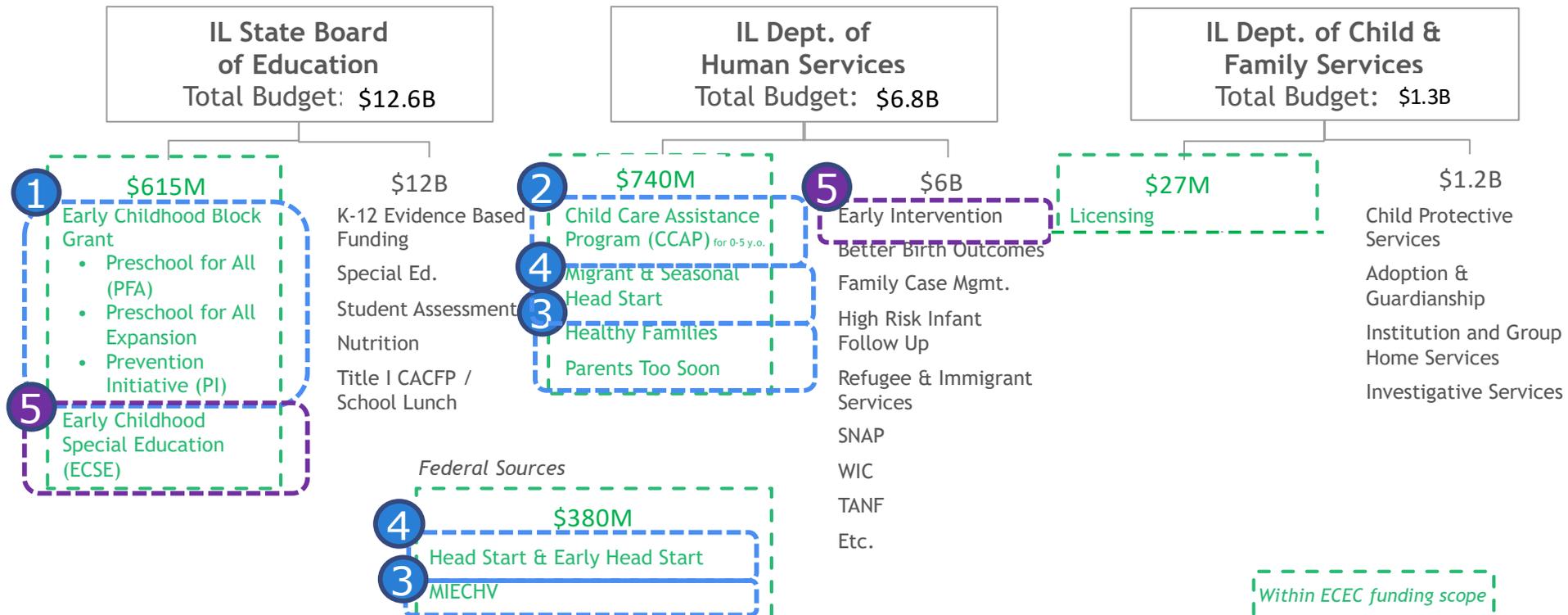


Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

The Inclusion Working Group will inform our work on Inclusion programs

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

2020 allocations



Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

For each area of service, we need to understand current mechanics and context

The Mechanics

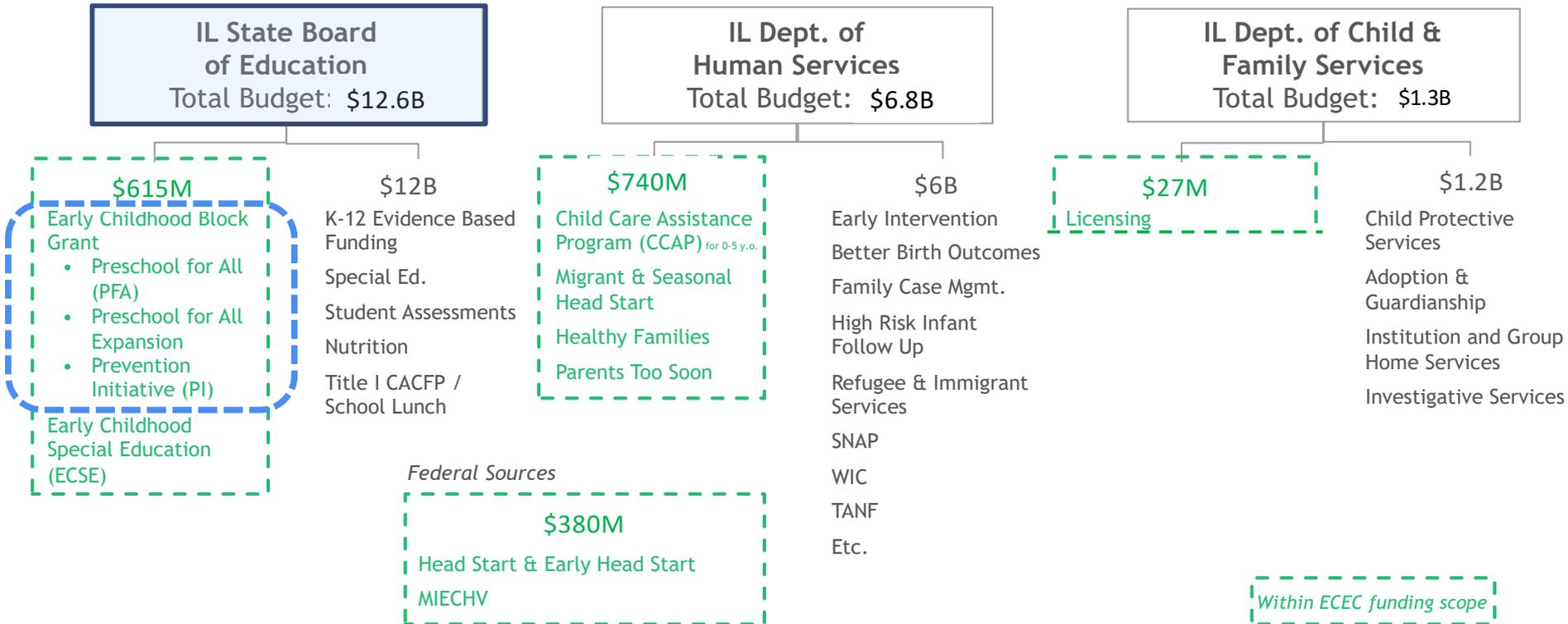
- How is the service funded?
- Who allocates the funding?
- Who receives the funding?
- How are funds allocated (what mechanism(s))?

The Context

- Why is this as it is?
 - Laws or policies?
 - Decision points?
 - Alternatives considered?
- What is working in the current structure and what is not?

1 Early Childhood Block Grant

2020 allocations



Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

1

Early Childhood Block Grant – three competitive bid processes

Services include:

- Preschool for All (PFA) - three-to-five-year-old preschool
- Preschool for All Expansion (PFA-E) - PFA plus intensive wraparound services
- Prevention Initiative (PI) - zero-to-three home visiting or center-based care

How is the service funded?

State
Appropriations

Who allocates the
funding?

ISBE (Early
Childhood)

How is funding allocated
(mechanism(s))?

Competitive Bid

Who receives the funding?

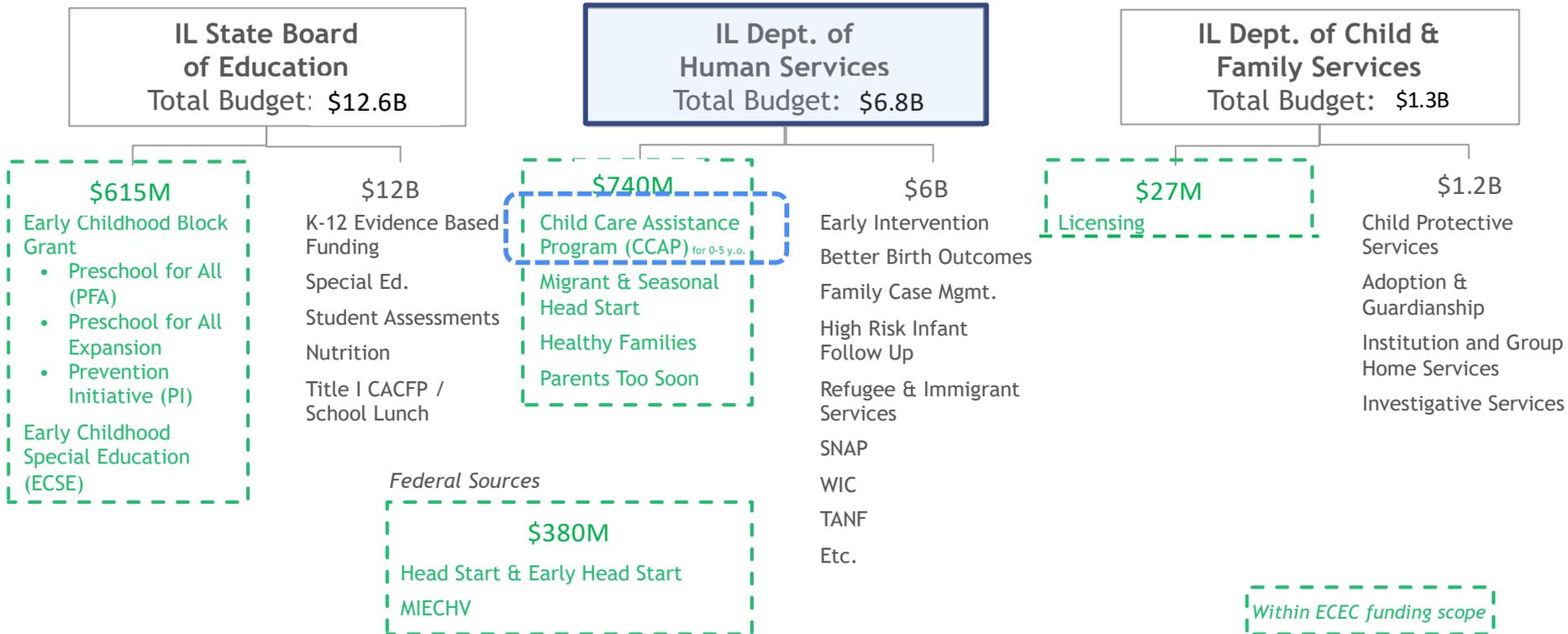
Grantees (schools and
CBOs)

1 Early Childhood Block Grant - context

- Why is this structure and mechanism as it is?
 - State pre-k was initiated in 1985.
 - Early Childhood Block Grant was established in 1997 created mandatory infant-toddler set-aside (now 25% of all new funding).
 - Illinois P.A. 096-0948 amends Sec. 2-3.71 of the School Code to establish Preschool for All, administered on a competitive basis—thought to be best method given that not all potential providers could be funded immediately.
 - Administrative Code Part 235 governs the competitive bidding process.
- How does it work in Chicago?
 - Chicago Public Schools receives 37% of ECBG.
 - CPS sends a portion of that to the City DFSS to bid out to CBOs

2 Child Care Assistance Program

2020 allocations



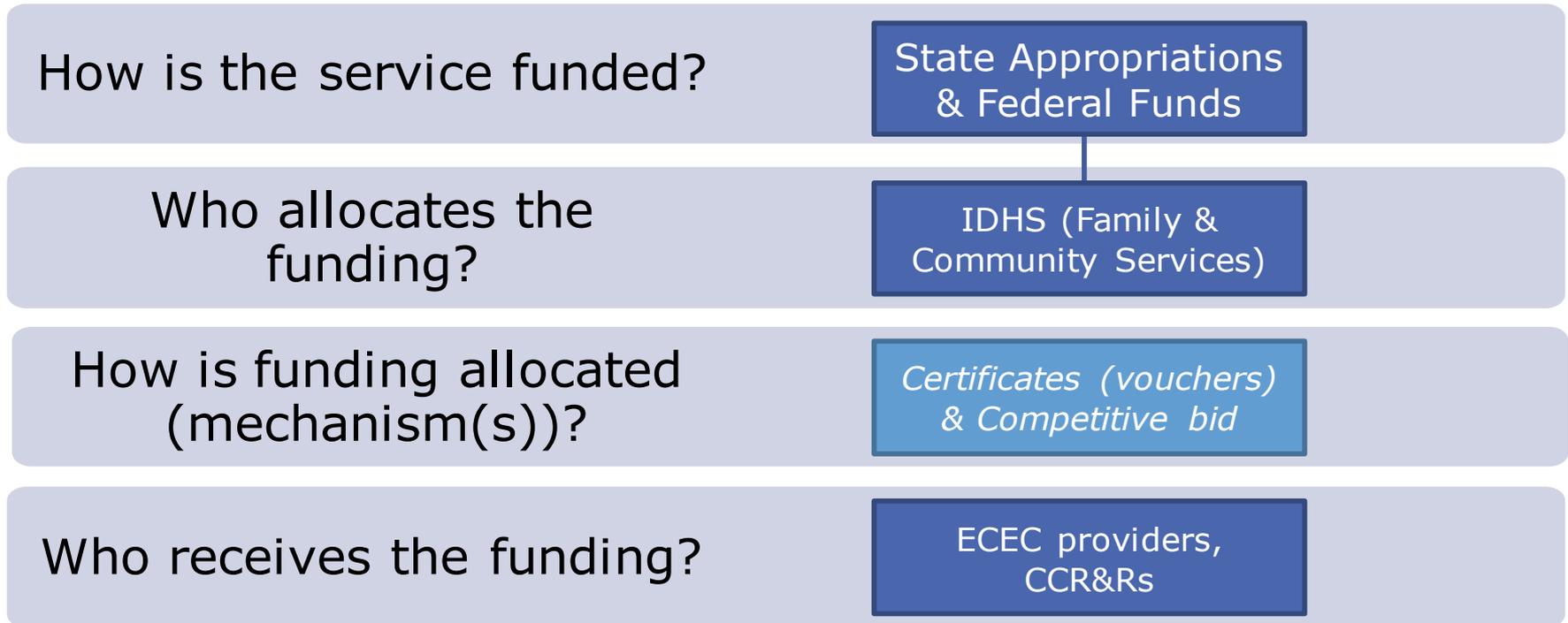
Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

2

Child Care Assistance Program – vouchers and competitive bid process

Services provided:

- CCAP: helps low-income families pay for childcare while working or attending school.

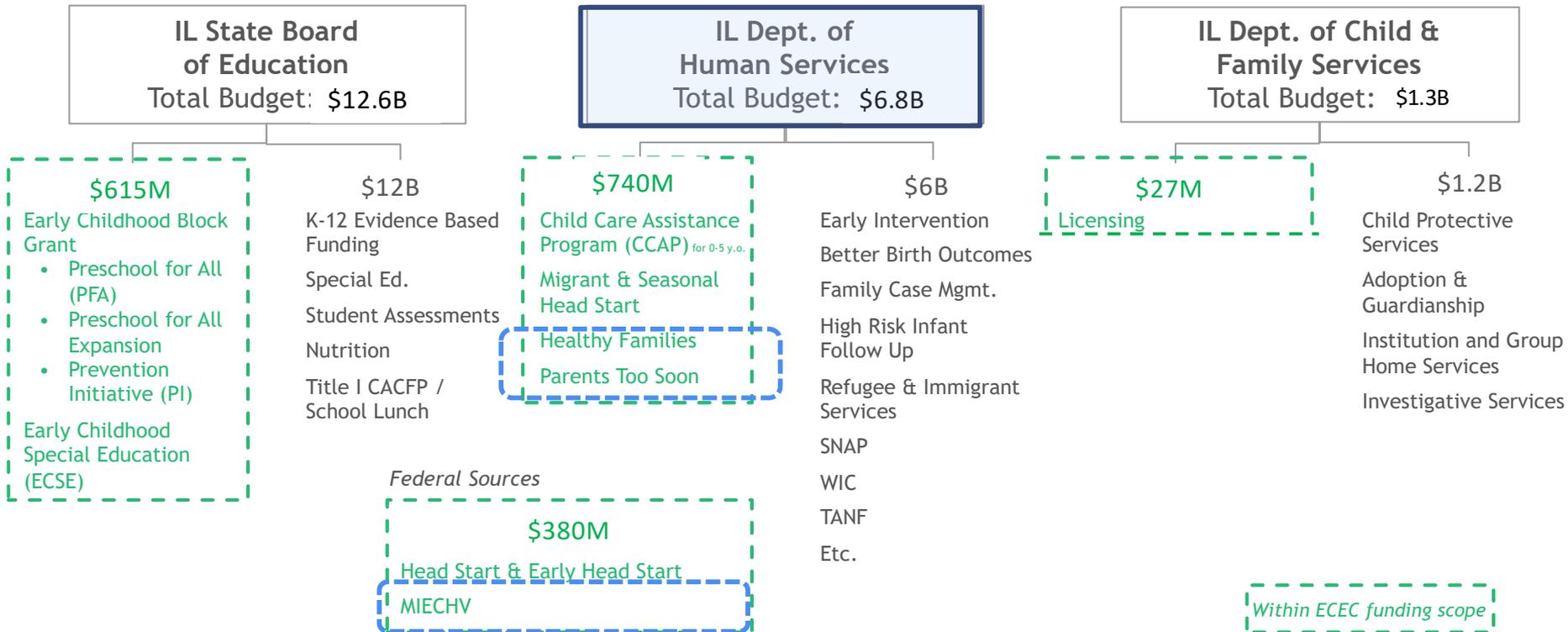


② Child Care Assistance Program - context

- Why is this structure and mechanism as it is?
- Federal Child Care Development Block Grant Act of 2014
 - U.S. DHHS Office of Child Care rules, published 2016, govern implementation of the law.
 - Federal law allows for fund disbursement through certificates or grants/contracts.
 - Illinois uses certificates to disburse funding on a child-by-child basis.
 - Illinois uses a competitive bid process to award CCAP contracts to a small number of providers. “Site-administered contracts” differ from regular certificates only in that the site manages eligibility determination rather than having the local CCR&R do it; reimbursement is still based on daily rate per child.

3 Home Visiting

2020 allocations



Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

3

Home Visiting – three competitive bid processes

Services provided:

- Healthy Families Illinois: evidence-based home visiting
- Parents Too Soon: home visiting for teen parents
- MIECHV: evidence-based home visiting

How is the service funded?

State appropriations (HFI/PTS) & federal funds (MIECHV)

Who allocates the funding?

IDHS (Family and Community Services)

How is funding allocated (mechanism(s))?

Competitive Bid

Who receives the funding?

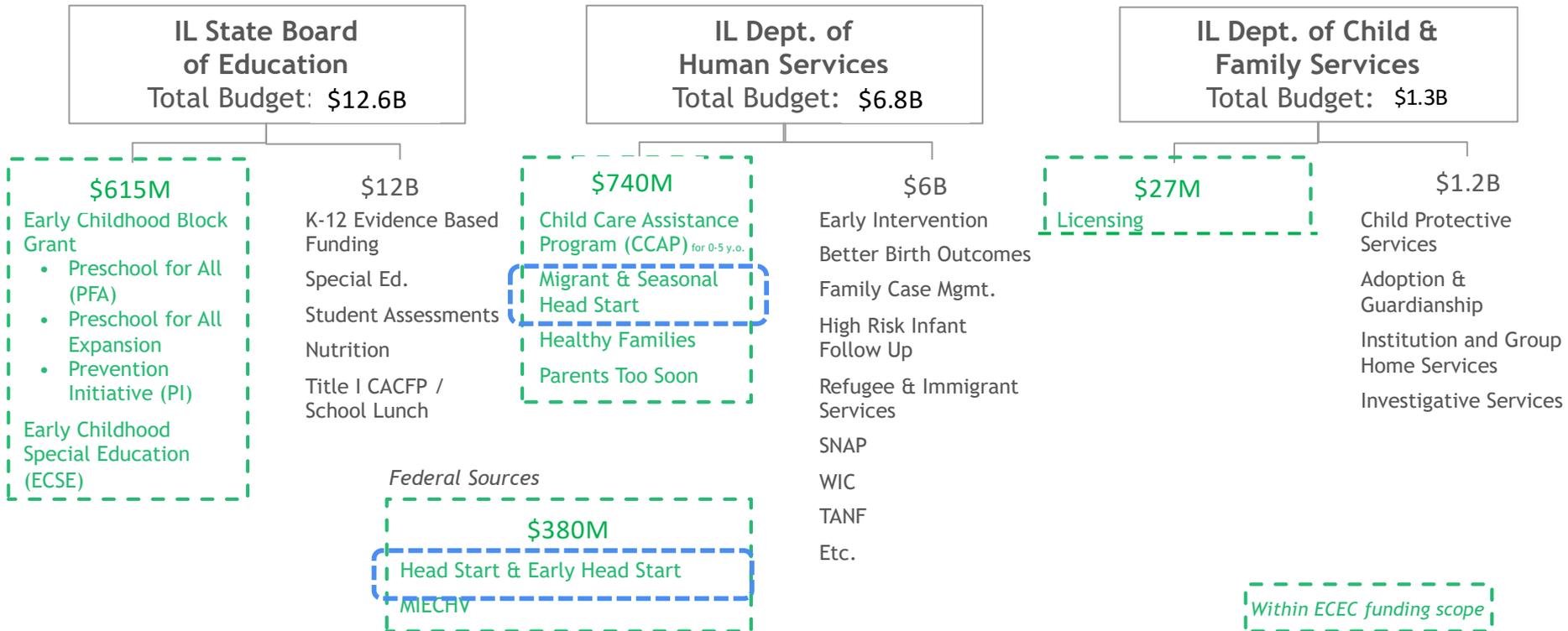
Grantees (CBOs) in targeted communities

3 Home Visiting - context

- Over 70% of home visiting slots in Illinois are funded through Prevention Initiative (ECBG), about 15% are funded through Early Head Start, and about 15% are funded through IDHS & MIECHV.
- Why is this structure and mechanism as it is?
 - MIECHV:
 - Patient Protection and Affordable Care Act of 2010 created MIECHV.
 - U.S. DHHS distributes MIECHV funds based on a formula and competitive bid process.
 - 75% of MIECHV home visiting funds must support evidence-based models.
 - HFI and PTS:
 - Included in Illinois budget as line items.
 - Distributed via competitive bid process.

4 Head Start

2020 allocations



Source: IL FY 2017 Budget; assuming funding spread evenly across 0-5 y.o., 6-12 y.o.

4 Head Start – Mechanism outside of State’s purview

Services provided:

- Head Start: three-to-four year old care and family supports.
- Early Head Start: home visiting and child care with family supports.
- Migrant & Seasonal Head Start: Head Start for agricultural workers.

How is the service funded?

Federal
Appropriations

Who allocates the
funding?

US Department of
Health & Human
Services

How is funding allocated
(mechanism(s))?

*Federal Grant
application*

Who receives the funding?

Head Start
Grantees

4 Head Start - context

- Why is this structure and mechanism as it is?
 - U.S. Public Law 110-134, *Improving Head Start for School Readiness Act of 2007*.
 - Program is governed by the *Head Start Performance Standards*, recently revised in 2016.
- Head Start/Early Head Start funding does not flow through the state, but rather is direct federal-to-local funding (Exception: Migrant Head Start).
- How does this work in Chicago?
 - The City of Chicago is a “super-grantee” and has the grant for almost all Head Start and most Early Head Start funding for Chicago.
 - The City (DFSS) competitively bids this funding out to “delegate agencies,” who may in turn subcontract with “partners.”

System of funding mechanisms in relation to the Commission's guiding principles

How can we use our guiding principles to evaluate current and proposed funding mechanisms?

**High Quality ECEC
is a Public Priority**

Promote Equity

**Embrace Bold
System-Level
Changes**

**Build Upon the
Solid Foundation**

**Prioritize Family
Perspectives,
Needs, and Choices**

**Design for Stability
and Sustainability**

**Require System
Transparency,
Efficiency, and
Accountability**

**Recognize
Implementation
Realities**

How can we use our guiding principles to evaluate current funding mechanisms and future options?

Guiding Principle	Understand How Funding Mechanisms...
Accountability	<ul style="list-style-type: none">• Are monitored and overseen
Equity	<ul style="list-style-type: none">• Result in distribution of and access to services across race, ethnicity, culture, language, income, geography, and children's needs
Family Perspectives	<ul style="list-style-type: none">• Result in service access that is responsive to community-level and families' needs
Sustainability & Stability	<ul style="list-style-type: none">• Allow for long term planning for recipients• Create an environment of stability for providers, educators, and staff

How can we use our guiding principles to evaluate current funding mechanisms and future options?

Guiding Principle	Understand How Funding Mechanisms...
Transparency	<ul style="list-style-type: none">• Are understandable and accessible to those eligible to access the funding
Efficiency	<ul style="list-style-type: none">• Result in timely receipt of funds• Allow for all funds to be used together to meet local needs
High Quality & Effectiveness	<ul style="list-style-type: none">• Support and incentivize high-quality, effective service delivery
Boldness & Ability to Implement	<ul style="list-style-type: none">• Relate to state and federal laws and policies• Require administrative supports

For the current system of funding mechanisms...

We have a lot of evidence of how it just isn't working in alignment with the Commission's guiding principles

The Early Learning Council has identified several challenges in the ECEC system; many relate to funding mechanisms

A lack of timely payments from state government for public ECEC services.

The process of layering multiple funding streams to serve more children is extremely complex and challenging.

Many programs are simply unaware that they can apply for state funding to provide public ECEC services.

Programs who are aware of opportunities for state funding and want to apply don't have the necessary resources to be competitive for such grants.

The grant application process itself is extremely complicated.

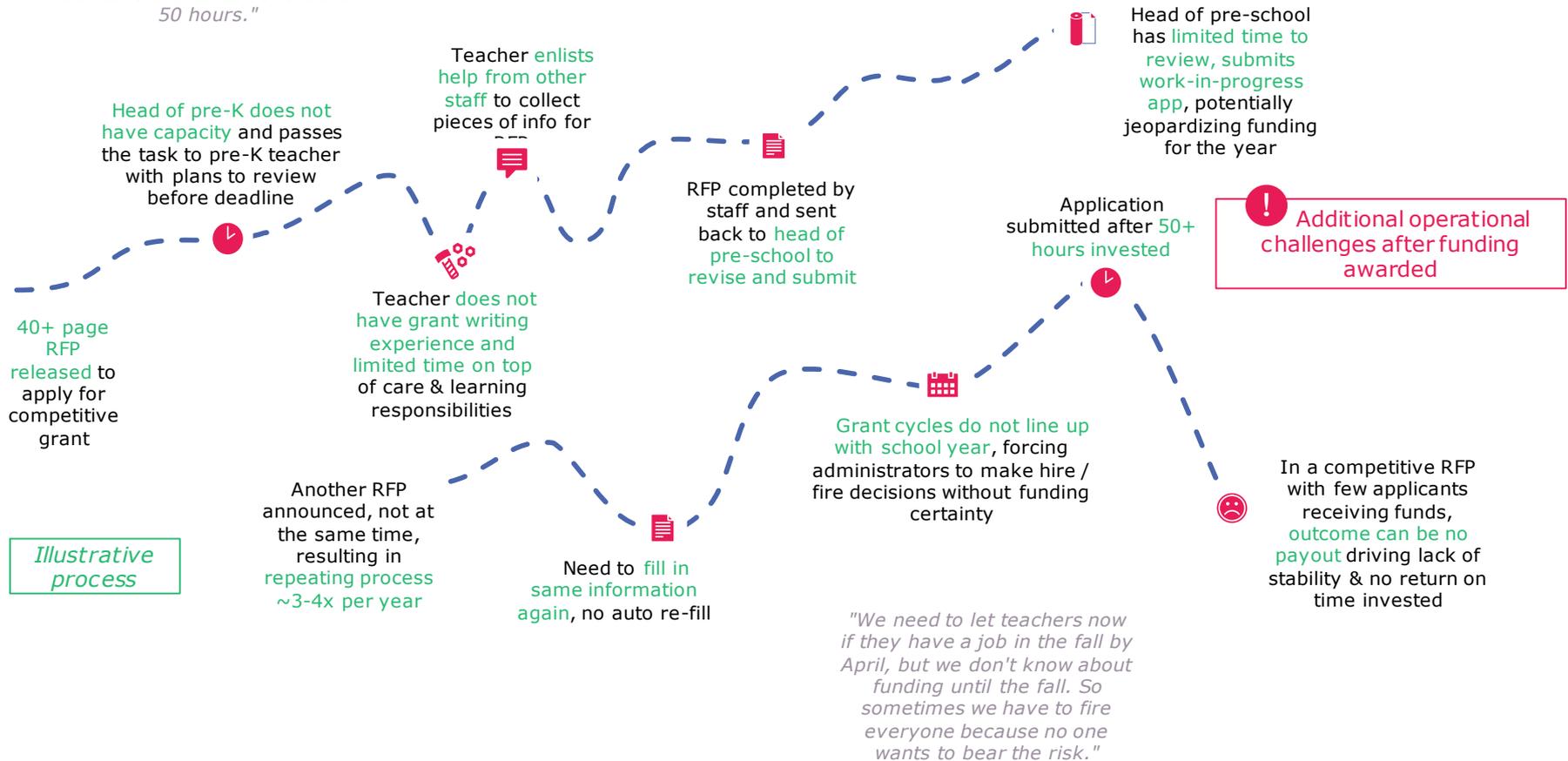
Grant funding is by nature unstable and uncertain, which can make programs wary to apply.

There is no one entity at the state level overseeing system-wide planning.

There is no entity at the community level overseeing local planning.

Provider perspective example: drafting a quality RFP response to receive funding requires time and grant writing skills

"If one person devoted all their time to the RFP, it would still take a full week or around 50 hours."



Family perspective example: CCAP process requires dedicating time & resources to apply for and find care



To qualify must:

- Be **employed** and/or going to an eligible **educational activity**
- Have family income at **185% or below of the Federal Poverty Level** (e.g., <45k for a family of 4)

Call parent counselor at local Child Care Resource & Referral Agency (CCR&R) to get help finding child care

Research via CCR&R **online child care search**

Visit child care centers to find right care facility, meeting hour requirements, etc.

Select child care facility to start filling out funding application

Fill out **17 page application** including information on work or school schedule, adults living in the home, child care provider selected etc.

Can submit **online, by mail or in person**

Information on application and supporting documentation is **verified through various agencies' databases** and internet websites to determine eligibility

Once **approval notice is received by both family and provider**, child can be send to care facility

For future consideration:
How much of this pain is within the State's control (vs. federal requirement)

Knowing all this, we could begin to evaluate our current system in relation to our guiding principles...

Guiding Principle	Evaluation of Current Funding Mechanisms
Accountability	<ul style="list-style-type: none">• Based on compliance with funding stream regulations rather than needs• No unifying system; rather, accountability requirements vary dramatically by funding stream and be duplicative
Equity	<ul style="list-style-type: none">• Competitive bid funding mechanism privileges communities with the resources to successfully apply for funding
Family Perspectives	<ul style="list-style-type: none">• Formula and competitive bid mechanisms consider demographic data but not families' stated needs.• Child care voucher allows for flexibility but requires heavy time investment from families.
Sustainability & Stability	<ul style="list-style-type: none">• Short-term competitive bid and delayed timeline creates environment of uncertainty.• Child care voucher and delayed payment does not encourage investment in compensation or CQI.

Knowing all this, we could begin to evaluate our current system in relation to our guiding principles...

Guiding Principle

Funding Mechanism Evaluation

Transparency

- Competitive bid methodology for award changes frequently, and it can be difficult to understand why some programs received funding while others did not

Efficiency

- Isolated, disconnected mechanisms result in oversaturation in some areas and undersaturation in others.
- Instability of competitive bid and voucher systems result in annual RIFs and rehires.

High Quality & Effectiveness

- Without resources to incentivize quality improvement, many settings focus on compliance.

Boldness & Ability to Implement

- New funds do not support innovation, and funding mechanisms do not allow for innovation.
- Insufficient agency capacity creates delays in competitive bid timeline, licensing caseloads above recommended level.

Reactions to this as a decision framework

Could we use this kind of frame to evaluate any proposed funding mechanism systems that this working group formulates?

Would it allow us to ensure a future system of funding mechanisms is "better" than the current one?

Next Steps

This Working Group's Update for February 11 Commission Meeting

- Working Group's Work Plan
- Working Group's Decision Framework
- *What else?*

Other Next Steps

- Revisit Key Questions, Key Decision Points, and Workplan stemming from today's discussion
- Document known interdependencies with other Working Groups
- Prepare for Mechanisms Working Group Meeting #2 (Monday, March 2)

Revisit Work Plan & Timeline

Approximate Timeline	Meta-Topics
February (Today)	<ul style="list-style-type: none">• Validate Work Plan and Timeline• Understand current mechanisms
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THANK YOU

