Commission on Equitable Early Childhood Education and Care Funding

Funding Adequacy Working Group

Meeting 6 – 07/30/2020

Funding Adequacy Working Group 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 and periodically re-evaluating 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?

Funding Adequacy Meeting 6 Agenda

Item	Time
Welcome and Agenda	11:00-11:05
Recap of Commission meeting and path forward	11:05-11:20
Home Visiting adequacy update	11:25-11:40
Form goals for periodic re-evaluation of funding adequacy	11:40-12:20
How should we determine local ability to contribute?	12:20-12:50
Next steps and close out	12:50-12:55
Public Comment	12:55- 1:00

<u>Today's Goal</u>: Establish goals for periodic re-evaluation of funding adequacy and local funding contributions (if any)

Working Group Decision Points

Anticipated Key Topics	**Full Commission**	**Funding Adequacy**	**Management & Oversight**	**Funding Mechanisms**	**Inclusion**
June	M&O and/or Funding Mechanism initial recommendations	Cost Model Validation	State Agency: Consolidation vs. Creation	Mechanisms appropriate for key services	Current M&O and Mechanisms Pros & Cons
July	Funding Adequacy initial recommendations Inclusion initial recommendations	Cost Model Validation Process to periodically re-evaluate adequacy	State vs. Regional Capacities	Full Mechanism System Build-out	M&O / Mechanisms Inputs Funding Adequacy Input
August	Inclusion, M&O, and/or Mechanism recommendations	Funding sources	Future M&O / Mechanisms System Build-out		
Sept/Oct	Funding Adequacy Updates	*Iterations and responding to Commission feedback as needed*			

Determining the Cost of Adequacy:
Commission Meeting Outtakes and Next Steps

A huge shout out to our whole team, and especially to Christina, Craig, and Denise!

What was shared with the full Commission?

- A reminder that **our charge** is to understand and shed light on the true cost of high quality, equitable ECEC. This is **not a budget ask**; rather, it is part of a roadmap toward adequate funding.
- It is critical to articulate the total need, as having a collective understanding of where the system is aiming to go **shapes policy and investment decisions** over time.
- **Spending today is very inadequate**, but that when we take into account the **hidden costs of the system** – low wages for ECEC workers, families that opt out of the workforce, not enough slots, children unprepared for Kindergarten, etc. – the total "cost" of the system is quite large.
- Importantly, **these costs are borne mostly by low income families, communities of color, and the women of color** who make up much of the ECEC workforce.
- Acknowledgement that while there is a **funding shortfall** that may be in place for years to come, **this work still matters** in order to inform planning for a future system that can effectively, efficiently, and equitably distribute new funding as it comes in.

What was shared with the full Commission?

- Guided the Commission through the **process to get to a refined understanding the of the costs of adequacy** by sharing an overview of the cost modeling approach and the validation work that has been completed. This included an expert panel, focus groups of providers, and working group discussions.
- Shared that the team initially **estimates a cost of adequacy of $12.6B, of which $10.6B would be publicly funded and $1.9B would be covered by parent co-pays** based on included co-pay schedules. He noted that this is substantially higher than the known public investment today of $1.8B, and the major increases are associated with compensation increases, quality improvements, and increases in access.
- Highlighted how this investment would **support and uphold the Commission's guiding principles**, notably by providing a high-quality, equitable experience for children and families.

What remains to be validated?

Home Visiting

Home Visiting Task Force will share today!

Infrastructure

To be evaluated alongside M&O conclusions

Early Childhood Special Education

Data being gathered through Inclusion Working Group

Early Intervention

Data being gathered through Inclusion Working Group

Home Visiting Funding Adequacy

Home Visiting Task Force Update

Periodic Re-evaluation of the Cost of Adequacy

Where are we going next?

What should the **state process** be for determining and periodically **re-evaluating adequate resources across settings** for each program type?

- What are the goals of this process?
- What examples we can look at?
- What process methods can best meet our goals?

How much of the **cost should be covered** by the federal government, the state, local funding, and parent contributions?

- What do our family contribution 'rules' estimate?
- How should we determine local ability to contribute?
- What are federal expectations?
- What would this mean for the state?

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What are the **potential uses** of the Adequacy Cost Model?

Inform state appropriations

Act as a planning tool to inform policy and resourcing priorities

Inform funding formula / allocations

What else?

Which are appropriate?

At what time period?

- Short-term?
- Long-term?

When will we know we are ready? What must be in place?

Example for reaction

Goals	Near Term	Long Term
Inform state approps. process:	State agencies use model to inform appropriations requests that support more equitable access to ECEC.	State agencies use updated model to draft appropriations requests that move toward adequacy.
Inform policies and decision making:	Policymakers use model to shape policy changes to support centralized ECEC system.	Policymakers use model to support the ECEC system's guiding principles.
Inform funding formula / allocations:	Centralized ECEC entity uses model to decide how to prioritize new dollars.	Centralized ECEC entity uses model to inform funding formulas in long-term contracts.

When will we know we're ready to move from short-term to long-term?

Considerations / Ideas:

- We are at some threshold percentage of adequacy
- The M&O structure is staged up and to some degree of functionality
- There are certain updates to the cost model

Small Group Breakout:
What are the **potential uses** of the Adequacy Cost Model?

Inform state appropriations

Act as a planning tool to inform policy and resourcing priorities

Inform funding formula / allocations

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A look at Evidence-based Funding for K-12

- **Goals:** EBF is *both* an adequacy costing model and a funding allocations model
- **Cost Model Components:** The cost of adequacy is determined based on the cost of a collection of evidence-based elements or "cost factors"
- **Process for Updating:** Adequacy is periodically reviewed through the Professional Review Panel, which is charged with annually updating the cost of select elements, studying the functioning of the formula, and recommending adjustments as needed to ensure accurate calculation of adequacy.
- **Local Contributions:** Funding allocations are determined through the adequacy cost and local ability to pay

Should this inform our thinking? If so, how?
What *parallels* exist? How is this *different*?

NEXT MEETING: What should the state process be for updating the Adequacy Cost?

What guiding principles should inform this process?

What components of the cost model must be updated? (Programs; cost of quality such as staffing patterns, group sizes, compensation; child count, parent co-pays; infrastructure)

Who should be responsible for updating? (Centralized ECEC entity, a standing committee, ELC, a body that succeeds the Commission, other)

How often should this be done?

Sources for long-term funding

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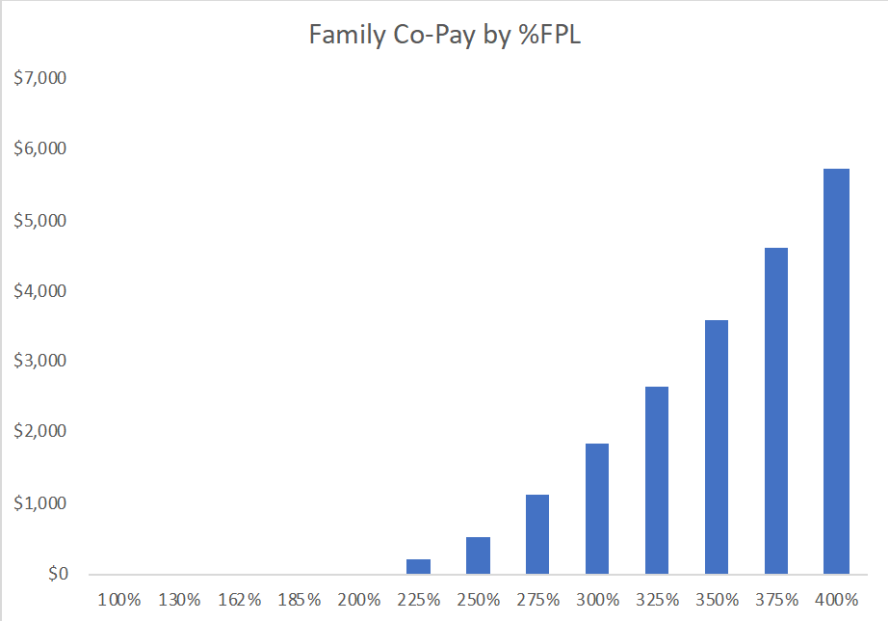
What has been included for family co-pays?

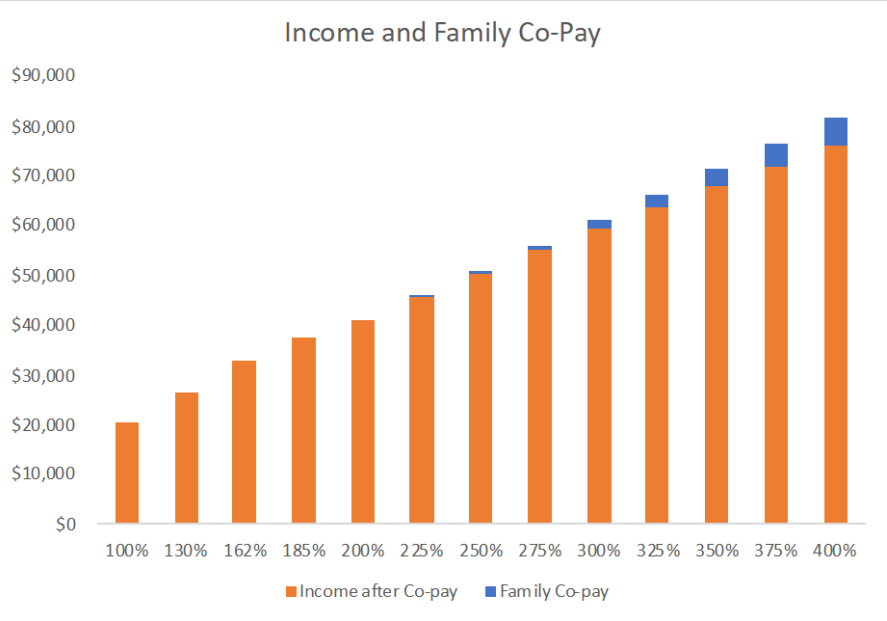
Goals:

- Be conscious of challenges experienced by moderate-income families
- Avoid pay cliffs
- Keep equity at the forefront

Rules:

- No co-pay for families below 200% Federal Poverty Line (FPL)
- Co-pay of up to 7% of income for families above 400% of FPL
- Ramp-up in-between at additional 1% of income for every 25% increase above 200% of FPL





The K12 Context for local funding is substantially different from that for ECEC

- **Right to Education** (Article X of Illinois State Constitution)
  - Section 1 Part A: The State has the primary responsibility for financing the system of public education.

- EBF utilizes ***local capacity target*** to determine local contributions expected
  - LCT is a measure of what does or should come out of a district's levy. There is no levy currently that covers ECEC, nor does LCT consider what a district should put toward an education that is inclusive of ECEC

- Historically, IL has relied significantly on local funding for K12. The state aims to move to ***closer to half of funding coming from the state*** to counter the inequities caused by property tax-based funding. (45% state, 45% local, 10% federal)

- **Relevant examples**: Alabama is the only state with a local contribution requirement – a 25% match, but it can be in kind
  - Other examples are specific to a local community and are not statewide initiatives
  - Summit County CO, San Miguel Colorado both passed mill levies to fund ECE (and specifically workforce compensation)

What should be of the role of localities in long-term ECEC funding (if any)?

What **entities** *could* theoretically contribute? Which ones already contribute?

- Municipalities
- Counties
- Local School Districts
- Local philanthropic organizations
- Other?

Are there specific expenditures they may be best suited to support?

If localities play a role, should it be **mandated or incentivized**?

What must we consider to **ensure equity**?

What do we need to **do next** to refine our thinking?

Next Steps

Next Steps

- Working Group Update for August 18th Commission meeting
- Continue today's conversation on periodic re-evaluation and funding sources in our next meeting on September 2nd
  - Will go to the Commission September 15th
- Incorporate outstanding items into cost model for a final draft to bring to the Commission in September

THANK YOU