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Formula for Success: Adding High-Quality Pre-K to State School Funding Formulas

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High-quality, voluntary pre-kindergarten is as important as kindergarten or first grade to children’s school and life success. Including early education in states’ school funding formulas is among the most effective strategies policy makers can use to embed pre-k into the larger publicly supported education system while ensuring that funding is secure, sustainable and adequate to maintain high quality and can grow with enrollment to meet demand.

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Education Reform Series

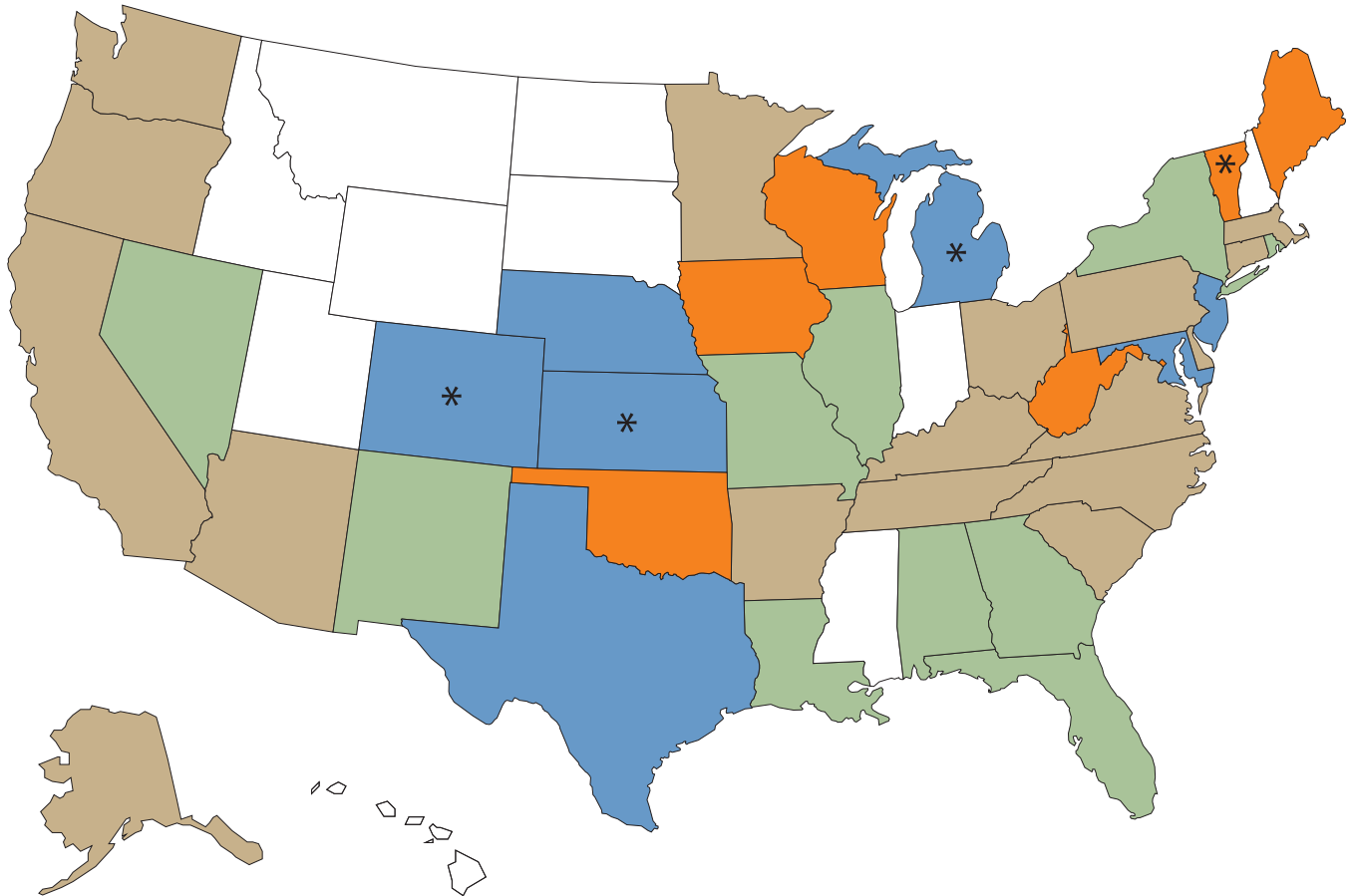
High-quality pre-kindergarten is the first step in education reform. A vast body of research demonstrates that early learning programs develop children’s cognitive, social-emotional and physical readiness for success in school. This solid foundation is proven to contribute to higher literacy and math attainment, lower grade retention, reduced remedial and special education needs and increased high school graduation rates.

When students have a high-quality pre-k experience, they are better prepared and motivated to achieve at higher levels, multiplying the impact of other reforms. The alternative – helping children catch up in later grades – is both more costly and less effective. The evidence is clear and compelling: Successful school improvement plans, like a child’s development, benefit most from investments made in the critical early years.

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States' Use of School Funding Formulas to Support Pre-K



- School Funding Formula with Unrestricted Eligibility
- School Funding Formula with Restricted Eligibility
- Non-School Funding Formula with Unrestricted Eligibility
- Non-School Funding Formula with Restricted Eligibility
- No State Support for Pre-K
- * Policy makers have the discretion to cap funding or enrollment levels.

Note: "Unrestricted eligibility" means a state has no formal eligibility criteria for admission into pre-k programs or that a state has in statute a goal to serve all children by a certain date. It does not necessarily mean that all children currently have access to state pre-k. First, most such states do not require all districts to provide early education. Second, in some states, funding is not yet available to completely meet demand or expansion goals.

Sources: W. Steven Barnett et al., "The State of Preschool: 2008 State Preschool Yearbook," (New Brunswick: National Institute for Early Education Research, Rutgers, The State University of New Jersey, 2009). <http://nieer.org/yearbook/pdf/yearbook.pdf>. The information for Alaska and Rhode Island is based on "Request for Applications - Alaska Pilot Pre-Kindergarten Project (AP3)," (Juneau: Alaska Department of Education and Early Development, 2009). <http://www.eed.state.ak.us/forms/PreElementary/05-09-028.doc>; "Rhode Island Pre-K Demonstration Project: Frequently Asked Questions and Answers," (Providence: Rhode Island Department of Education, 2009). http://www.ride.ri.gov/Special_Populations/earlychild/Docs/Pre-Demonstration_Project_FAQ.pdf. All other information drawn from the sources shown for Table 1 on p. 4.

Introduction

Especially during tough economic times, policy makers must make prudent fiscal choices that provide the strongest returns on public investments. Studies show that children – particularly those most at risk for low school achievement – who attend high-quality, voluntary pre-kindergarten demonstrate gains that persist throughout their school years, including improved literacy and reduced need for special and remedial education. The academic and social-emotional benefits gained during the early years lead to greater educational attainment, decreased criminal behavior, higher lifetime earnings and less dependence upon welfare,¹ which, in turn, yield substantial savings to taxpayers.² In light of this strong evidence, more and more state policy makers are embracing pre-k as the essential starting point of a modern public education system,³ and to do this, they need funding strategies that can ensure quality, sustainability and stability in early learning programs.

As of 2010, 40 states and the District of Columbia invest in pre-k for three and/or four year olds,⁴ and over the years, many have improved the quality of and expanded access to their programs.⁵ The resources a state allocates to pre-k impact both the number of children served and the program's quality. In general, states have three ways of funding pre-k: grant programs that are subject to annual legislative appropriations, supplements to the federal Head Start program and school funding formulas. This last option provides per-pupil funding as part of a state's overall public education budget and allocates state resources to school districts based on established calculations that account for district needs and children's risk factors. About one-third of the states that offer pre-k fund their programs through their school funding formulas, but they take varied approaches to using this financing strategy. (See Table 1, page 4)

Of course, the ultimate success of this policy for any given state depends on the soundness of the formula itself and on lawmakers' willingness to fund it at a level sufficient to support the low child-adult ratios and other elements that assure a high-quality educational program. Importantly, while quality pre-k may be more expensive than other elementary grades on a per-child, annual basis, the education savings generated by quality early learning can be expected to offset many of those costs.⁶ Investments that fail to support high quality, however, will be less likely to produce such returns.

Nationwide, from 2001 to 2008, enrollment in state-funded pre-k programs increased steadily – from nearly 700,000 to more than 1.1 million⁷ – and funding has risen to \$5.3 billion as of FY10.⁸ Despite these gains, the latest estimates indicate that only 24 percent of four year olds and 4 percent of three year olds have the opportunity to attend state pre-k, and per-child spending remains relatively low as compared to K-12 and Head Start.⁹ Further, while the overall quality of state pre-k has risen over the past decade, it continues to vary widely among programs and some states do not meet accepted minimum quality standards, such as the 10 benchmarks defined by the National Institute for Early Education Research (NIEER).¹⁰ Clearly, more work needs to be done, especially if states and the country hope to enjoy a robust economic recovery and build a 21st-century education system.

Introduction

This report, “Formula for Success,” explores the benefits and challenges of using state school funding formulas to support pre-k. It examines the different models for integrating early education in the formula and makes recommendations for implementing this policy. Embedding pre-k within the state’s school

funding formula can help protect our youngest students from shifting political and economic climates by providing equitable, sufficient and sustainable pre-k funding that supports quality, grows with enrollment to meet demand and has the capability to serve all children.

Table 1: How States Structure School Funding Formulas for Pre-K^a

States can tailor the use of school funding formulas to support different goals for pre-k education. In some states, formula funding adjusts with growth or decline in enrollment and can support access for all three and four year olds. Through these policies, such states signal that pre-k is part of their responsibility to educate all children.

Other states limit the size of their pre-k programs by allowing policy makers to “cap” annual formula appropriations or enrollment or to restrict eligibility to certain categories of children.

State	Unrestricted Eligibility	Restricted Eligibility	Capped Funding ^b	Serves Three and Four Year Olds ^c
Colorado		•	•	•
District of Columbia	•			•
Iowa	•			
Kansas		•	•	
Maine	•			
Maryland		•		
Michigan		•	•	
Nebraska		•		•
New Jersey ^d		•	NA	•
Oklahoma	•			
Texas		•		
Vermont	•		•	•
West Virginia ^e	•			•
Wisconsin	•			

a Adapted from: Diana Stone, “Funding the Future: States’ Approaches to Pre-K Finance - 2008 Update,” (Washington, DC: Pre-K Now, 2008). http://www.preknow.org/documents/FundingtheFuture_Feb2008.pdf.

b In certain states, such as Kansas, capping is discretionary. Policy makers may choose to satisfy local or state agency funding requests.

c W. Steven Barnett et al., “The State of Preschool: 2008 State Preschool Yearbook,” (New Brunswick: National Institute for Early Education Research, Rutgers, The State University of New Jersey, 2009). <http://nieer.org/yearbook/pdf/yearbook.pdf>.

d The New Jersey legislature approved a new school funding formula in 2008 that expands pre-k to all three and four year olds in school districts with more than 40 percent of their enrollment comprised of students

living at or below 185 percent of the federal poverty threshold. Additionally, students outside of these districts who qualify for the free- or reduced-price lunch program are also eligible for state funded pre-k. As of the fall of 2009, when the FY10 budget was approved, the New Jersey legislature has not provided funding to implement this expansion plan. See: School Funding Reform Act of 2008, Public Law 2007, c.260, New Jersey Legislature.

e State pre-k funding for three year olds is only available for those who have been identified as needing special education services. See: Barnett et al., “The State of Preschool: 2008 State Preschool Yearbook.” <http://nieer.org/yearbook/pdf/yearbook.pdf>.

Overview of School Funding Formulas

Public education is a constitutional responsibility of the states, and local communities, through school districts and other public entities, have historically assumed the role of delivering public education on their behalf. School funding formulas, together with state policies on learning, performance, accountability and quality, are intended to provide local communities with the resources and guidance to educate children effectively and equitably.

School funding formulas establish the amount of public dollars to be allocated per student and designate the state and local shares of those expenditures. In general, unless funds are set aside to support a specific purpose or program, school districts have complete discretion to use their formula funding as they deem appropriate.¹¹ Funding formulas vary significantly by state and can be extremely complex. While a full discussion of these formulas is beyond the scope of this report, the following summarizes the key aspects:

- Typically, school funding is derived from a combination of federal, state and local funds. However, the federal portion amounts to only about 9 percent of total allocations nationwide.¹²
- State contributions typically come from the general fund and are usually supported by income and sales taxes. In other cases, dedicated sources, such as lottery revenue and taxes on natural resources are used.¹³
- On average, state resources account for about 50 percent of school funds, although the amount ranges from 32 percent to nearly 90 percent on a state-by-state basis, and more than half of the states provide less than 50 percent.¹⁴
- The local share of education funding is raised primarily through property taxes.¹⁵
- With the exception of categorical aid, which is directed at specific groups of children (e.g., English language learners, low income, etc.) or discrete programs,¹⁶ virtually all local and state contributions can be used for general education purposes.¹⁷
- Each state formula is unique, but they generally provide funding to school districts based on the number of students enrolled, with per-pupil amounts adjusted, or “weighted” for various factors.¹⁸

Components of a School Funding Formula

Most state funding formulas involve some combination of the following components:

- **Basic Aid**, often called **Foundation Aid**, guarantees a minimum level of per-pupil support to all school districts and usually requires a specified contribution of local tax revenues. Foundation aid reflects a state’s estimate of the cost to provide the general education program to each student. Formulas usually adjust per-pupil foundation aid to reflect grade level, district size and geographic cost factors, such as teacher salaries.
- **Equalization Aid** is state funding that compensates school districts when they are unable to raise sufficient local revenue. Equalization aid is a mechanism states use to guarantee a designated per-pupil level regardless of the local district’s fiscal capacity.
- **Categorical Aid** is a supplement to foundation aid that is earmarked to serve specific groups of children, such as English language learners (ELLs) and students in poverty. Categorical aid is allocated on a per-pupil basis, according to each district’s population of ELL, low-income or other designated children. Categorical aid may be equalized by the state.
- **Local Option Aid** is local contributions in excess of what is obligatory under the school funding formula and usually requires approval by voters to support their local schools.

Benefits of Funding Pre-K through the School Funding Formula

Including pre-k in state school funding formulas is a sound policy for several reasons. Formulas tend to be stable and to enjoy strong public and political support, even in difficult economic environments. They are enrollment based, ensuring funding is adequate on an annual basis, and they account for a variety of cost factors, such as income disparities across states and districts and specific student needs, e.g. English language and special education. When designed to support both quality and access over the long term, school funding formulas can enable states and districts to build, grow and sustain high-quality early learning programs.

Sustainable Funding

School funding formulas provide school districts with automatic, established per-pupil amounts based on statutory criteria. Tying pre-k and K-12 funding together in a single formula more firmly embeds early learning in the larger education system, which generally enjoys strong fiscal, political and public support and is less vulnerable to budget cuts than programs supported by grants. In some states, such as Iowa,¹⁹ school funding legislation also includes an annual formula increase based on the cost of living, and some statutes provide a time frame for the legislature to regularly re-evaluate the formula in light of fiscal, demographic or other determining factors. Grant programs, on the other hand, appear in state budgets as separate line items. Standing alone, a pre-k grant program is more susceptible to funding cuts or elimination.

Funding Based on Program Costs

Constitutional obligations to provide an “adequate,” “quality” or “thorough and efficient” education have led almost all states to undertake studies to determine appropriate levels of funding.²⁰ Including pre-k in the formula allows early education to be part of such studies, which, in turn, should result in funding based on the actual costs of a high-quality program rather than an arbitrary amount with no basis in research.

Funding Reflects Program Demand

Because formulas take into account growth or decline in student enrollment, including pre-k can ensure that allocations keep pace with demand. The ability to tie funding to enrollment could be especially helpful for states that aim to gradually expand pre-k to all children. An exception to automatic program growth – whether programs are targeted or for all – exists in states, such as Colorado and Kansas,²¹ where the formula determines per-pupil funding, but, in order to retain direct control over pre-k expenditures,²² policy makers have discretion to cap funding at a set amount or number of students.

Recognizing the Educational Value of Pre-K

Incorporating pre-k into the school funding formula signifies its critical place on the education continuum, warranting funding and quality standards comparable to kindergarten and other early grades. Funding early education through the formula also increases the likelihood of greater alignment between pre-k and the early elementary grades. By contrast, when early learning is funded outside of the public education system, it sends the message that pre-k is not a core educational concern, does not need to coordinate with kindergarten through third grades and is therefore not a fundamental state responsibility.

Benefits of Funding Pre-K through the School Funding Formula

Improving Program Quality

An effective school funding formula takes into consideration the various elements necessary to provide a quality educational experience, often including an array of support services, such as social workers, psychologists and nurses. When pre-k is part of a formula, these same standards and supports are more likely to be available in early learning programs. For example, school districts participating in Oklahoma's pre-k-for-all program are required to "provide for individual student screening and referral for vision and hearing" for all pre-k children, regardless of program setting.²³

Blending Pre-K Funding Sources

When pre-k is included in the funding formula, dollars flow from the state to school districts on a per-pupil basis and can be blended with other state, local and federal funding streams that are also funneled through districts. Pooling funding from an array of sources can allow pre-k programs to leverage and maximize resources.²⁴

Ensuring Equitable Distribution of Funds

Formula components such as equalization aid provide additional resources to low-income districts to compensate, in part, for their limited fiscal capacity. Grant programs may not adjust the per-child rate to reflect the needs and financial capacity of a community, which could lead to inadequate levels of support in low-income areas.

Capitalizing on Superintendents as Allies

When pre-k dollars flow through school district offices via the funding formula, public school superintendents have reason to be even more engaged with pre-k and can become powerful political allies in promoting early learning programs. Superintendents with a stake in early education can leverage their influence to convince policy makers to maintain and improve state pre-k programs.



Benefits of Funding Pre-K through the School Funding Formula

Step by Step: Building a Pre-K-through-12th-Grade System

Rhode Island made no state investment in pre-k programs until the fall of 2009, when a new demonstration project, funded by an appropriation of \$700,000 and local Title I investments, began in four school districts.^a Less than a year later, the state has taken another important step to sustain and expand this initiative over the long term. In March 2010, the Rhode Island Board of Regents endorsed a new school funding formula that integrates pre-k into the state's public education system.^b The inclusion of early learning within the proposed formula resulted from a series of deliberate choices that reflect policy makers' understanding that pre-k is the critical first step in the state's education reform strategy.

When the board began the process of creating the new formula, members agreed on a set of guiding principles, including commitments to provide "an opportunity for a sound basic quality education" for all children and to base its investment on "the actual cost of delivery of an effective core PreK-12 education system."^c This decision, in turn, led to the inclusion of pre-k in the revised Basic Education Program (BEP), a set of regulations that defines state and district responsibilities with respect to providing high-quality education to all children.^d For instance, the BEP lays out the

activities required to ensure "that every public school student will have equal access to a high quality, rigorous, and equitable array of educational opportunities from PK-12."^e It also provides that all students, pre-k through 12th grade, receive "a comprehensive program of study that is guaranteed and viable in each content area...so that [they] are prepared for post-secondary education or productive employment."^f

As a result, when the Rhode Island Department of Education (RIDE) took on the task of revising the school funding formula, it was not a question of *whether* pre-k should be included in it, but *how*. Working with experts from Brown University, RIDE devised a formula that designates pre-k as one of four priority programs eligible for categorical aid.^g The proposal is to expand the state's new program – beginning with districts with the lowest achievement – by gradually increasing categorical funding over the next 10 years from the current \$700,000 to almost \$10 million per year.^h The formula's base per-pupil funding of \$8,295 for all grades served as the starting point for the cost of this expansion plan.ⁱ

At press time, the proposed new funding formula is awaiting action by the general assembly.

a Pre-K Now, "Votes Count: Legislative Action on Pre-K Fiscal Year 2010," (Washington, DC: Pew Center on the States, 2009). http://www.preknow.org/documents/LegislativeReport_Oct2009.pdf.

b Steve Peoples, "R.I. Lawmakers Question Gist on Proposed Funding Formula for Schools," *The Providence Journal*, Mar. 5, 2010. http://www.projo.com/education/content/EDUCATION_FORMULA_BRIEFING_03-05-10_1THLS20_v14.3a646c5.html.

c Board of Regents, "Guiding Principles for Education Aid Foundation Formula," (Providence: Rhode Island Department of Elementary and Secondary Education, 2009). <http://www.ride.ri.gov/Regents/Docs/RegentsRegulations/Guiding%20Principles%20for%20Education%20Aid%20Foundation%20Formula.pdf>.

d ———, "Basic Education Program Regulations," (Providence: Rhode Island Department of Elementary and Secondary Education, 2009). <http://www.ride.ri.gov/Regents/Docs/RegentsRegulations/BEP.6409.pdf>.

e Ibid, p. 3.

f Ibid, p. 8.

g Office of the Commissioner, "Proposed Funding Formula Frequently Asked Questions (FAQs)," (Providence: Rhode Island Department of Elementary and Secondary Education, 2010). http://www.ride.ri.gov/Commissioner/DOCUMENTS/FAQs_-_2_26_2010.pdf.

h Jennifer D. Jordan, "Officials Want Some Items Covered Outside Formula," *The Providence Journal*, Mar. 4, 2010. http://www.projo.com/education/content/education_formula_sidebar_03-04-10_U8HLAJD_v15.3a68610.html.

i Office of the Commissioner, "Funding Formula Proposal," (Providence: Rhode Island Department of Elementary and Secondary Education, 2010). http://www.ride.ri.gov/Commissioner/DOCUMENTS/Funding_Formula_Proposal_Handouts_2_26_2010.pdf.

How States Fund Pre-K through the School Funding Formula

States that support pre-k through their school funding formulas employ a number of different models. In several states, such as Oklahoma, Iowa and West Virginia, formula funding has made it possible to phase in access for more and eventually all four year olds.²⁵ Elsewhere, as in Texas and Maryland, the school funding formula is used to ensure access for all eligible children in designated at-risk groups.²⁶

Directly Applying the K-12 Formula

Some states simply fund early education at the same per-pupil rate as K-12, without adjusting it to accurately reflect the cost of providing pre-k. Because Kansas, Colorado and Wisconsin's programs are a half-day, for example, the per-child allocations are one-half that for K-12 students.²⁷ In Wisconsin, the pre-k per-child rate increases to 60 percent of the K-12 rate if the program provides a minimum number of hours of family outreach activities.²⁸ See Table 2 for base half-day pre-k per-child funding rates.

Weighting the K-12 Formula

Some states account for the higher per-pupil costs of a quality pre-k program by giving more "weight" to pre-k children than to K-12 students in determining allocations. For example, for each pre-k child in the half-day programs in Iowa and Nebraska, school districts receive 60 percent of the K-12 per-pupil rate.²⁹ Oklahoma funds both full- and half-day programs, weighting pre-k per-child allocations at 130 percent and 70 percent of the K-12 rate, respectively.³⁰ Pre-k students in Maine's early childhood program are weighted at 110 percent.³¹

Funding Pre-K through Categorical Aid

In some states, foundation aid may not specifically designate pre-k funding, but the formula can include other resources for that purpose. Maryland's formula, for example, provides county boards of education with categorical aid, based on the number of low-income students,³² and one required use of those funds is

to provide pre-k for all four year olds who meet the eligibility guidelines for the federal free and reduced-price lunch program.³³ Other states, including Maine, Nebraska and Oklahoma, provide a basic per-child rate for pre-k and then supplement that with categorical aid for designated groups, such as English language learners and economically disadvantaged students.³⁴

Table 2:
Proportion of Full-Day K-12 Per-Pupil Funding Allotted for Half-Day Pre-K^a

States ^b	Proportion
Vermont	0.46
Colorado, Kansas, Texas, Wisconsin ^c	0.50
Iowa, Nebraska, West Virginia ^d	0.60
Oklahoma ^e	0.70
Maine	1.10
District of Columbia	1.30/1.34 ^f (full-day program)

a Maryland and Michigan support pre-k through their school funding formulas but do not determine allocations using a proportion of K-12 per-pupil funding. Therefore, these states are not included here.

b State figures from: VT. Stat. T. 16 § 4010; Colorado Preschool Program 2009-2010 Handbook, Colorado Department of Education, at 12; Kan. Stat. Ann. § 72-6407 (a)(2); Conversation with Catherine Clark, Texas Association of School Boards, 2/18/10; Iowa Code Ann. § 256C.5; Neb. Rev. Stat. § 79-1007.01; Steven L. Paine, "Memorandum: Universal Pre-K FTE Calculation Revision," (Charleston: West Virginia Department of Education, 2008). <http://www.wvdhhr.org/oss/pieces/TA/documents/Memo%20Universal%20Pre-k%20FTE%20Calculation%20Revision.pdf>; 70 Okla. Stat. § 18-201.1; Maine's Interagency Funding Collaboration Taskforce, "Funding Collaboration Guide for Early Care and Education Partnerships in Maine," (Augusta: Maine Department of Health and Human Services, 2006). http://www.maine.gov/education/fouryearold/documents/funding_guide.pdf; D.C. Code § 38-2904.

c Wisconsin programs that offer at least 87.5 hours of family engagement receive an additional .10 per child, bringing the proportion up to 0.60. See: Wis. Stat. 121.004(7)(cm).

d This figure is for a 15-hour-per-week program. The weight increases as the program offers more hours of services, up to 1.0 for a 24-hour-per-week program.

e Proportion increases to 1.3 for full-day programs.

f 1.30 for four year olds; 1.34 for three year olds.

How States Fund Pre-K through the School Funding Formula

Capping Pre-K Allocations

Some states cap the number of children to be served in or the amount of formula funding to be spent on pre-k in any given year. For example, funds for Kansas's *Four-Year-Old At-Risk Program* are available to school districts through a weighted formula, but the state's

board of education annually determines the total amount of funding available for pre-k.³⁵ The Kansas Department of Education then calculates the maximum number of children that can be served and issues grants accordingly.³⁶

A Strategic Approach: Phasing in Formula Funding for Pre-K

Beginning with a competitive grant system and gradually integrating pre-k into the state formula can provide an efficient model for funding start-up costs, managing formula growth, building political and public support, and ensuring program quality and stability, especially in states with small programs.

Iowa and Nebraska are both transitioning from a grant program to use of the school funding formula. These states have dramatically increased their pre-k investments by gradually folding previously grant-supported programs into the funding formula.

Iowa's effort began with Governor Culver's proposal to create a new pre-k program open to all four year olds and to phase in access over four years.^a Based on his proposal, lawmakers established *Voluntary Preschool For All*, which created a competitive grant program to support new pre-k initiatives. After one year of operation, assuming the grant recipient meets state quality standards, the program becomes eligible

to receive formula funding.^b Investments in pre-k have grown more than three-fold, from \$15 million in FY08 to \$48.6 million in FY10.^c During this period, enrollment has grown by 166 percent to more than 13,000 children.^d When combined with a smaller early education program also funded by the state, the percentage of four year olds enrolled in state-funded pre-k in 2009-10 is estimated at 40 percent,^e as compared to 4 percent^f before the state began using the school funding formula to support pre-k.

Since 1992, Nebraska has provided pre-k for low-income children through its Early Childhood Education Grant program.^g In 2005, lawmakers in Nebraska passed legislation that allowed providers to be eligible for the school funding formula if they have been grant recipients or have operated an approved school-based program for three years.^h The state began funding pre-k programs through the formula in FY08, with an initial investment of \$2.8 million.ⁱ By FY10, the portion of the formula supporting pre-k had grown to \$7.8 million.^j

a "Leadership Matters: Governors' Pre-K Proposals Fiscal Year 2008," (Washington, DC: Pre-K Now, 2007). http://www.preknow.com/documents/LeadershipReport_Apr2007.pdf.

b Iowa Code Ann. § 256C.

c Pre-K Now, "Votes Count: Legislative Action on Pre-K Fiscal Year 2010," (Washington, DC: Pew Center on the States, 2009). http://www.preknow.org/documents/LegislativeReport_Oct2009.pdf.

d Legislative Committee Presentation by the Iowa Department of Education (report forwarded by Sheila Hanson, Community Action Partnership).

e Calculated from enrollment and population data from: W. Steven Barnett et al., "The State of Preschool: 2008 State Preschool Yearbook," (New Brunswick: National Institute for Early Education Research,

Rutgers, The State University of New Jersey, 2009) <http://nieer.org/yearbook/pdf/yearbook.pdf>; Legislative Committee Presentation by the Iowa Department of Education (report forwarded by Sheila Hanson, Community Action Partnership).

f Ibid.

g Neb. Rev. Stat. § 79-1103.

h Neb. Rev. Stat. § 79-1003(31), (32).

i "Votes Count: Legislative Action on Pre-K Fiscal Year 2009," (Washington, DC: Pre-K Now, 2008). http://www.preknow.org/documents/LegislativeReport_Sept2008.pdf.

j Pre-K Now, "Votes Count: Legislative Action on Pre-K Fiscal Year 2010." http://www.preknow.org/documents/LegislativeReport_Oct2009.pdf.

Challenges of Funding Pre-K through the School Funding Formula

Including pre-k in school funding formulas can present a number of challenges to state and local policy makers and administrators. Effectively addressing these challenges prior to folding pre-k into a formula can be the difference between a successful transition and one that creates barriers to access, undermines program quality, strains state budgets and threatens political support. By the same token, the long-term viability of pre-k funding through the formula depends largely on the strategic efforts taken to meet these challenges.

Ensuring the Formula Reflects the True Cost of High-Quality Pre-K

While a few states' cost studies have included pre-k, none, except New Jersey's, have accounted for the specific components that are necessary for effective, high-quality programs.³⁷ As discussed earlier, some states, like Kansas and Colorado, assume that the cost of serving a pre-k child is the same as educating an older student. This approach could shortchange early education. For example, a state's K-5 funding formula might be based on a model reflecting a class size of 22 and a 1:22 teacher-student ratio, but accepted pre-k quality standards call for a maximum class size of 20 and a teacher-child ratio of 1:10.

Incorporating pre-k into the school funding formula signifies its critical place on the education continuum, warranting funding and quality standards comparable to kindergarten and other early grades.

Meeting the Challenge: New Jersey's Unique Pre-K Cost Study

At the end of 2007, then-governor Jon Corzine proposed school finance reform that would include early education in New Jersey's funding formula. The plan also sought to unify the complicated pre-k system into a single program using the standards of the high-quality *Abbott Preschool Program* and expand access to 30,000 more children across the state between fall 2009 and spring 2014.^a

The governor's plan required that pre-k funding "reflect the cost of the pupil's placement in either a district program, a licensed child care provider program or a Head Start program."^b To determine the per-child spending level necessary to achieve high quality, the state department of education analyzed the actual expenditures of existing programs, differentiated by setting type. Consequently, the School Funding Reform Act of 2008 called for state per-child allocations of \$11,506 in public schools, \$12,934 in licensed child care programs and \$7,146 in Head Start programs.^c

These figures come very close to those estimated by a separate, independent study. Those researchers collected cost and quality data from *Abbott* classrooms and determined the funding level necessary to make specific research-based quality improvements. According to this analysis, the estimated state per-child costs, by setting type, should be about \$12,000 in a public school, \$14,000 in a private center and \$8,000 in a Head Start program.^d

Even though New Jersey has now joined the ranks of states that include early education in their school funding formula, policy makers have not yet allocated funding for the pre-k portion of the formula. For FY10, the state pre-k program is funded at \$596 million and serves more than 51,000 children.^e

a Office of the Governor, "Executive Budget Fiscal Year 2008-2009 - Education," (Trenton, NJ, 2009). <http://www.state.nj.us/treasury/omb/publications/09budget/pdf/34.pdf>.

b School Funding Reform Act of 2008, Public Law 2007, c.260, New Jersey Legislature.

c Ibid. The funding level for Head Start takes into account contributions from the federal government.

d Clive Belfield and Heather Schwartz, "The Cost of High-Quality Pre-School in New Jersey," (New York: Queens College, City University of New York and Teachers College, Columbia University, 2007). http://www.edlawcenter.org/ELCPublic/elcnews_071210_CostOfPreschool.pdf.

e Pre-K Now, "Votes Count: Legislative Action on Pre-K Fiscal Year 2010," (Washington, DC: Pew Center on the States, 2009). http://www.preknow.org/documents/LegislativeReport_Oct2009.pdf.

Challenges of Funding Pre-K through the School Funding Formula

Contending with a Flawed Formula

In 11 states, the constitutionality of existing formulas is being challenged through litigation, generally on matters of adequacy.³⁸ In some of these states, increasing access to high-quality pre-k can be among the remedies proposed. Regardless of litigation, however, incorporating early learning into a formula that is inadequate to support quality education would simply subject pre-k to the same insufficient funding and would likely result in low-quality programs.

Addressing Barriers to Collaboration

Partnerships between schools and private providers allow districts to maximize resources, tap existing expertise and offer families greater choice in their children's early education.³⁹ If pre-k dollars flow through school districts via the funding formula, then collaboration with private providers may be more difficult. School leaders may not be inclined to share resources with other providers, or they may not even be aware that those programs exist. Regulatory differences and a lack of trust among schools, Head Start and child care centers, for instance, may create barriers for these providers to accessing formula funds via the school district.

Mitigating the Fiscal Impact of Integrating Pre-K into the Formula

Moving pre-k into the school funding formula can involve a significant financial obligation for the state. Doing so all at once, even when district participation is voluntary, may be politically or fiscally difficult. Strategies to gradually fold pre-k programs into a formula, such as those employed in Iowa and Nebraska, can ease the transition from grant-based to formula-based funding and allow needed time to build political support and generate necessary revenues.

Starting New Programs under the Formula

When pre-k is part of the school funding formula, states calculate how much money districts will receive based on either past or projected enrollment.⁴⁰ This means that, in states that use the former approach, such as Maine and Wisconsin, districts starting new programs may not have access to formula funding in the first year of implementation and must seek alternative sources, such as federal Title I dollars, local tax revenue or state grant money, to support initial operation of their early learning initiative.

Ensuring Funding Stability

If school funding formulas are not structured properly, they may provide no more financial security for pre-k than other mechanisms. This is especially true if pre-k funding is contingent on the legislature setting aside a specific amount from the formula, as is the case in Colorado and Michigan, rather than on the number of children expected to enroll in the program.⁴¹ In such states, pre-k funding is still subject to lawmakers' whims and to fiscal fluctuations, and the legislature may drastically reduce the allocations and/or per-child spending levels in tough budget climates, compromising quality, access or both.



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Meeting the Challenge: Promoting Community Collaboration

A diverse pre-k delivery system taps into the infrastructures and resources of public schools, Head Start centers and community-based programs in order to meet the needs of children and their families. While putting pre-k in the school funding formula necessarily directs state resources to school districts, all states that fund pre-k through the formula allow districts to collaborate with community-based programs, and many states have enacted policies to promote a diverse delivery system.^a Further, such partnerships make it easier for state programs to ensure consistent quality standards and more equitable allocation of resources across settings.

In Colorado, the department of education selects school districts to receive school aid for the *Colorado Preschool Program* based on “demonstrate[d] collaboration within the community in order to assure effective use of resources in the program. Priority is given in the selection process to those districts that can...collaborate with public and private child care agencies located in the school district... [and] demonstrate a high degree of community involvement.”^b

Some states require school districts to contract with community providers for a minimum number of pre-k classrooms. Regulations governing West Virginia’s program mandate that “no less than 50% of the classrooms for eligible children must be provided through [county board of education]

contractual agreements with community programs, including but not limited to Head Start and child care,”^c that can meet the state’s quality standards. Furthermore, county plans for pre-k must be developed by the board of education with involvement from a collaborative team that includes representatives from, among others, the school district, child care programs, Head Start and the local department of health and human services. In fact, “every licensed child care program in that county must be extended an invitation to participate on the planning team.” County plans must also be approved by both the departments of education and health and human services.^d

Wisconsin has invested significant resources to ensure that integrating pre-k in the school funding formula does not impede collaboration.^e The department of public instruction hires and trains collaboration coaches to support the planning and implementation of collaborative pre-k programs, a strategy that has supported a significant and rapid increase in partnerships: In 2001, just 2 percent of all district programs collaborated with community-based providers; by 2008, that figure had risen to 27 percent.^f The department also provides technical assistance documents that cover important collaboration topics including how to blend local, state and federal funding sources for pre-k.^g

a W. Steven Barnett et al., “The State of Preschool: 2008 State Preschool Yearbook,” (New Brunswick: National Institute for Early Education Research, Rutgers, The State University of New Jersey, 2009). <http://nieer.org/yearbook/pdf/yearbook.pdf>.

b “Colorado Preschool Program: 2009-10 Handbook,” (Denver: Colorado Department of Education, 2009). http://www.cde.state.co.us/cpp/download/CPDDocs/2009-10_CPP_Handbook.pdf.

c W.Va. C.S.R. § 126-28-6-6.7.

d “West Virginia Early Care and Education Policy 2525,” Department of Health and Human Resources, <http://www.wvdhhr.org/oss/pieces/ta/policy.asp>.

e See for example: “Why Develop the Community Approach,” Wisconsin Early Childhood Collaborating Partners, <http://www.collaboratingpartners.com/4YearK.htm>.

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g See for example: “Four-Year-Old Kindergarten in Wisconsin,” Department of Public Instruction, <http://dpi.wi.gov/ec/ec4yrpag.html>.

Recommendations

The successes and struggles of the states that currently support pre-k through school funding formulas highlight important lessons for others. Their experiences reveal 10 key policies that should inform state and district efforts to include early learning in their formulas. These recommendations capture the essential strategies for addressing many of the above challenges while building funding structures that can provide adequate, sustainable and growing support for high-quality pre-k programs.

Base pre-k formula aid on the actual cost of high-quality pre-k

States should estimate the per-pupil costs including the components research shows are necessary for effective programs, e.g., low teacher-student ratios, highly qualified teachers and research-based curricula. Independent cost studies can provide the most accurate estimates. At a minimum, policy makers and administrators should avoid arbitrarily basing pre-k funding on the costs of K-12 or other early childhood programs, such as child care.

Require all school districts to offer pre-k

To ensure statewide equity, states that include pre-k in their funding formulas should mandate that every school district serve all eligible children whose families want to enroll them.

Phase in formula funding for pre-k programs

Embedding pre-k into a school funding formula without a well-thought-out plan may strain a state's fiscal capacity. States should add districts or programs to the formula gradually. Policy makers can establish grants for districts starting new pre-k efforts before transferring them to the formula, allowing time for these programs to demonstrate their capacity to meet quality standards and for the state to secure sufficient funds in the formula. Likewise, states can offer formula funding to more districts over time, beginning with those serving the most at-risk populations or those with the most existing capacity.



Recommendations

Allow funding to grow with enrollment

States should eliminate caps on funding and enrollment and other constraints that exist in pre-k formulas and phase in full enrollment-based support for all eligible children.

Monitor the use of pre-k funding provided through the formula

The best way for states to ensure that pre-k dollars are directed as intended is to: First, enact detailed, high quality standards; second, determine the actual per-child costs associated with those standards; third, provide funding sufficient to meet those costs; and fourth, monitor school districts and pre-k programs in all settings to ensure they are meeting the standards.

Ensure all districts receive sufficient funding

Any pre-k formula should adjust allocations to districts based on their ability to make local contributions so that the state share is adequate to allow all districts to offer high-quality pre-k without financial hardship.

Provide additional support for at-risk students

The formula should include provisions to allocate adequate supplemental funding for at-risk pre-k students, including English language learners, children with special needs and those from low-income families.

Provide start-up grants for districts creating new pre-k programs

If districts are unable to access formula-based funding in the initial year, states should provide grants for starting new programs. Wisconsin has provided such support since 2008.⁴² In 2009, Maine used some of its Title I dollars from the American Recovery and Reinvestment Act for the same purpose.⁴³

Encourage or require school districts to partner with community-based providers

Head Start, child care centers, faith-based organizations and other non-school settings that can meet quality standards should be engaged to deliver state pre-k and should be included in each district's planning process. Collaboration efforts should include measures to minimize potential decreased enrollment and loss of revenue for community-based providers. For instance, Wisconsin and Maine employ "collaboration coaches" that provide technical assistance for communities to develop pre-k partnerships.⁴⁴ For more information on collaborations with private providers, see the Pre-K Now report, "Beyond the School Yard."

Provide technical assistance to districts on blending funds

States should support and facilitate district efforts to combine formula funding with the array of other resources available to support pre-k, such as local contributions and Title I, Head Start, child care and other federal dollars. School districts must have accounting protocols, program admission criteria and other measures in place to ensure that each funding source is used according to corresponding regulations.

Conclusion

When states include pre-k in their school funding formulas, they acknowledge the key role that early learning programs play in an effective education system. When pre-k programs are of high quality, they significantly improve children's readiness to succeed in school and, in doing so, provide the first step to meaningful education reform. Sound formulas support this critical part of the education continuum by recognizing the unique features of high-quality pre-k programs such as low child-adult ratios and small class sizes and ensuring that funding is secure and can grow with enrollment.

Yet, the process of integrating pre-k into a formula can present significant challenges for policy makers and state and local education administrators. Designing a formula and a strategy for its implementation that ensures quality, promotes collaboration with community-based providers, helps districts create new programs and respects state and local fiscal realities is essential to successful pre-k formula funding.

When done right, including pre-k in state school funding formulas is the best way to provide sustained, adequate and growing funding for the high-quality early learning programs that support children's cognitive, social and emotional development, build our nation's human capital and set our education systems on the path to true reform.



Endnotes

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Acknowledgements

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Pre-K Now at a Glance

Mission

Pre-K Now collaborates with advocates and policy makers to lead a movement for high-quality, voluntary pre-kindergarten for all three and four year olds.

Vision

Pre-K Now's vision is a nation in which every child enters kindergarten prepared to succeed.

Location

Washington, DC

Leadership

Marci Young
Project Director

Funders

The David and Lucile Packard Foundation
The McCormick Foundation
The Nellie Mae Education Foundation
RGK Foundation
The Schumann Fund for New Jersey

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Pre-K Now Key Differentiators

- Focuses exclusively on pre-k
- Provides the most up-to-date gauge of the pre-k pulse in any state
- Offers nationwide access to pre-k advocates
- Monitors and distributes daily pre-k newsclips
- Provides a national perspective on local pre-k issues
- Provides outreach, policy and Spanish-language information targeted to the Latino community
- Leads a national movement which has gained significant momentum in the last five years

The Case for Pre-K

- Pre-k benefits all children academically, socially and emotionally.
- High-quality pre-k for all nets a high return on investment in children and the community.
- The most important brain development occurs by age six.
- Pre-k is the first step to education reform.



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