

**An introduction to the System Framework:** <http://ectacenter.org/sysframe>

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The purpose of the Finance component of the System Framework is to guide state Part C and Section 619 Coordinators, their staff and partners in ensuring that sufficient funds and resources are in place to support and sustain all components of the system, thereby facilitating the implementation of evidenced-based practices.

Both early intervention (Part C) and early childhood special education (619) operate as systems of services and (supports), relying on multiple funding streams at the federal, state and local level. Most funding sources are public (federal, state, local) dollars or allocations. States, regional and/or local structures may also access private funds (e.g., private insurance and family fees for Part C, grants) to support their program. States have discretion in determining which funding to access; decisions that are influenced by federal state and local guidelines for use of funds, political will and identified need. As a result, state systems need to be current on service utilization data, demographics of children served and opportunities for collaboration and alignment with other early care and education programs serving the same populations. Working relationships with key partners such as agency fiscal staff, other early care and education program administrators, and advocates prove to be vital as states navigate various funding streams to support the system.

This component includes: finance planning process/forecasting; fiscal data; procurement; resource allocation, use of funds and disbursement; and monitoring and accountability of funds and resources. A strong, fiscally sound system that is sustainable overtime is driven by a finance planning process that is in alignment with a larger system or state-level strategic plan to meet program infrastructure and service delivery needs, both for the short and long-term. The planning process should be informed by current and accurate statewide data (both fiscal and programmatic) to provide a clear picture of system costs, revenue and projected need. This information should directly inform decisions regarding which resources to pursue (procurement), and how they should be allocated, used and disbursed. Monitoring use of funds should be conducted regularly to ensure that spending is in compliance with contract performance and all federal, state and local fiscal requirements to maintain access to the various funding sources.

While fiscal data is a defined sub-component area, with a coordinated state-wide means of collection, it is important to note that access to and use of fiscal data is vital to each of the other sub-components and is reflected across all sub-component areas.

## Subcomponent 1: Finance Planning Process/Forecasting

**Quality Indicator FN1:** Part C and Section 619 state staff conduct finance planning to identify adequate resources at the state, and regional and/or local levels to meet program infrastructure and service delivery needs.

<b>Elements of Quality</b>
<p>a. Finance planning uses demographic information of children potentially eligible for the IDEA program and their eligibility for other early care and education programs/funding streams (e.g., Title I, Early/Head Start, state Pre-K) to project the amount of financial resources needed overtime and determine how and which resources to access.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Finance planning includes a review of program costs, projected revenues and expenditures, and estimated need to garner the resources necessary to support and sustain the system.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. Part C and Section 619 state staff conduct fiscal mapping of federal, state, local, and private resources to better connect existing funding sources, identify opportunities for cost savings and assure that all potential resources are accessed.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Family leaders, key partners (e.g., Early/Head Start, state Pre-K, Medicaid) and program and fiscal staff, who are knowledgeable about specific funding streams, are involved in discussions and decision-making.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Part C and Section 619 state staff conduct a cost-benefit analysis of potential funding sources and develops clear, detailed financing strategies, specifying which funding stream(s) would be most beneficial to pursue for what purpose/service or function.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. A clearly written finance plan aligns with the program priorities and strategic plan(s), the program public statements of vision/mission and/or purpose, and articulates measurable goals and activities.</p> <p><i>State evidence (state discussion):</i></p>
<p>g. The finance plan is available and effectively communicated to stakeholders, including state and local administrators, fiscal staff, funding partners, practitioners, and families.</p> <p><i>State evidence (state discussion):</i></p>

- h. The finance plan is reviewed and revised, as necessary, including identification of additional financial resources and unexpected fiscal changes to ensure that sufficient funding is available to meet changing needs (e.g., demographics, political and economic context).

*State evidence (state discussion):*

**Quality Indicator FN2:** State and regional and/or local entities use strategic finance planning to forecast a long-term and annual proposed budget to ensure a strong base of financial support is formed.

<b>Elements of Quality</b>
<p>a. A proposed budget is developed to forecast the amount of funds needed from each funding source to operate the system for the year as well as a projection of the funds needed to operate the system in the long-term.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Trend analyses of children and families served, services provided and funds expended are conducted to predict future budget and personnel needs for use in short and long term planning.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. State and regional and/or local entities have adequate budgetary control and flexibility regarding use of funds and resources to support system implementation and improvement.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. The proposed budget aligns with the public statements of vision/mission and/or purpose of the broader early care and education system.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. The Governor, legislators and state leaders actively support budget appropriation requests from the system.</p> <p><i>State evidence (state discussion):</i></p>

## Subcomponent 2: Fiscal Data

**Quality Indicator FN3:** State and regional and/or local entities have access to fiscal data for program planning, budget development and required reporting.

<b>Elements of Quality</b>
<p>a. A coordinated state-wide means of collecting timely and accurate fiscal data on revenue and expenditures, by specific fund source, is in place with the ability to disaggregate fiscal and program data by region and/or program.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Data checks and other mechanisms are in place to ensure the accuracy and reliability of fiscal data.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. Fiscal data are linked to programmatic data (e.g., birth rate, number of referrals, referral source, child count, units of service) to allow for analysis of the amount of funds spent.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Fiscal reports on distribution and expenditure of funds by specific fund source are generated and shared to inform fiscal and program staff of financial status, to facilitate resource management, and to meet state and federal fiscal reporting requirements.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Training and technical assistance are provided systematically to state, regional and/or local entities on how to access and use fiscal data.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. Part C and Section 619 state staff make fiscal and programmatic data readily available in a variety of formats that can be used by stakeholders (e.g., ICC, SAC, legislators and the general public) for advocacy in the procurement of funds.</p> <p><i>State evidence (state discussion):</i></p>
<p>g. Part C and Section 619 state staff make fiscal data readily available in a variety of formats that can be used by state, regional and/or local structures for accountability and program improvement.</p> <p><i>State evidence (state discussion):</i></p>
<p>h. Relevant fiscal data (e.g., expenses by service, region and/or local entity, and fund source) are shared among early care and education programs to assess efficient and effective use of resources and to inform budgetary decisions in the alignment and coordination of early care and education systems.</p> <p><i>State evidence (state discussion):</i></p>

- i. A systematic process is in place to evaluate and determine whether the means of collecting and disseminating fiscal data is providing data that is useful to stakeholders.  
*State evidence (state discussion):*

**Quality Indicator FN4:** State and regional and/or local entities use fiscal data to manage the budget.

<b>Elements of Quality</b>
<ul style="list-style-type: none"> <li>a. Fiscal data on revenues, planned expenses and actual expenditures are tracked and used on an ongoing basis to manage fiscal resources. <i>State evidence (state discussion):</i></li> </ul>
<ul style="list-style-type: none"> <li>b. Fiscal data are used to inform budget development, adjustment and re-distribution of funds and resources based on service and program needs. <i>State evidence (state discussion):</i></li> </ul>
<ul style="list-style-type: none"> <li>c. Fiscal data are sources of information that drive program improvement and effective utilization of funding sources. <i>State evidence (state discussion):</i></li> </ul>

## Subcomponent 3: Procurement

**Quality Indicator FN5:** State and regional and/or local entities secure funds and resources so that funds can be allocated and distributed to meet the needs of the system in accordance with the finance plan.

<b>Elements of Quality</b>
<p>a. State and regional and/or local fiscal and programmatic staff are aware of the operating budget that is in place and what funds are available for the system to use.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. A formal process (e.g., budget line item, designated account number) is in place to ensure that appropriated funds are designated for use only by the system.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. State and regional and/or local entities are informed about legal requirements (e.g., MOE, system of payments, fiscal accountability), related to accessing and using funds and resources that support programs and services.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Families are generally informed about the fiscal process and their fiscal responsibilities.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Families understand their financial obligations, if any, for receiving services as well as the cost of providing services.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. Additional funds are secured, as necessary, based on review of demographic, fiscal and program data.</p> <p><i>State evidence (state discussion):</i></p>
<p>g. State and regional and/or local administrative and fiscal staff have clearly defined roles and responsibilities for accessing available funds to support the system.</p> <p><i>State evidence (state discussion):</i></p>

**Quality Indicator FN6:** Part C and Section 619 state staff coordinate and align resources and funding streams with other state agencies, programs and initiatives in order to improve system effectiveness, implement evidence-based practices and ensure efficient use of resources.

<b>Elements of Quality</b>
<p>a. Collaboration and coordination of resources across state agencies, programs and initiatives (e.g., early care and education, health) occurs through review and alignment of fiscal and programmatic policies and activities.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Specific mechanisms (e.g., policy, IAs, MOUs, Medicaid state plan amendments, waivers, and guidance) clearly articulate service, programmatic and funding responsibilities.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. Administrative requirements for accessing funding sources are minimized and aligned to reduce burden on regional and/or local entities.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Regional and/or local entities are encouraged to pursue partnerships across agencies, programs and initiatives (e.g., early care and education, health) to leverage resources.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Partners across state agencies, programs and initiatives and at all levels of the system clearly communicate on an on-going basis regarding agency responsibilities related to requirements for funding sources.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. There is an ongoing process for reviewing and revising, as necessary, the clear designation of agency roles and responsibilities reflected in state, regional and/or local mechanisms (e.g., policy, IAs, MOUs, Medicaid state plan amendments, waivers, and guidance).</p> <p><i>State evidence (state discussion):</i></p>

## Subcomponent 4: Resource Allocation, Use of Funds and Disbursement

**Quality Indicator FN7:** Part C and Section 619 state staff equitably allocate funds to meet the needs of the system, including children and families.

Elements of Quality
<p>a. Funds and resources are allocated based on data to address geographic and demographic differences and needs (e.g., cost study, reimbursement rate for services, formula based on critical variables).</p> <p><i>State evidence (state discussion):</i></p>
<p>b. The allocation process is designed to support and fund the implementation of evidence-based practices (e.g., inclusion, coaching, teaming) and high quality programs.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. The method of fund and resource allocation is predictable, transparent and communicated to stakeholders.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. The allocation process facilitates and promotes collaboration and shared resources across early care and education programs (e.g., shared program functions, match dollars).</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Data are gathered on an ongoing basis to evaluate if the fund and resource allocation process addresses the needs of the program, including children and families.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. The allocation process is reviewed and revised as necessary based upon available data.</p> <p><i>State evidence (state discussion):</i></p>



**Quality Indicator FN8:** State and regional and/or local entities use funds and resources efficiently and effectively to implement high quality programs for meeting the needs of children and families.

<b>Elements of Quality</b>
<p>a. Funds and resources are used in accordance with the state’s vision/mission and/or purpose for the early intervention or early childhood special education system.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Implementation of fiscal policies and procedures related to using funds and resources for provision of high quality programs is supported through guidance and on-going technical assistance.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. State and regional and/or local funds and resources are prioritized to facilitate active implementation of evidence-based practices (e.g., inclusion, coaching, teaming).</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Funds and resources are used to support alignment and collaboration across early care and education programs.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. State and regional and/or local entities comply with federal, state and local requirements related to use of funds and resources.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. The effective and efficient use of funds is reviewed and revised as necessary to support high quality programs.</p> <p><i>State evidence (state discussion):</i></p>

**Quality Indicator FN9:** State and regional and/or local entities disperse funds and make timely payments or reimbursement for allowable expenses.

<b>Elements of Quality</b>
<p>a. Policies and procedures are current and explicit, specifying compliance with federal, state and local requirements (e.g., MOE, payor of last resort, non-supplanting) and describing how financial transactions are approved and paid.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. All payment mechanisms (e.g., contracts, grants, vouchers, central finance system) adhere to state and federal requirements regarding use of funds and resources.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. Payment mechanisms identify inconsistencies in use of funds and resources so that corrections can be made.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. Programs and practitioners make available information and documentation needed to account for use of funds and/or bill for reimbursement.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Fiscal data on services provided and resources used to support each child and family (e.g., expense reports, unit costs) are compared to those services identified on the IFSP/IEP in order to verify accuracy and process payments, if appropriate.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. A system of checks and balances is in place that describes separation of responsibilities across personnel for approving expenditures and making payments.</p> <p><i>State evidence (state discussion):</i></p>
<p>g. Payment policies and procedures and payment mechanisms are reviewed and revised as necessary.</p> <p><i>State evidence (state discussion):</i></p>

## Subcomponent 5: Monitoring and Accountability of Funds and Resources

**Quality Indicator FN10:** The state and regional and/or local entities regularly monitor finances and resources to ensure that spending is in compliance with contract performance and all federal, state and local fiscal requirements.

<b>Elements of Quality</b>
<p>a. Fiscal data, methods and tools are used to monitor districts/contractors/practitioners' performance and compliance with federal and state requirements, as well as contracts, if applicable.</p> <p><i>State evidence (state discussion):</i></p>
<p>b. Fiscal data, methods and tools are used to evaluate if districts/contractors/practitioners' use of funds to help achieve the program's public statements of vision/mission and/or purpose.</p> <p><i>State evidence (state discussion):</i></p>
<p>c. Policies and procedures are reviewed to ensure they reflect all fiscal mandates.</p> <p><i>State evidence (state discussion):</i></p>
<p>d. State and regional and/or local entities participate in fiscal audits, as required, to comply with federal, state and local fiscal mandates.</p> <p><i>State evidence (state discussion):</i></p>
<p>e. Fiscal monitoring data are shared with districts/contractors/practitioners for informing improvement planning.</p> <p><i>State evidence (state discussion):</i></p>
<p>f. Fiscal noncompliance is corrected in a timely manner when identified through fiscal monitoring or audits in accordance with requirements.</p> <p><i>State evidence (state discussion):</i></p>
<p>g. Sanctions are used to address programs/practitioners that are unable to timely correct non-compliance and/or are not fiscally sound (e.g., financially secure, have cash on-hand to keep agency in operation).</p> <p><i>State evidence (state discussion):</i></p>
<p>h. Fiscal monitoring methods and tools are reviewed and revised as necessary.</p> <p><i>State evidence (state discussion):</i></p>

- i. Monitoring methods and tools are aligned whenever possible with other early care and education programs.

*State evidence (state discussion):*

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