Commission on Equitable Early Childhood Education and Care Funding

Funding Adequacy Working Group

Meeting 1 – 2/5/2020

Funding Adequacy Meeting 1 Agenda

Item	Time
Introductions, Charge, and Work Plan	2:00-2:15
Review of our state's current ECEC funding	2:15-2:30
Overview of cost modeling done to date	2:30-3:30
Decision process to determine funding adequacy	3:30-3:45
Next steps and close out	3:45-4:00

<u>Pre-Read</u>

- PDG B-5 Report: Illinois Cost Model for Early Childhood Education and Care Services

Funding Adequacy Meeting 1 Goals

- ***Validate the work plan*** to accomplish our Working Group Charge
- ***Revisit key data*** about our state's current ECEC services and outcomes
- ***Agree upon approach*** to get to "the number"
- Discuss the State's ***cost modeling done to date***
- Agree upon a ***decision framework for primary drivers of funding adequacy***
- Identify ***next steps***

Funding Adequacy Charge

Goal: *determine the cost of providing high quality ECEC services and how to fund over time*

Key Questions to Answer:

- What is the **cost of providing high quality ECEC** to all families in Illinois?
- What should the **state process be for determining adequate resources across settings** for each program type?
- How much of the **cost should be covered** by the federal government, the state, local funding, and parent contributions?
- What is the **recommended timeline** to get to the state's full investment?

We will pursue our charge through the lens of the Commission's Guiding Principles

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

Workplan and Timeline

Approximate Timeline	Meta-Topics
February 4	• Validate Work Plan and Timeline • Review existing cost model • Identify key drivers of "the number"
March (3/2 and 3/27)	• Vet key drivers of the funding adequacy target • Discuss potential process for phase-in to adequacy
April (4/27)	• Envision end state funding sources • Develop a timeline to get to full investment • Determine prioritization of investments over that timeline
Jun - July	• Discuss and revise based on full Commission feedback

Our current state:
Overview and Discussion of Illinois Early Childhood Education & Care ("ECEC") Funding and Services

Who is our early childhood population in Illinois today?

~800k

kids in IL under 5 today; ~450k under 3, ~350k age 3-4

~40%

are in low income families

~60%

in Cook and collar counties, with ~20% of all kids & 1/3 of low-income kids in Chicago

In 2018, only ~18% of low-income children (and ~25% of all children) demonstrated Kindergarten Readiness in IL in all 3 areas assessed

Illinois spends over **$1.8 billion per year on ECEC in federal and state dollars** with much more invested by families, local govt, philanthropy, and other private sources

Programs are administered across three state agencies

2020 allocations

IL State Board of Education
Total Budget: $12.6B

$615M
- Early Childhood Block Grant
  - Preschool for All (PFA)
  - Preschool for All Expansion
  - Prevention Initiative (PI)
- Early Childhood Special Education (ECSE)

$12B
- K-12 Evidence Based Funding
- Special Ed.
- Student Assessments
- Nutrition
- Title I CACFP / School Lunch

IL Dept. of Human Services
Total Budget: $6.8B

$740M
- Child Care Assistance Program (CCAP) for 0-5 y.o.
- Migrant & Seasonal Head Start
- Healthy Families
- Parents Too Soon

$6B
- Early Intervention
- Better Birth Outcomes
- Family Case Mgmt.
- High Risk Infant Follow Up
- Refugee & Immigrant Services
- SNAP
- WIC
- TANF
- Etc.

IL Dept. of Child & Family Services
Total Budget: $1.3B

$27M
- Licensing
  - *Note*: Licensing is included in our ultimate solution, but is not modeled out since it is not programmatic in nature

$1.2B
- Child Protective Services
- Adoption & Guardianship
- Institution and Group Home Services
- Investigative Services

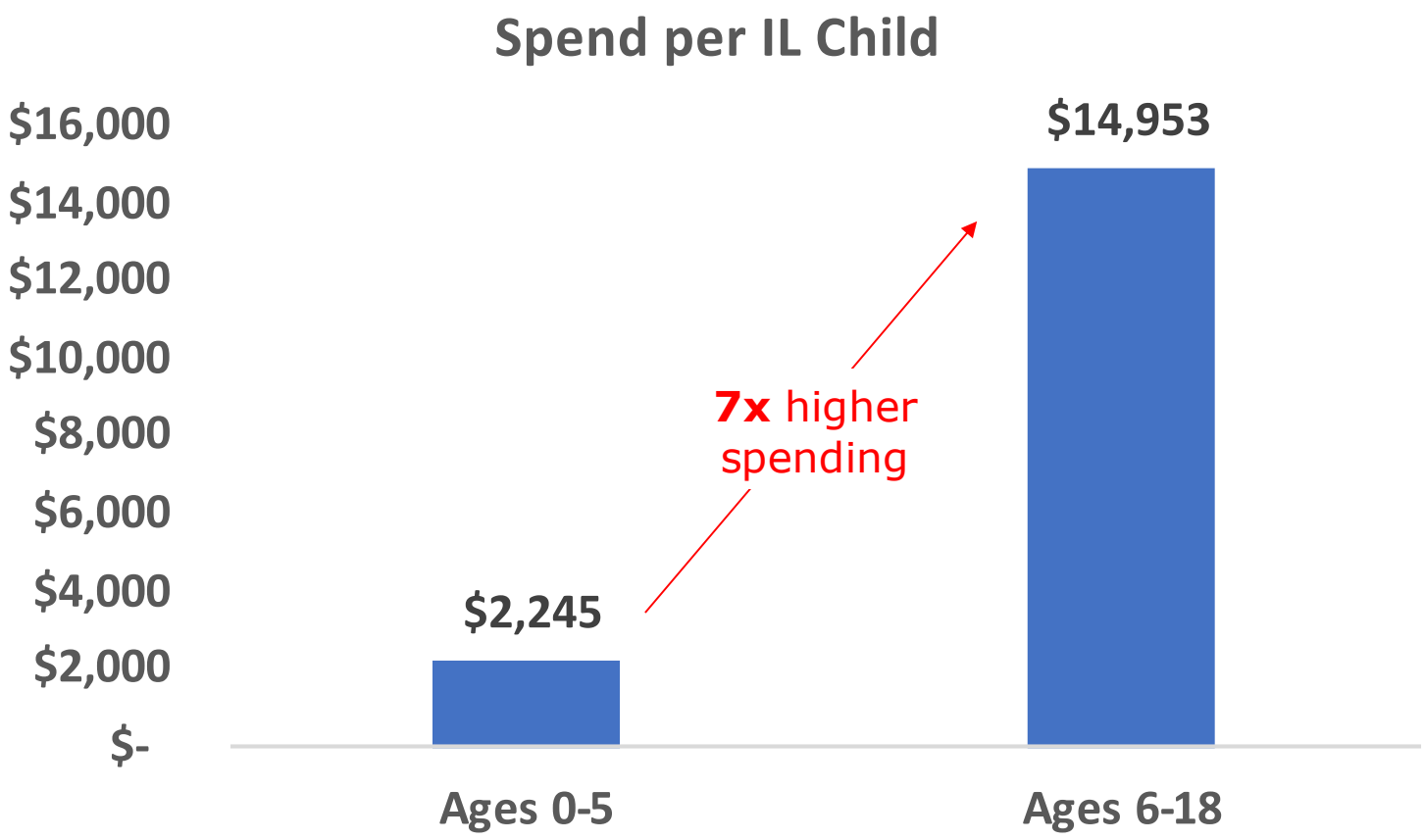
Federal Sources

$380M
- Head Start & Early Head Start
- MIECHV

Within ECEC funding scope

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

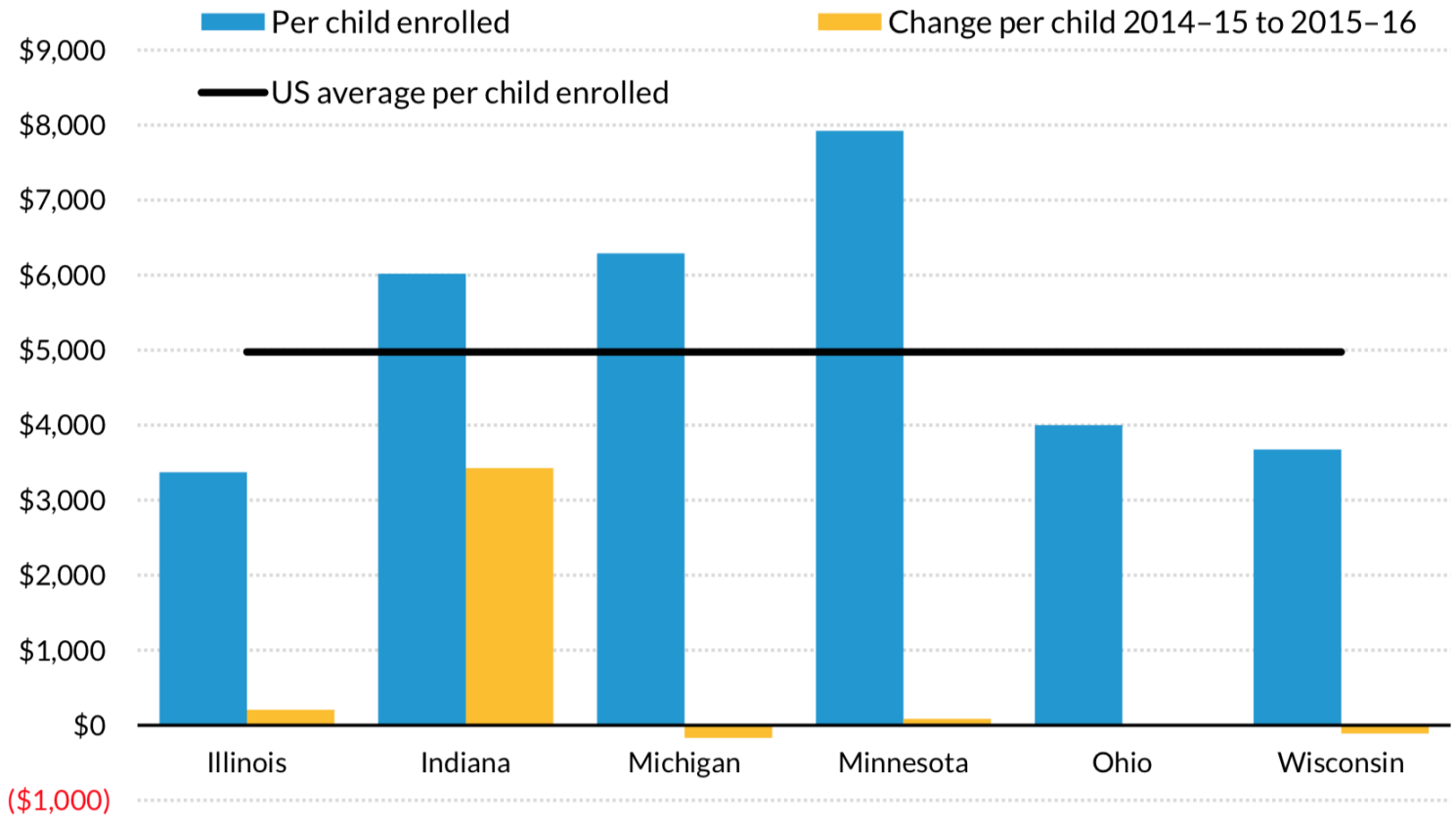
Illinois estimates to spend 85% less on ECEC for children 0-5 as on K-12 for school-aged children



Funding lags other midwestern states

FIGURE 6

State Funding per 4-Year-Old Child Enrolled in State Prekindergarten

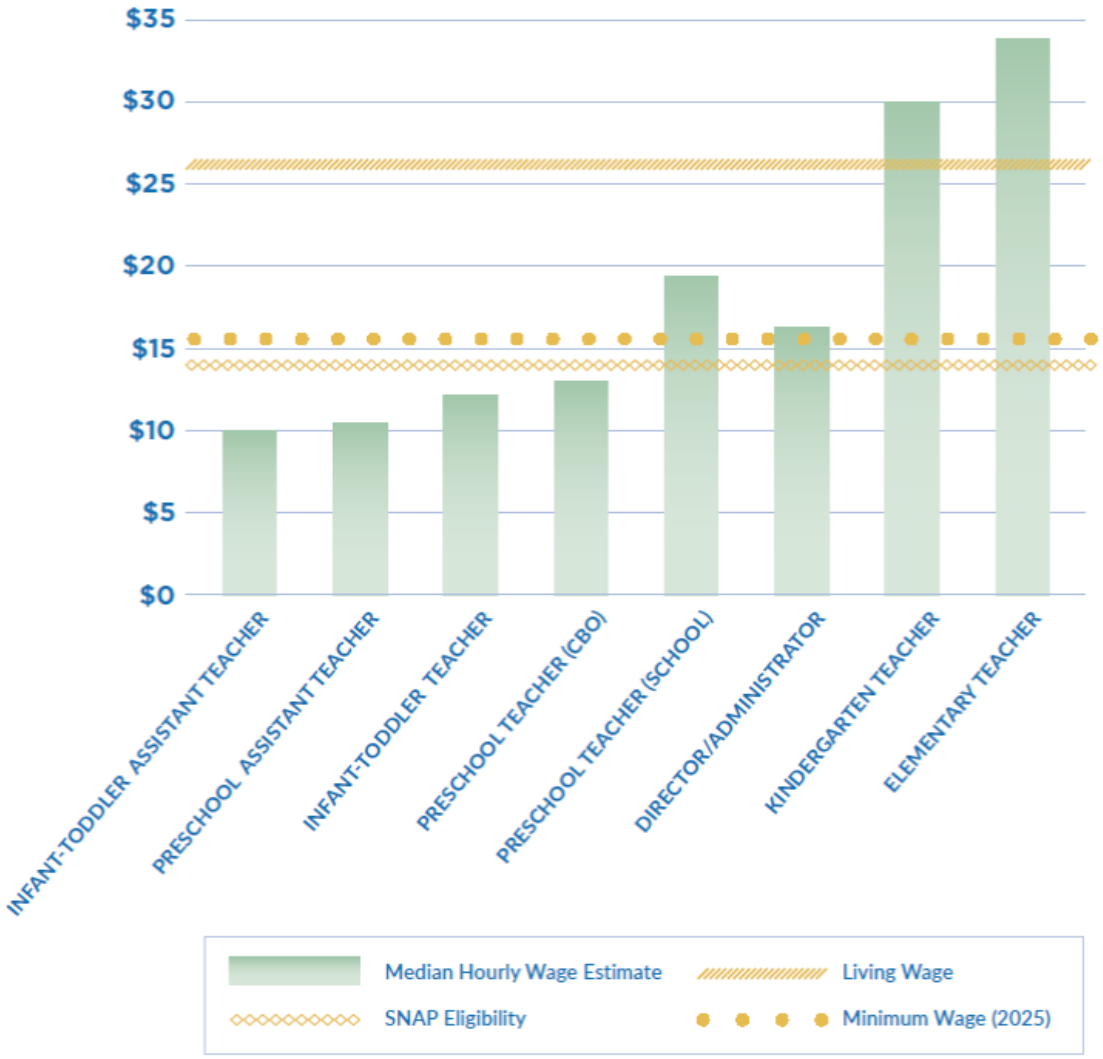


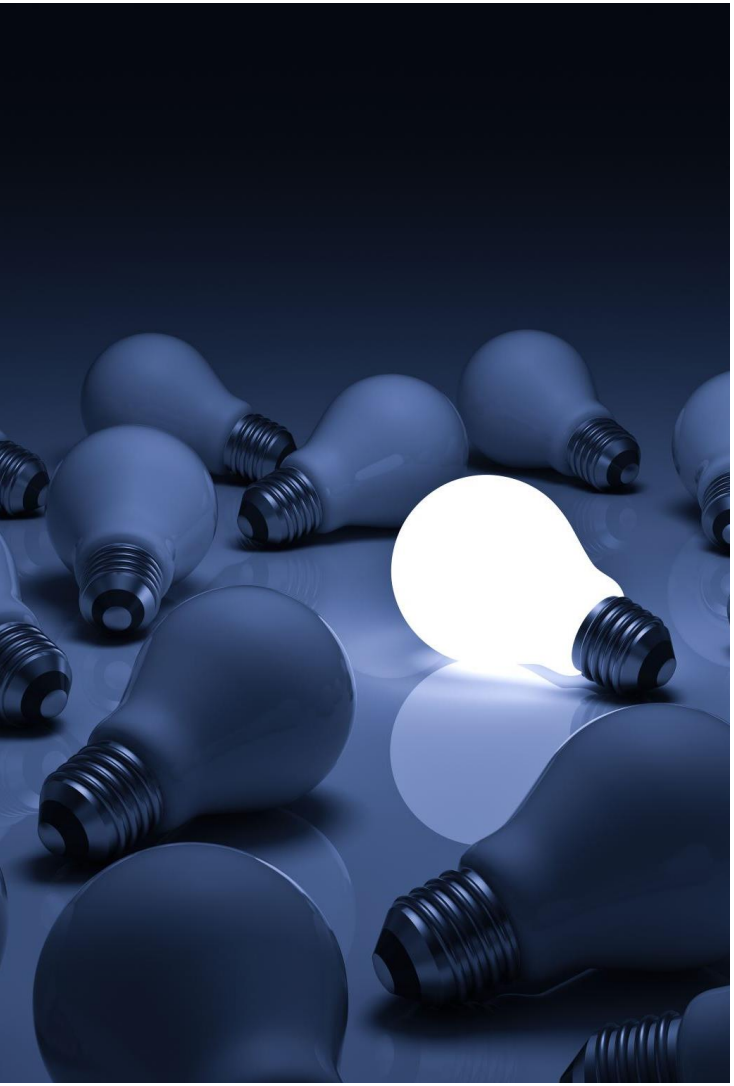
"Strategies for Supporting Access to High-Quality Early Education Programs", M. Katz, Urban Institute, May 2017
Source: Data extracted from W. Steven Barnett, Allison H. Friedman-Krauss, G. G. Weisenfeld, Michelle Horowitz, Richard Kasmin, and James H. Squires, *The State of Preschool 2016* (New Brunswick, NJ: National Institute for Early Education Research, 2017).

Childcare assistance rates are significantly lower than market rates for childcare

Group	Age Group	Market Rate (75th percentile)	CCAP Reimbursement Rate (1/1/2020)	Variance
1A *Cook, DeKalb, DuPage, Kane, Kendall, Lake, and McHenry*	Infant-Toddler	$64.27	$50.89	-21%
	Two-Year-Olds	$57.80	$42.98	-26%
	Preschool	$52.50	$35.82	-32%
1B *Boone, Champaign, Kankakee, Madison, McLean, Monroe, Ogle, Peoria, Rock Island, Sangamon, St. Clair, Tazewell, Whiteside, Will, Winnebago, Woodford*	Infant-Toddler	$54.18	$50.89	-6%
	Two-Year-Olds	$49.60	$40.20	-19%
	Preschool	$45.00	$30.16	-33%
2 All other counties	Infant-Toddler	$36.63	$42.21	15%
	Two-Year-Olds	$32.40	$35.83	11%
	Preschool	$29.00	$29.93	3%

Wages for most ECEC teachers and assistants qualify them for public assistance





We need to innovate once more

We can reshape our funding model to provide equitable access to quality ECEC

Driving more equitable access to quality ECEC will require:

1. More ***equitably distributing funding*** to those that need it most
2. Defining what ***adequate funding*** is for quality early learning and childcare
3. Building ***capacity to serve our children*** across the state
4. Lowering ***burden on providers*** to access funds
5. Simplifying our ***governance & distribution*** structure to build accountability and enable integrated support for ECEC

This working group's role

Overview of cost modeling done to date

Illinois has constructed a model of the cost of providing high-quality ECEC services

We are not starting from scratch! Significant work has been done

- As part of Illinois' Preschool Development Grant Birth to Five, the state commissioned **a cost model for a comprehensive ECEC system** for all children ages 0-5 in Illinois.

- **Research questions** identified by GOECD:
  - What is the per child and total cost of providing high-quality early care and education services via licensed or school-based settings:
    - To all families in Illinois?
    - Using a sliding scale for family co-pay and also taking into consideration existing funding eligibility regulations?

Determining "adequate" funding

<u>More complex than K-12</u>

- Funding recipient landscape is more than simply "LEAs"
- Variety of program needs for children & families
- Multiple settings and program models

<u>Build-up of program & setting costs</u>

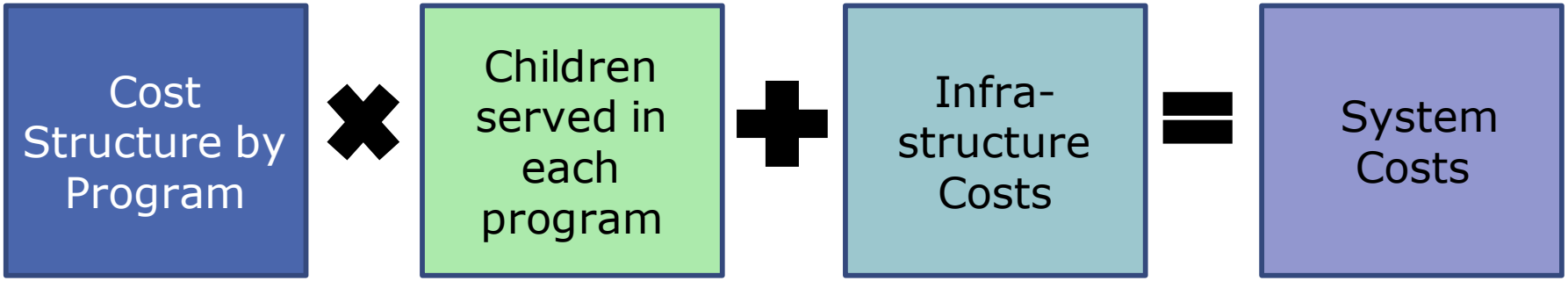
- Types of programs and settings
- Program designs / service delivery models
- Compensation structures
- Staffing levels
- # of Children and types of needs in each setting

Personnel is typically 60-80% of a provider's cost – education & care is a people intensive service

<u>Adequate funding calculations can also be informed by:</u>

- ➢ How much other states fund ECEC
- ➢ How much providers request in grant applications

Simplistic Formula for System Costs



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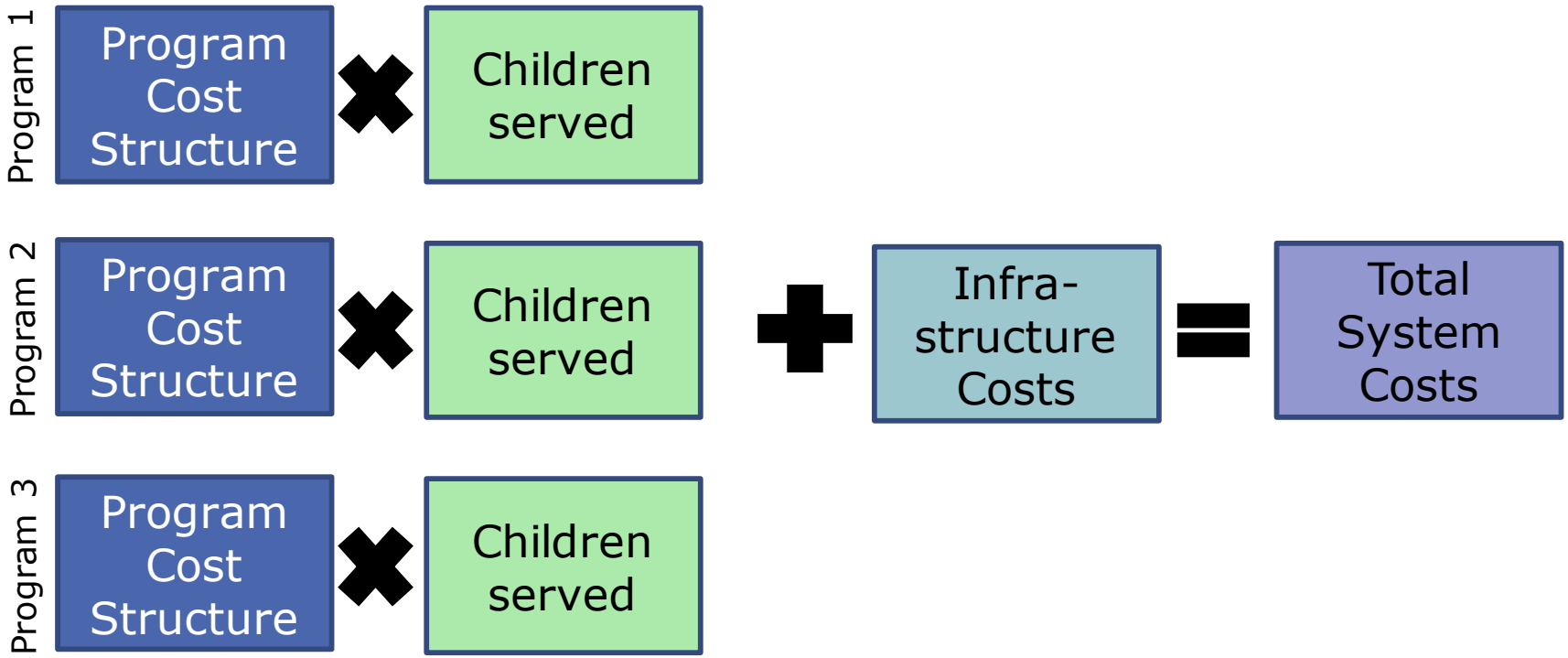

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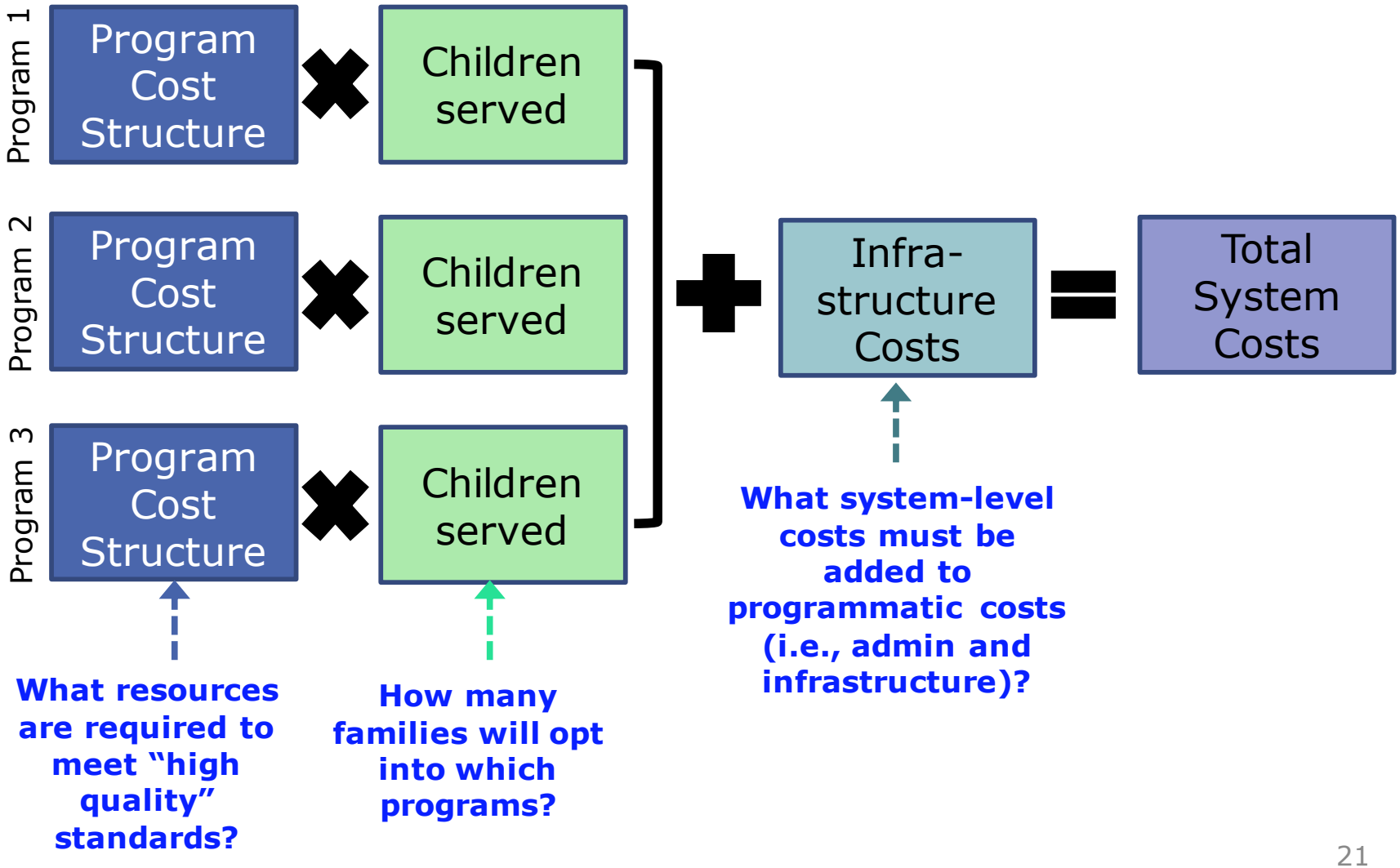


The PDG Cost Model formula relies on critical decisions about inputs

Formula Process Step

1. Determine programs in/out of analysis
2. Calculate per child cost of high-quality programs
3. Estimate child count in each program
4. Calculate cost of state/local infrastructure
5. Calculate total cost of services

Getting these inputs right is what matters

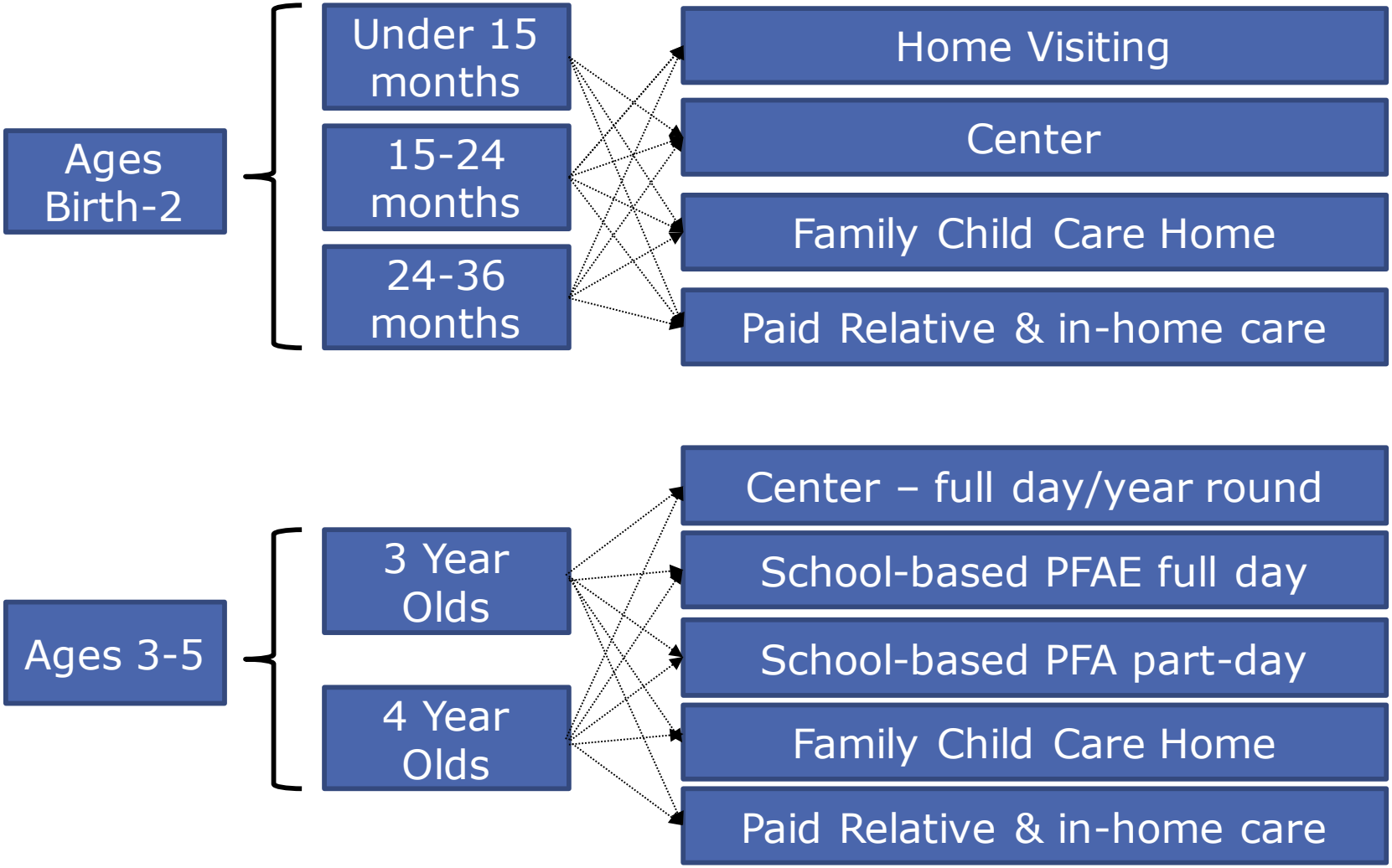
Process Step	Critical Decisions on Inputs
1 Determine Programs in/out of analysis	• Which settings? (ex: center, family/friend home, etc.) • Which intensities? (ex: part-day, full-day, working day) • For which ages?
2 Calculate per child cost of high-quality programs	• What is the model staffing pattern for each program? • What should staffing ratios be? (How may children per position?) • What should the salary schedule for positions be? • How much should be included for special services including Special Education and Bilingual Programs?
3 Estimate child count in each program	• What is the total child count eligible for program models? • What is the estimated percent of families in each age/%FPL group opting into services and selecting which program
4 Calculate cost of state/local infrastructure	• What is the cost of administration and monitoring at the state level? • What is the cost of workforce development and professional development/quality support systems?
5 Calculate total cost of services	

Key items we will grapple with:

- Identify all programs
- Define "high quality" for each program's cost drivers, especially compensation
- State administration and monitoring cost
- Workforce development, professional development, & quality support systems
- Projection of children and needs over years
- Projection of family choice as system evolves

The following slides provide an overview of current cost model assumptions. This is our starting point.

The following programs are included by age of child

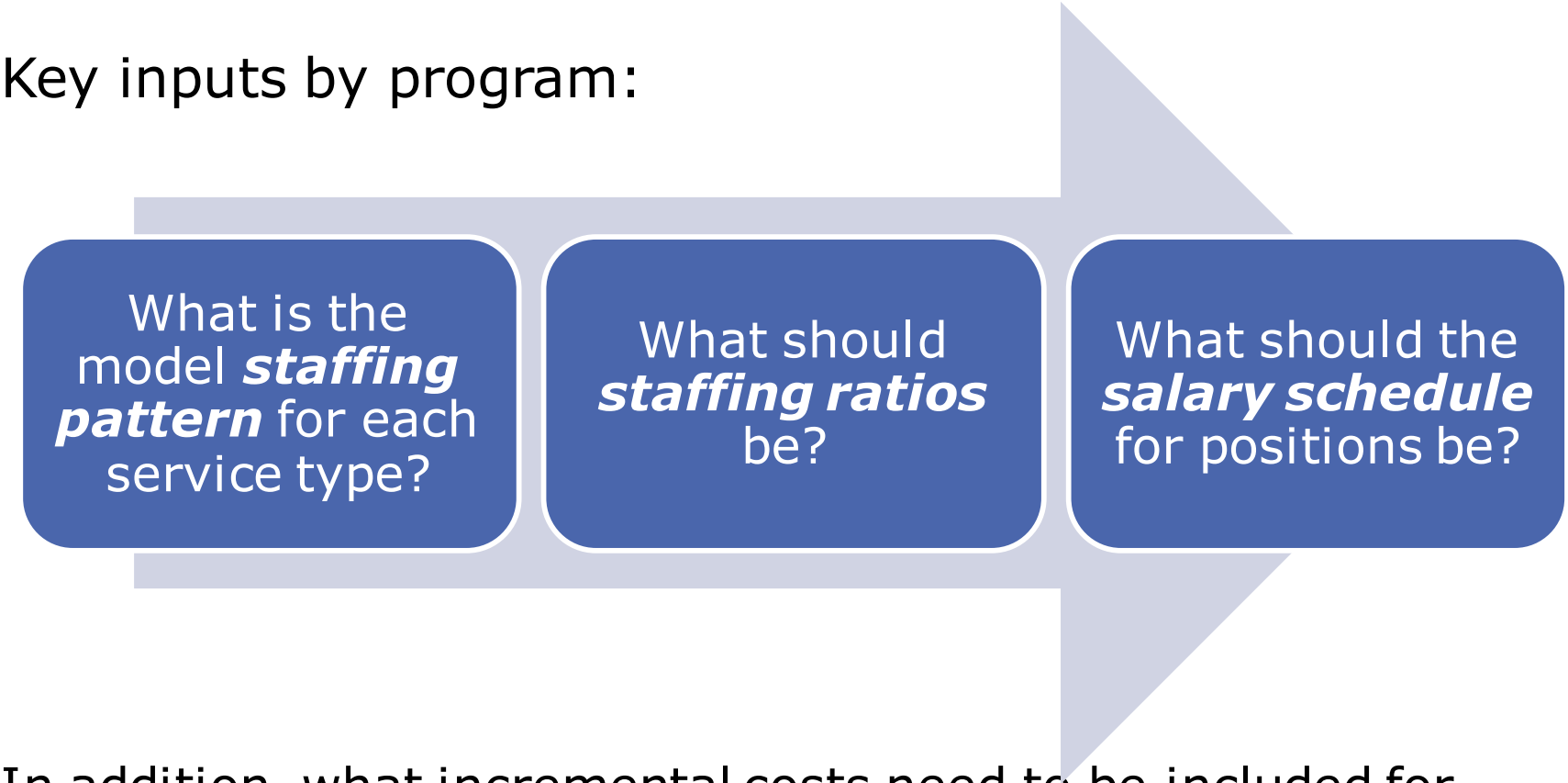


Programmatic costs are included at levels necessary to provide high quality services

- These models are designed to provide high-quality services to all children; therefore, they are costly as modeled
  - Remember, ECEC is 15% of K12 per child spending today
- Expansion of high-quality services across the state will require hard trade-offs, and this group will need to consider where to increase investment and when
  - Do we start with dosage? Access? Compensation? Ratios? Zero to three? Etc.
- Note that the Inclusion Working Group will provide input on costs of services specific to Special Education, Early Intervention, and English Leaners
- The next slides provide an overview of assumptions included for program costs…

Costs are built up by service type by age of children served

Key inputs by program:



In addition, what incremental costs need to be included for Special Education and Bilingual services? This will be tackled by the Inclusion Working Group.

Model staffing patterns are included for each program

Example: CBO staffing patterns in model:

# FTE PERSONNEL	COMPREHENSIVE STAFFING	GOLD STAFFING	LICENSED STAFFING
Site Director	1 per site	1 per site	1 per site
Additional Professional Staff (out of classroom)	1 per 4 classrooms	1 per 4 classrooms	If enrollment>125, 1 per program
Teachers	1 per classroom	1 per classroom	1 per classroom
Teacher Assistants	1 per classroom	1 per classroom	1 per classroom
Teacher Aides	1 per classroom	1 per infant & toddler classroom	1 per infant & toddler classroom
Lead Floater teacher/sub	.1 per classroom	.2 per classroom	.4 per classroom
Assistant floater teacher/sub	.5 per classroom	.4 per classroom	
Family Engagement Specialists	1 per 34 children	1 per 34 children	
Infant Toddler Specialist	included in Additional Professional Staff		
Nurse	consultant in non-personnel costs (5-6 hours/month)	consultant in non-personnel costs (5-6 hours/month)	
Cook	1 per site		
Asst Cook/Food aide	1 per site		
Administrative Assistant	1 per site	1 per site	1 per site
Maintenance Workers	1 per site	contract in non-personnel costs	contract in non-personnel costs

Staffing ratios are adjusted based on quality standards

- All models at least meet ExceleRate Gold quality, with BA-level teachers and AA level aides in every classroom
  - "Comprehensive" model includes extra aide in each classroom (for children from low-income families)
- All models except part-day, school-based pre-K include Family Support Specialists at 1:35 children
- ExceleRate Gold group size and ratios
  - "Comprehensive" model keeps two-year-olds in groups of 8 instead of 12

Salary schedules are uplifted to adequate compensation to sustain the field

- Emphasis was on adequate compensation to sustain the field
  - Rough parity with average salaries of jobs requiring equivalent level of education (BA, AA, HS)
- Quality Committee and Compensation Group reviewed and approved the salaries used in the model
- Benefits costs were estimated using Bureau of Labor Statistics average costs of providing health, retirement, etc.

Costs are adjusted for Chicago Metro vs Balance of State

Followed methodology of Evidence-Based Funding Formula:

- Cost of living factor applied to salaries and rent/mortgage
- Truncated so that lowest factor is 0.9
- Created only two cost multipliers as almost all districts fell into these two extremes:
  - Chicago Metro: 1.05
  - Balance of State: 0.9

These assumptions result in different costs per child based on the quality standard

Ex: CBO costs per child by quality standard

COST PER CHILD ***CHICAGO METRO***	LICENSED CENTER	GOLD CENTER	ENHANCED CENTER
Infant	$23,071	$31,827	$33,095
Toddler	$20,238	$23,945	$33,095
Two Year Old	$17,047	$20,871	$33,095
Preschool (3 year old)	$15,683	$15,996	$20,715
Preschool (4 year old)	$15,683	$15,996	$20,715

COST PER CHILD ***BALANCE OF STATE***	LICENSED CENTER	GOLD CENTER	ENHANCED CENTER
Infant	$20,026	$28,996	$28,439
Toddler	$17,603	$22,228	$28,439
Two Year Old	$14,886	$19,615	$28,439
Preschool (3 year old)	$13,717	$15,419	$17,970
Preschool (4 year old)	$13,717	$15,419	$17,970

Note: These reflect costs with ADEQUATE salaries & benefits, not current average salaries & benefits

Investment in ECEC similar to per day targets for K-12

Example: Peoria School District

	Infant/Toddler (0-2 yr olds)	**Preschool** (3-4 yr olds)	**Elem. School** (Grades K-5)	**Middle School** (Grades 6-8)	**High School** (Grades 9-12)	**K-12 Average**
State adequacy **target** per pupil (Gold quality/ Comprehensive)	$22,540 / $28,440	$15,420 / $17,970	$11,556	$14,514	$14,607	$13,795
Total instructional days/year	240	240	176	176	176	176
Avg. per pupil cost/day	**$94 / $118**	**$64 / $75**	**$66**	**$82**	**$83**	**$78**

Note: Regionalization factor determined by EBF and account for cost of wage differences; values are adequacy estimates and not actual spend or cost
Source: 2017 ISBE EBF Calculations; Center for American Progress

Home Visiting Program

Background:

- Research shows that average length of participation in home visiting is about 9 months
- Best-in-class systems have been able to engage 50% of low-income families in intensive home visiting services
- Thus—estimate is that system should have capacity to serve approximately 50% of the annual number of low-income births each year

Modeled Costs: *Completed by Ounce of Prevention Fund (Kayla Goldfarb)*

- Staffing patterns and non-personnel costs from actual home visiting programs
- Desired salaries and benefits
- Costs estimated for various size programs; used 5 HV program as estimate for model
  - Chicago Metro: $9,488 per family
  - Balance of state: $7,550 per family
- Additional cost for Doula services
  - Chicago Metro: $$5,100 per birth
  - Balance of state: $4,300 per birth

Administrative and Infrastructure costs are included at 8%

- Drew from the National Academies of Sciences *Transforming the Financing of Early Care and Education* report

- Includes:
  - Workforce development costs
  - Professional development systems
  - Administrative systems and state data systems
  - quality assurance and improvement costs

- Estimate used in Chicago model and national IOM report was 8%-- we applied same to our model

Costs are excluded for certain programs for higher income families

Birth – Age 2	Under 200% FPL	200-400% FPL	Over 400% FPL
Center	included	included	included
Non-relative home (FCC)	included	included	included
Relative paid and/or in-home care	Included	EXCLUDED	EXCLUDED

Ages 3-5	Under 200% FPL	200-400% FPL	Over 400% FPL
Center—full day/year round	included	included	included
School-based—PFAE/HS full day with comprehensive FS	included	NO PARTICIPANTS	NO PARTICIPANTS
School-based—PFA part-day	NO PARTICIPANTS	included	included
Non-relative home*	included	included	included
Relative paid and/or in-home care	Included	EXCLUDED	EXCLUDED

In summary, the cost model accounts for:

- Best practice staffing patterns
  - Number of teachers, assistants, and aides
  - Qualifications of staff
  - Out-of-classroom staff
  - Program leadership
- Compensation levels adequate to attract and retain highly-qualified staff
- Comprehensive supports
  - EC Mental Health Consultation
  - Professional development
- Sufficient materials, facilities, etc.

This process had extensive input from committees of the Illinois Early Learning Council.

Our model should consider and account for the entire ECEC market

Decision Framework for Funding Adequacy

Funding Adequacy Charge: *our first goal is to determine the cost of providing high quality ECEC services*

Goal: *determine the cost of providing high quality ECEC services and how to fund over time*

Key Questions to Answer:

- What is the **cost of providing high quality ECEC** to all families in Illinois?
- What should the **state process be for determining adequate resources across settings** for each program type?
- How much of the **cost should be covered** by the federal government, the state, local funding, and parent contributions?
- What is the **recommended timeline** to get to the state's full investment?

To do this, we will enhance the existing cost model

We will need to **think through the following:**

- **What's missing?**
- **What assumptions need to be further examined?**
- **How might the cost model be further enhanced?**

The Guiding Principles will ground our ultimate answers to these questions.

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**

Remember: The PDG Cost Model formula relies on critical decisions about inputs. ***Aligning on these inputs is what matters***

Process Step	Critical Decisions on Inputs
1 Determine Programs in/out of analysis	• Which settings? (ex: center, family/friend home, etc.) • Which intensities? (ex: part-day, full-day, working day) • For which ages?
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How can we use the guiding principles toward the determination of "the number" and the phase-in?

- **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 the guiding principles toward the determination of "the number" and the phase-in?

Guiding Principle	Understand How…
Equity	• Assumptions on adequacy can ensure equitable access to high-quality services that meet children's and families' needs, & support equitable outcomes for children • The phase-in of increased funding addresses current funding inequity across race, ethnicity, culture, language, income, geography, and children's needs
Family Perspectives	• Family choice and need plays a role in determining adequate funding
Sustainability & Stability	• Any phase-in of increased funding can allow for long term planning and funding predictability for providers • Inputs to funding adequacy can serve to stabilize provider services

How can we use the guiding principles toward the determination of "the number" and the phase-in?

Guiding Principle	Understand How…
Transparency	• The phase-in of any increase in funding is widely understood and reflective of stakeholder input
High Quality & Effectiveness	• Critical inputs to the cost model reflect high-quality services (compensation, staffing, etc.)
Boldness & Ability to Implement	• The timing of funding recommendations relates to the legislative session and budget cycle • The phase-in of any increase in funding is reflective of what's possible in our state

We have a lot of evidence of how current funding is not in alignment with the Commission's guiding principles

Knowing this, we could begin to evaluate our current funding in relation to our guiding principles…

Guiding Principle	Evaluation
Equity	• CCAP, which serves a greater share of low-income children of color, funds ECEC settings at lower levels than ECBG.
Family Perspectives	• Some low-income families opt out of CCAP because co-pays are unaffordable. • Many families drop out of the labor force to care for children because private tuition is unaffordable and they do not currently qualify for publicly-funded ECEC.
Sustainability & Stability	• The ECEC system only functions because educators forgo a wage commensurate with their qualifications and the complexity of their work. • Many ECEC settings can barely maintain solvency on the rates the market will bear.

Knowing this, we could begin to evaluate our current funding in relation to our guiding principles…

Guiding Principle	Evaluation
Transparency	
Efficiency	• Many educators take on second jobs and receive public benefits due to low wages • ECEC settings churn (open and close) quickly due to insufficient, unstable funding
High Quality & Effectiveness	• Current funding levels are insufficient to support the cost of the inputs of high quality service delivery.
Boldness & Ability to Implement	• New funds are insufficient to be used to support innovation.

Reactions to this as a decision framework

Could we use this kind of frame to evaluate critical inputs to the cost model and any recommendations on funding phase-in?

Would it allow us to clearly articulate how recommended funding is "better" than the current situation?

Next Steps

This Working Group's Update for February 11 Commission Meeting

- Working Group Charge
- Working Group Monthly Work Plan
- Decision Framework
- *What else?*

Other Next Steps

- Document known interdependencies with other Working Groups
- Revisit Key Questions, Key Decision Points, and Work Plan stemming from today's discussion
- Prepare for Funding Adequacy Working Group Meeting #2 (March 2nd)
- HOMEWORK: review cost modeling materials and be prepared to discuss your feedback on:
  - Known discussion items
  - Other items that you identify as missing or needing review

DRAFT Meeting 2 Priorities

- Develop comprehensive list of items to review and refine in the cost model
- Discuss and align on critical inputs
- Assess decisions against our Guiding Principles
- Determine plan to come to a draft Adequacy Target by Meeting #3 (March 23rd)

THANK YOU