Report on Early Childhood Funding

Virginia Department of Education

VIRGINIA INTEGRATED EARLY CHILDHOOD FUND: CONTEXT, FINDINGS, AND RECOMMENDATIONS

VIRGINIA DEPARTMENT OF EDUCATON

SUBMITTED TO THE JOINT SUBCOMMITTEE ON THE VIRGINIA PRESCHOOL INITIATIVE

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Virginia Integrated Early Childhood Fund: Context, Findings, Recommendations
Executive Summary

The system of public funding for early childhood services is complex and involves multiple divisions of multiple agencies across secretariats. This service system characteristic can be a challenge for the families of very young children, who frequently need a wide range of services including health, social services, care and education (e.g. child care, preK), work supports, and early intervention. Virginia's early childhood service providers have struggled with the complexity of how to finance quality services for families with young children.

The General Assembly charged the Integrated Early Childhood Fund workgroup with making recommendations on how the state could better organize its early childhood funding, specifically "to examine opportunities including, but not limited to, leveraging existing funds targeted to early childhood development with the goal of identifying strategies and mechanisms for developing an Integrated Early Childhood Fund." The purpose of the Fund is "to more feasibly implement the cohesive and efficient administration of early childhood resources, increasing access to quality early childhood services for at-risk children with little additional fiscal impact on the Commonwealth's budget."[1] The workgroup's recommendations are meant to shed light on financing strategies in Virginia that would allow for more integrated services at the community and provider level.

I. Why Consider Integrated Financing?

Affordable and high-quality early childhood services are essential to Virginia's workforce – both today's and the future workforce. Recommendations in Blueprint Virginia 2025, the Virginia Chamber's economic competitiveness plan for Virginia, call for Virginia's leaders to create an integrated public-private financing model that promotes innovative, flexible, and coordinated approaches to high-quality early childhood services for at-risk children. Moreover, nationally states are being called to action; a February 2018 report from the National Academies of Sciences, Engineering, and Medicine compelled states to take an active role in making early care and education more affordable and easier to access for families.

II. The Current Status of Virginia's Early Childhood Funding Streams

The federal government – and to a lesser extent the state government – provide funds designed to meet many of the needs of families with young children. All states wrestle with the challenge of fragmentation among funding streams supporting services for young children.

The workgroup recognizes that each of these revenue streams provides opportunities, but there are challenges in connecting different programs like the Virginia Preschool Initiative (VPI), child care subsidy, and early intervention/preschool special education – making it difficult for families to access services in a seamless way, for communities to deliver them in a coordinated way, and for collective goals for child and family success to be achieved overall. VPI is state lottery-funded, so the state has more flexibility in addressing changes in design and delivery. The amount of state flexibility in the administration of federal funding streams varies from program to program, but agencies administering those programs can be cautious about exercising flexibility if they have concerns that it might jeopardize funding.

An important aspect of Virginia's early childhood system in recent years has been building community-level capacity where local leaders have taken the lead in defining the path forward, demonstrating a willingness to innovate and pilot new approaches. Workgroup members noted deference to these

[1] H.B. 5002, Item 128, Section I

locally-driven efforts, though local leaders voice the desire for state level leadership to facilitate community efforts through consideration of waivers to reduce barriers or expanded support of local pilots to lead the way on finance integration.

III. The Potential for Existing Appropriations

The workgroup considered the specific examples of funding streams identified by the General Assembly as potentially appropriate for consideration in the IECF due to under-utilization - VPI, Temporary Assistance for Needy Families (TANF), and Child and Adult Care Food Program (CACFP). The workgroup determined that they would like to see the focus of changes to these programs on ensuring that they are reformed to realize their full potential to serve children and families. These change strategies are underway: VPI's reform is in the hands of the Joint Subcommittee on the Virginia Preschool Initiative; TANF's reform is the task of a special subcommittee of the Commission on Youth; and VECF and the Commissioners of the Departments of Social Services are working together to address increased enrollment in CACFP by Virginia's early care and education programs.

Other promising revenue streams identified are:

- Mixed Delivery Preschool Grants Program, an initiative that will continue to inform and bolster considerations for the appropriate role and leadership from the state level.
- Child Care and Development Fund expansion, an increase in federal funding that presents a potential opportunity for Virginia to leverage new resources in a redesigned system.
- Several new appropriations dedicated to the Virginia Preschool Initiative approved in the 2018 General Assembly session, creating opportunities for increased quality, accountability, and a slightly increased per pupil expenditure rate for that program.
- Preschool Development Grant, a federal funding opportunity directed at the birth to age five span that could articulate an appropriate role for the state in building capacity for integrating governance, financing, quality improvement, and related data systems development.

IV. Findings and Recommendations

The workgroup believes strongly that the state's approach to meeting the needs of children and families should be holistic, but struggled to ascertain how the state could best facilitate that process for communities without imposing risk (e.g. violating federal requirements for use of funds and risking their loss) on agencies administering publicly funded programs. Deliberations resulted in these insights:

- A number of initiatives and potential opportunities are in motion at the current time that influence the posture of the workgroup regarding its recommendations.
- Emerging considerations about a potential shift in governance of the early childhood programs in Virginia are an undercurrent to the IECF workgroup deliberations.
- The members highlighted the success of Smart Beginnings and Mixed Delivery Preschool pilots and wondered about how the state could best facilitate the continued insights from those efforts.

Based on these factors, the workgroup determined that the most practical approach in creating an Integrated Early Childhood Fund is to pilot a "consolidated application" for VPI and CCDF funds, which would build on the existing Mixed Delivery concept and give communities the opportunity to plan comprehensively about their early childhood spending - even beyond early care and education. The quality set-aside of the CCDF may be particularly salient for this effort, supporting demonstration of state and local agreement on quality standards across CCDF-funded child care and VPI-funded preschool services. The state could then utilize the outcomes of the consolidated application approach to distill lessons for the creation of a statewide Integrated Early Childhood Fund.

In addition, the workgroup respectfully requests an extension (in order to continue to explore potential integrated early childhood financing strategies) by way of a charge to complete and submit a final report of findings and recommendations by October 15, 2019.

Conclusion

The workgroup's recommended mechanism for developing an Integrated Early Childhood Fund would honor Virginia's commitment to community-level capacity, acknowledge the limitations of state agencies in combining funding, and represent a step toward more thoughtful coordination of funds to improve outcomes for children and families. The consolidated application approach would have a near-term impact on communities and potentially a longer-term statewide impact based on lessons learned. This effort can occur in parallel with efforts to resolve underspending in key state programs, with the expectation that all of the funding streams involved will be key building blocks in community spending plans submitted in consolidated applications.

Virginia Integrated Early Childhood Fund: Context, Findings, Recommendations

The Virginia General Assembly has required the Virginia Department of Education to convene a workgroup that will develop strategies and mechanisms for integrated early childhood funding:

> *The Department of Education, in cooperation with the Department of Health, Social Services, and Planning & Budget, shall convene a workgroup facilitated by the Virginia Early Childhood Foundation, to examine opportunities including, but not limited to, leveraging existing funds targeted to early childhood development with the goal of identifying strategies and mechanisms for developing an Integrated Early Childhood Fund. The findings of the workgroup shall be provided by October 15, 2018 to the Joint Subcommittee on the Virginia Preschool Initiative, and shall articulate the potential for existing but underutilized appropriations, including, but not limited to, unused Virginia Preschool Initiative funds and TANF, and other funds to support administrative costs that would assist with more fully drawing down federal CACFP funds. The purpose of the Integrated Early Childhood Fund shall be to more feasibly implement the cohesive and efficient administration of early childhood resources, increasing access to quality early childhood services for at-risk children with little additional fiscal impact on the Commonwealth's budget.* (H.B. 5002, Item 128, Section I)

The workgroup is grateful to the General Assembly for its focus on the importance of improving how early childhood funds are leveraged to improve outcomes for children and families. **In their deliberations, the workgroup members clarified that integration is not to be confused with the commingling of funds, but rather should be viewed as a financing strategy to achieve the broader goal of more efficient coordination and delivery of programs in a manner that helps communities deliver and families access the services.** This is consistent with the General Assembly's stated purpose of increasing access to high-quality early childhood services with little additional fiscal impact. The workgroup's recommendations are meant to shed light on financing strategies in Virginia that would allow for more integrated services at the community and provider level.

This report first provides some context for consideration of integrated financing, the current landscape and status of early childhood funding, a discussion of the opportunities and limitations presented by existing revenue streams, and a summary of existing but underutilized appropriations and the potential for improving their use. It then lists findings and proposes recommendations toward developing an Integrated Early Childhood Fund, in keeping with the General Assembly's instruction.

I. Why Consider Integrated Financing?

The system of public funding for early childhood services is extremely complex and involves multiple divisions of multiple agencies across secretariats. Government agencies are organized by the type of service they deliver, not by age. This service system characteristic can be a challenge for the families of very young children, who frequently need a wide range of services, including health, social services, care and education (e.g. child care/preK), work supports, early intervention, and more.

That raises the question of who is responsible for navigating that complex web of services. In too many cases it is the families with young children themselves – and in too many cases those families have limited capacity to gain an understanding of the system and do that navigation. Some service providers

are able to package together multiple services, but that can be difficult and complicated for providers already challenged by limited time and resources. In some cases communities are designing thoughtful cross-provider systems designed to make it easier for those providers, which requires a substantial investment of time and resources. Communities, providers, and families would all benefit from a stronger state effort to harmonize existing funding to make it easier to administer. **One key goal of the Integrated Early Childhood Fund is for the state to take an active role in making it easier for its downstream partners within local communities to more efficiently and successfully administer early childhood funds and programs.**

Affordable and high-quality early childhood services are essential to Virginia's workforce – both today's and the future workforce. The U.S. Chamber of Commerce released a report in June 2017 calling on businesses to be more engaged in supporting high-quality child care.[1] Virginia's business community has made a clear statement in articulating school readiness as a workforce issue; attention to and investment in early childhood education and educators are primary recommendations in Blueprint Virginia 2025, the Virginia Chamber's economic competitiveness plan for Virginia.[2] In particular, the plan calls for Virginia's leaders to:

- Create an integrated public-private financing model that promotes innovative, flexible, and collaborative approaches to high-quality early childhood services for at-risk children; and
- Explore performance-based financing policies that incentivize and sustain high-quality early childhood services as part of Virginia's quality improvement framework.

Moreover, nationally states are being called to action; a February 2018 report from the National Academies of Sciences, Engineering, and Medicine compelled states to take an active role in making early care and education more affordable and easier to access for families. It explained that in many instances the cost of services is too high, professionals in the field are not paid adequately, and the quality of services can vary substantially. The report called for a financing structure that would provide "adequate and integrated funding for service delivery, workforce supports, and system supports, including mechanisms for accountability and improvement."[3]

II. The Current Status of Virginia's Early Childhood Funding Streams

A. Overview of Early Childhood Funding Streams

The federal government – and to a lesser extent the state government – provide funds designed to meet many of the needs of families with young children.

The table below summarizes some core early care and education funding streams. It is organized by service, and then notes the funding stream, the source of those dollars, and the state agency responsible for administering the funds. Note that Head Start and Early Head Start funds are distributed directly from the federal level to local agencies, though Virginia does have an office of Head Start Collaboration housed at the Department of Social Services.

[1] https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%2CWorkforce%20of%20Tomorrow%20Report_0.pdf

[2] https://www.vachamber.com/advocacy/blueprint-virginia/

[3] http://sites.nationalacademies.org/cs/groups/dbassesite/documents/webpage/dbasse_184857.pdf

Service	Current Support	$ Source[4]	VA Agency
Home visiting	Maternal, Infant, and Early Childhood Home Visiting (MIECHV)	Federal	Health
	Temporary Assistance for Needy Families (TANF)	Federal	Social Services
	Early Head Start	Federal	--
Education and care for infants and toddlers	Early Head Start	Federal	--
	Child care and development block grant (CCDBG)	Federal	Social Services
Early Intervention services for infants and toddlers with special needs	Individuals with Disabilities Education Act (IDEA) Part C	Federal	Behavioral Health and Developmental Services
Education and care for preschool-aged children	Head Start	Federal	--
	Virginia Preschool Initiative (VPI)	State	Education
	Title I of the Every Student Succeeds Act	Federal	Education
	CCDBG	Federal	Social Services
	Temporary Assistance for Needy Families (TANF)	Federal	Social Services
Comprehensive services for preschool-aged children	Head Start	Federal	--
Food supports	Child and Adult Care Food Program (CACFP)	Federal	Health, Education
	Supplemental Nutrition Assistance Program (SNAP)	Federal	Social Services
Special education services for preschool aged children	IDEA Part B	Federal	Education

B. Challenges Identified with Existing Funding Streams

All states wrestle with the challenge of fragmentation among funding streams supporting services for young children:

> *No one funding stream covers the full cost of the features that are present in highly effective full-workday, full-year programs, requiring higher-quality early learning programs to secure two or more funding streams. But differences in family eligibility criteria and enrollment processes, programmatic and workforce requirements, and funding levels and payment mechanisms between the major program early childhood funding streams—Early Head Start, Head Start, child care, and state pre-k—make it hard to finance comprehensive, full-workday, full-year early learning programs.*[5]

On June 14 and 15, 2018, a wide range of state and local stakeholders met in Richmond to discuss early childhood financing in Virginia and inform the IECF workgroup deliberation at an

[4] Note that many of the federally-funded programs require a state match; the state funded VPI requires a local match.

[5] https://www.theounce.org/wp-content/uploads/2017/03/NPT-Blended-Funding-Toolkit.pdf, p. 9.

event hosted by VECF. One of the topics discussed was challenges in implementing some of the core early care and education funding streams in Virginia. The group identified the following issues:

- *The Virginia Preschool Initiative*. Challenges that have been identified with the current design of VPI include:
    - The goals of the distribution formula are not clear, nor is it clear that whatever its goals are that it is designed to meet those goals. For example, the eligibility criteria is for children from households up to 200% of the federal poverty level (FPL), yet allocation is made based on number of kindergarten children eligible for free lunch (130% FPL), minus four-year olds served by Head Start. As well, the assumed per-pupil expenditure rate of $6,125, shared by state and locality, is just over half the per pupil expenditure for a five-year old in kindergarten, though the costs are essentially equivalent.
    - The required match is burdensome for communities with limited resources.
    - The design of VPI could be updated to reflect the experience of implementation and the challenges communities have had in implementing VPI, Head Start, and child care in a manner that maximizes efficiency.
    - The VPI program could increase promotion of mixed delivery.
- *Child Care Subsidy*. The federal government gives latitude to states in implementing child care programs. Virginia has numerous administrative policies that may limit the flexibility of how child care funds are used especially in combination with other funding streams. Virginia could benefit from study of practices from other states to consider changes that would make the program easier to coordinate with other funding streams.
- *Early Intervention and Preschool Special Education*. Stakeholders are concerned about lack of coordination between early intervention for infants and toddlers (Part C of the Individuals with Disabilities Education Act) and special education for pre-kindergarten children (Part B of the IDEA). Part C is administered by the Department of Behavioral Health and Developmental Services, while Part B is administered by the Department of Education.

The workgroup recognizes that each of these revenue streams provides opportunities, but there are challenges in connecting different programs, making it difficult for families to access services in a seamless way, for communities to deliver in a coordinated way, and for collective goals for child and family success to be achieved overall. While even though no single revenue stream is currently appropriated adequately for its purposes and reaching all of those eligible, there are cases in which the funds are not fully "drawn down," – not because of a lack of need but because of structural challenges in meeting the specific requirements of those funds. For example, there is annually a calculation of "non-participation" rate for the Virginia Preschool Initiative -- not because there are not enough eligible four-year-olds to serve but because for years many localities have been unable to tap into their full allocation due to lack of ability to make the local match or lack of classroom space in schools.

The fragmentation of the various programs across service systems, agencies, and Secretariats results in other utilization and coordination challenges as well; in some instances, the funding sources for meeting similar needs are different for different age groups, creating unnecessary burden of transitioning from one program to another for families with children who need services along a continuum. For example, children served by Part C of the IDEA sometimes have difficult transitions to Part B preschool services due to completely different administration at the local level.

The amount of state flexibility in the administration of federal funding streams varies from program to program, yet some workgroup members whose agencies administer these federal programs expressed concern about taking risks exercising flexibility if it might jeopardize funding. The administration of state general funds is more flexible for Virginia -- though in some cases, the workgroup identified areas where the restraints of the funding stream itself (for example, the Lottery for VPI) would necessitate legislative action in order to gain more flexibility. In both cases, additional time for informative analyses and thoughtful focus would potentially increase the appetite among agency leaders for testing the boundaries in terms of a broader interpretation of regulation and statute.

The redesign of these individual funding streams is not necessarily a primary goal of the IECF, and indeed improvements to these funding streams can be designed and executed independently of the IECF effort. These challenges are important to articulate; however, because they speak to the reasons communities would like to see change, state-level leadership, benefits that could be realized from the IECF toward more efficient, effective, and coordinated service delivery for children and families.

C. Virginia's Strategy of Building Community-Level Capacity

An important aspect of Virginia's early childhood system in recent years has been a strong focus on building community-level capacity. Since FY12, Virginia has invested in VECF's coordination of local early childhood systems building initiatives across the Commonwealth called Smart Beginnings. And, in the FY17-18 biennial budget, Virginia instituted pilot funding for the Mixed Delivery Preschool Fund and Grant Program, administered by VECF, which supports communities to increase the proportion of private/community-based settings that participate in the delivery of state funded preschool services.

Communities have had the opportunity to apply for state grants to conduct this work, and numerous communities have made meaningful progress toward the goals of the initiative, as well as have informed additional action at the state level that could facilitate more robust and productive integration and coordination. Workgroup members noted deference to locally-driven efforts in terms of approaching strategies for integrated financing, and in particular to local leaders who have taken the lead in defining the path forward, demonstrating a willingness to innovate and pilot new approaches. However, local leaders voice strongly the desire for state level leadership to facilitate community level efforts, whether through consideration of accommodations or waivers to regulations or rules that create barriers or through expanded state-funded support of local and regional pilots to lead the way on financing integration.

III. **The Potential for Existing Appropriations**

The workgroup considered the specific examples of funding streams identified by the General Assembly as potentially appropriate for consideration in the IECF due to under-utilization - VPI, TANF, and CACFP. The workgroup determined that these funding streams experience two different categories of problem, and that the categories should be addressed differently.

A. Underspending

With VPI and TANF, the workgroup acknowledged that funds are underspent but advocate that the programs be reformulated to reduce barriers to greater use of the funds for the original purpose.

- As noted above, the Virginia Preschool Initiative has a consistent pattern of underspending because some communities fail to meet the match requirement or have insufficient space in schools for additional classrooms. The funding formula and/or match requirement could be reconsidered to allow more communities to access VPI to meet their needs.
- There is a current balance in the TANF fund, as well as a multitude of ideas for how to spend it. There is also a good deal of flexibility in terms of purpose for use of the funds, which could present opportunities for early childhood financing.

As caveats for both of these funding streams:

- VPI serves only 18 percent of Virginia 4-year-olds; 62 percent of Virginia 4-year-olds do not have access to a publicly funded preschool program (much less for children of younger ages), and many of them would benefit from those services.[6]
- With TANF, there is concern about a cliff effect once the TANF balance becomes fully obligated.

B. Drawing Down Additional Federal Funds

The issue with CACFP – a "catch 22" - is somewhat different. In the case of this food/nutrition program that provides reimbursement for meals and snacks served in child care centers serving low-income children, Virginia could be drawing down more federal funding. In order to do so, VDH needs more funding for the administrative costs that would enable enrollment of additional child care programs in CACFP and more meals served. A modest investment of state general funds for administrative costs or other strategies to stimulate enrollment could pay off in millions of additional federal dollars for this uncapped program requiring no state match.

Thus, the workgroup would like to see the focus of changes to these programs on ensuring that they are reformed to realize their potential to serve children and families. These change strategies in fact are underway: VPI's reform is in the hands of the Joint Subcommittee on VPI; TANF's reform is the task of a special subcommittee of the Commission on Youth; and VECF and the Commissioners of VDH and VDSS are teaming up to address increased enrollment in CACFP.

C. Other Potential Relevant Funds

Mixed Delivery Preschool Grants Program: While this funding stream was not mentioned in the charge for the IECF workgroup, the accomplishments from the program were highlighted in workgroup discussions as promising to inform deliberations about how the state could develop an IECF. It is likely that continued and/or expanded investment in this initiative could continue to inform and bolster considerations for the appropriate role and leadership from the state level.

Child Care and Development Fund expansion: This fiscal year Virginia received an increase in federal child care assistance and quality improvement funding; while much of that money is already obligated, it still presents an excellent opportunity for Virginia to leverage new resources in a redesigned system.

[6] http://nieer.org/wp-content/uploads/2018/04/Virginia_YB2017.pdf. Every state bordering Virginia serves a higher percentage of 4-year-olds in its state preschool program.

Virginia Preschool Initiative: Several new appropriations dedicated to the Virginia Preschool Initiative were approved in the 2018 General Assembly session, creating opportunities for increased quality, accountability, and a slightly increased per pupil expenditure rate for that program.

Preschool Development Grant: This federal funding opportunity could present a timely near-term win for expansion and enhancement of the Mixed Delivery Grant model and more clearly articulate an appropriate and relevant role for the state in building capacity for integrating governance, financing, quality improvement, and related data systems development to strengthen a cohesive birth to age 5 system for Virginia's children. Virginia will submit a proposal by the deadline of November 6, 2018 for up to $15 million in federal dollars to support an ambitious agenda over the 2019 calendar year.

IV. Findings and Recommendations

The workgroup believes strongly that the state's approach to meeting the needs of children and families should be holistic, but struggled especially given a short timeline for the study to ascertain how the state could best facilitate that process for communities without imposing risk (e.g. violating federal requirements for use of funds and risking their loss) on agencies administering publicly funded programs. Deliberations resulted in these insights:

1) There are a number of initiatives and potential opportunities that are in motion at the current time that influence the posture of the workgroup with its recommendations. For example, the opportunity of funding through the federal preschool grant and the selection of the third cohort of Mixed Delivery sites (both of which are expected by December 2018) -- as well as the implementation of the additional Child Care and Development funds this fiscal year -- could all result in state activity that is relevant to development of an IECF.

2) Emerging conversations and considerations about a potential shift in governance of the early childhood programs in Virginia are necessarily an undercurrent to the IECF workgroup deliberations that influence how agency leaders may view and guide recommendations regarding the potential integration of the financing of those programs.

3) The members ultimately highlighted the success of Smart Beginnings and the Mixed Delivery Preschool pilots as local/regional public/private partnerships that have made significant progress in integrating funds and services at the local level, and wondered about how the state could best facilitate the continued insights building from those efforts.

These in-motion factors clearly have an impact on the workgroup's fulfillment of its charge, which was to develop a strategy and mechanisms for developing an Integrated Early Childhood Fund. Based on these factors the workgroup determined that the most practical approach in creating an Integrated Early Childhood Fund is to focus on the funding streams that offer the most immediate opportunity for fulfilling the General Assembly's stated goals. The members therefore offered a proposed strategy and mechanism to pilot a "consolidated application" for early care and education funds, which would build on the existing Mixed Delivery concept and give communities the opportunity to plan comprehensively about their early childhood spending (even beyond early care and education). The state could then study the outcomes of the consolidated application approach and distill lessons that could be applied to the creation of a statewide Integrated Early Childhood Fund.

Because of the significance of the charge and value of development of an IECF for the Commonwealth, and acknowledging the multiple factors that influence the deliberations and resulting recommendations, the workgroup respectfully requests an extension by way of a charge to complete and submit a final report of findings and recommendations by October 15, 2019.

A. The Consolidated Application

The first element of the workgroup's proposed strategy is to pilot a consolidated application for VPI and CCDF funds. The quality set-aside of the CCDF may be particularly salient for this effort, supporting demonstration of state and local agreement on quality standards across CCDF-funded child care and VPI-funded preschool services. Virginia's early childhood leaders have similar goals for these two funding streams, and both have underutilized flexibility that communities could take advantage of. A pilot approach would allow communities to explore the possibilities of these two funding streams in a way that leads to immediate service and quality improvements and greater participation or access, and in the long term could inform changes to state implementation of each.

Important elements of the pilot could include:

- The community would have to articulate specific goals for consolidating VPI and child care funding relating to improved access and/or quality, including common quality standards. In particular, communities would be required to explain how their approach would improve outcomes for the lowest income and most vulnerable children.
- The community would have to place its goals for consolidated funding within a larger context of early childhood development. This would require the community articulating how the consolidated funds will work in concert with other early childhood funding streams – including Head Start, TANF, home visiting, early intervention and preschool special education, food/nutrition programs, and other health and human services programs.
- The community would have to explain what capacity it plans to utilize to successfully implement its more integrated approach. To the extent that the state is willing to provide any additional funding, it should be used to support this local capacity to manage funds differently and more effectively (as well as the state capacity needed to support local efforts).
- A single state agency or state level entity could be designated to oversee the pilot, or it could be folded into the existing Mixed Delivery grant format.

The pilot approach is most likely to be successful if it builds on the work already done with the state's Mixed Delivery communities. Those communities have already worked to build collaborative infrastructure to implement those grants, bringing together a wide range of providers; through that work they have strengthened the expertise and capacity most relevant to successful implementation of a consolidated application. As mentioned, a new cohort of Mixed Delivery grants will be announced in December 2018.

An important reminder is that this proposed approach of "integration" and "consolidation" refers to stronger coordination of funding streams, *not* to commingling of the funding streams themselves. Child care is subject to some federal statutory and regulatory requirements that the state cannot alter – and as long as VPI is funded by lottery dollars, it is subject to certain state Constitutional requirements that also must be met. However, one benefit of the consolidated application could be to offer communities

waivers from state regulatory requirements.[7] If communities have innovative ways to serve children and outdated state policies stand in the way, the consolidated application approach would be an excellent opportunity to learn what those policies are.

Relatedly, the consolidated application process may expose areas where communities already had more flexibility than they realized. Experience has shown that sometimes communities shy away from approach that they think are prohibited, even when they are permitted; the consolidated application could help clarify for communities what abilities they already had.

B. Evaluating the Impact of the Consolidated Application

After an initial implementation period of the consolidated application, an evaluation of its impact could lead to valuable information that would then inform the design and implementation of a statewide Integrated Early Childhood Fund. Issues that the evaluation could address include:

- Were communities successful in improving access and quality, particularly for the most vulnerable children?
- What capacities did local communities need in order to successfully implement consolidated funding? To the extent communities were unsuccessful, were there specific capacities that could have improved their success?
- What capacities and resources at the state level are needed to support and facilitate communities' success?
- What lessons did communities learn about VPI and child care that could be applied to statewide changes to those programs? What waivers did they seek, and what were the impacts of those waivers?
- How did communities nest the consolidated funding in a larger early childhood landscape? Did the communities make changes to the implementation of other funding streams in response to their new approach to early care and education funding?

Other questions could be posed by the General Assembly, state agencies, and the communities themselves.

Conclusion

The workgroup's recommended strategy and mechanism for developing an Integrated Early Childhood Fund would honor Virginia's commitment to building community-level capacity, acknowledge the limitations of combining funding, and represent a step toward more thoughtful coordination of funds to improve outcomes for children and families. The consolidated application approach would have an immediate impact on communities, and set up the possibility of statewide impact based on lessons learned. This effort can occur in parallel with efforts to resolve underspending in key state programs,

[7] The General Assembly could also consider whether it would want to authorize waivers from statutory requirements.

with the expectation that all of the funding streams involved will be key building blocks in community spending plans submitted in consolidated applications.

Concurrently, the workgroup requests an extension of time for deliberations and continued conversations about these issues and approaches beyond the submittal of this report of findings. A status report can be provided to the Joint Subcommittee on the Virginia Preschool Initiative at a later date.