



This component has been excerpted from the complete **System Framework**.

Glossary terms appear underlined>. The glossary of terms, their definitions and references for this and other **System Framework** components are online at:

**<http://ectacenter.org/sysframe>**

The ECTA Center is a collaborative effort between the Frank Porter Graham Child Development Institute; SRI International; PACER Center; University of Colorado, Denver; University of South Florida; Puckett Institute; RTI International; University of Nebraska Medical Center; and Walsh Taylor Associates. Additional information about the ECTA Center can be found at [ectacenter.org](http://ectacenter.org)

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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 evidence-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 and/or local). State, regional and/or local system entities 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. These decisions 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 over time 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

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**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.

### Elements of Quality

- 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 over time and determine how and which resources to access.
- 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.
- 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.
- 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.
- e. Part C and Section 619 state staff conduct a cost-benefit analysis of potential funding sources and develop clear, detailed financing strategies, specifying which funding stream(s) would be most beneficial to pursue for what purpose/service or function.
- 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.
- g. The finance plan is available and effectively communicated to stakeholders, including state and local administrators, fiscal staff, funding partners, practitioners, and families.
- 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).

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

### **Elements of Quality**

- 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.
- 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.
- c. State and regional and/or local system entities have adequate budgetary control and flexibility regarding use of funds and resources to support system implementation and improvement.
- d. The proposed budget aligns with the public statements of vision/mission and/or purpose of the broader early care and education system.
- e. The Governor, legislators and state leaders actively support budget appropriation requests from the system.

## Subcomponent 2: Fiscal Data

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

### Elements of Quality

- 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.
- b. Data checks and other mechanisms are in place to ensure the accuracy and reliability of fiscal data.
- c. Fiscal data are linked to programmatic data (e.g., number of referrals, referral source, child count, units of service) to allow for analysis of the amount of funds spent.
- 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.
- e. Training and technical assistance are provided systematically to state, regional and/or local system entities on how to access and use fiscal data.
- 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.
- 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.
- 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.
- 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.

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

**Elements of Quality**

- a. Fiscal data on revenues, planned expenses and actual expenditures are tracked and used on an ongoing basis to manage fiscal resources.
- b. Fiscal data are used to inform budget development, adjustment and re-distribution of funds and resources based on service and program needs.
- c. Fiscal data are sources of information that drive program improvement and effective utilization of funding sources.

## Subcomponent 3: Procurement

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**Quality Indicator FN5:** State and regional and/or local system 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.

### Elements of Quality

- 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.
- 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.
- c. State and regional and/or local system entities are informed about legal requirements (e.g., Maintenance of Effort (MOE), system of payments, fiscal accountability), related to accessing and using funds and resources that support programs and services.
- d. Families are generally informed about the fiscal process and their fiscal responsibilities.
- e. Families understand their financial obligations, if any, for receiving services as well as the cost of providing services.
- f. Additional funds are secured, as necessary, based on review of demographic, fiscal and program data.
- 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.

**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.

### **Elements of Quality**

- 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.
- b. Specific mechanisms (e.g., policy, Interagency Agreements (IAs), Memoranda of Understanding (MOUs), Medicaid state plan amendments, waivers, and guidance) clearly articulate service, programmatic and funding responsibilities.
- c. Administrative requirements for accessing funding sources are minimized and aligned to reduce burden on regional and/or local entities.
- 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.
- 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.
- 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).

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

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**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

- a. Resource allocation is based on data to address geographic and demographic differences and needs (e.g., cost study, reimbursement rate for services, formula based on critical variables).
- b. The allocation process is designed to support and fund the implementation of evidence-based practices (e.g., environment, instruction, teaming and collaboration) and high quality programs.
- c. The method of fund and resource allocation is predictable, transparent and communicated to stakeholders.
- d. The allocation process facilitates and promotes collaboration and shared resources across early care and education programs (e.g., shared program functions, match dollars).
- 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.
- f. The allocation process is reviewed and revised as necessary based upon available data.

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

### Elements of Quality

- 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.
- 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.
- 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).
- d. Funds and resources are used to support alignment and collaboration across early care and education programs.
- e. State and regional and/or local system entities comply with federal, state and local requirements related to use of funds and resources.
- f. The effective and efficient use of funds is reviewed and revised as necessary to support high quality programs.

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

### **Elements of Quality**

- a. Policies and procedures are current and explicit, specifying compliance with federal, state and local requirements (e.g., Maintenance of Effort (MOE), payor of last resort, non-supplanting) and describing how financial transactions are approved and paid.
- b. All payment mechanisms (e.g., contracts, grants, vouchers, central finance system) adhere to state and federal requirements regarding use of funds and resources.
- c. Payment mechanisms identify inconsistencies in use of funds and resources so that corrections can be made.
- d. Programs and practitioners make available information and documentation needed to account for use of funds and/or bill for reimbursement.
- 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 Individualized Family Service Plan (IFSP)/Individualized Education Program (IEP) in order to verify accuracy and process payments, if appropriate.
- f. A system of checks and balances is in place that describes separation of responsibilities across personnel for approving expenditures and making payments.
- g. Payment policies and procedures and payment mechanisms are reviewed and revised as necessary.

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

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

### Elements of Quality

- 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.
- b. Fiscal data, methods and tools are used to evaluate if districts/contractors/practitioners' use funds to help achieve the program's public statements of vision, mission and/or purpose.
- c. Policies and procedures are reviewed to ensure they reflect all fiscal mandates.
- d. State and regional and/or local system entities participate in fiscal audits, as required, to comply with federal, state and local fiscal mandates.
- e. Fiscal monitoring data are shared with districts/contractors/practitioners for informing improvement planning.
- f. Fiscal noncompliance is corrected in a timely manner when identified through fiscal monitoring or audits in accordance with requirements.
- 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).
- h. Fiscal monitoring methods and tools are reviewed and revised as necessary.
- i. Monitoring methods and tools are aligned whenever possible with other early care and education programs.