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Funding the Future: States' Approaches to Pre-K Finance

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Dear Colleagues,

2005 saw more than $600 million in funding increases for pre-kindergarten. To better understand this substantial new investment, Pre-K Now presents an in-depth look at the diverse sources tapped by states to fund pre-k. *Funding the Future: States' Approaches to Pre-K Finance* explores how states – whether, like New Mexico, enjoying budget surpluses or, as in Illinois, contending with large deficits – are financing programs for their youngest children. We are grateful to Diana Stone of Washington Appleseed for her excellent analysis of the strengths and weaknesses of the various approaches to funding early education.

Stability and potential for revenue growth to support access for more children and quality improvements are the two most essential features of any pre-k financing strategy. However, if a given source of funding puts at risk other early childhood services, creates competition among educational needs, or is politically controversial, then its long-term viability may be compromised.

We are pleased that, even with continuing tight budgets and fiscal uncertainty, more and more states are committing to high-quality pre-k. This report recognizes states that have identified creative ways to support those commitments and to protect and secure that support. Importantly, we also acknowledge a number of states that are integrating pre-k with the larger K-12 educational system through use of the school funding formula.

Pre-K Now commends all states that are working to provide strong, stable funding for high-quality pre-k, and we encourage other states to join this movement. Our resources and expertise are available to all advocates, lawmakers, and citizens seeking to build pre-k services, identify funding sources, or expand access to all children.

Sincerely,

Libby Doggett

Libby Doggett, Ph.D.
Executive Director
Pre-K Now

Funding the Future: States' Approaches to Pre-K Finance

In light of research findings that overwhelmingly support the benefits of pre-kindergarten, policymakers nationwide have stopped asking, "why provide pre-k?" and begun asking, "how do we fund pre-k?" States are finding innovative answers to that question, ranging from cigarette taxes to lottery revenues.

Dedicated funds from these creative sources supplement general revenues, which provide the financial backbone for virtually all state pre-k programs. Whatever method a state may choose, stability in funding is the key to supporting high-quality pre-k and ultimately, to improving K-12 education.

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Introduction

Despite widespread support for early education among policymakers and business and community leaders, the most frequently cited obstacle to expanding quality or access is fiscal constraints. Thus, in an attempt to accommodate these publicly supported programs within the confines of limited state budgets, policymakers leverage states' general revenue dollars with a variety of federal and local contributions to fund pre-kindergarten. They use funds from federal childcare grants, Title I, Individuals with Disabilities Education Act (IDEA), Even Start, Temporary Assistance for Needy Families (TANF), and *Head Start* to help build their pre-k systems. However, a high-quality, public pre-k program cannot be created solely through better use and coordination of federal funds. State policymakers must allocate substantial, sustainable state funds that can be increased over time.

Kansas Governor Kathleen Sebelius (D)
2006 State of the State Address

> Kindergarten teachers tell us that about half of their children are not ready to learn when they hit school. We know quality early childhood programs can close the gap. We need to expand those opportunities.

States have traditionally provided funds for early education through allocation of general revenues. However, as the urgency and breadth of the need for funding becomes widely understood, states are increasingly looking for new sources of funding. As state-funded pre-k programs have grown, states have begun to utilize alternative funding sources such as lottery money, gaming revenues, and special, dedicated taxes to meet the pressing educational needs of young children.

This report examines the range of financial approaches states employ, how effective they have been in raising funds for high-quality programs, how sustainable those sources of funding are, and how they can be increased to improve the quality of and expand access to pre-k.[1] The analysis is meant to encourage policymakers to think creatively about ways to supplement and sustain their current streams of revenue in funding pre-k programs in their own states.

Underlying Motivations

Increasing access to high-quality pre-k education has become a top policy priority of governors, legislators, and business leaders throughout the United States. Recent research has crystallized the urgency for early education, as study after study demonstrates that the early years of a child's life present a critical window of opportunity for brain development and learning. Policymakers have realized that this early intervention merits a substantial commitment of public dollars. The business community has likewise become a vocal supporter of pre-k in an effort to ensure that their future workforce is educated and productive.

Research consistently shows that providing access for all children to quality pre-k programs is essential to ensuring that they come to kindergarten ready and able to learn. Improving school readiness is, in turn, central to closing the persistent academic achievement gap between low-income children and their more well-to-do peers, a primary goal of the federally mandated No Child Left Behind Act. Further, economic and educational studies indicate that a vast array of other, concrete, social benefits result when children attend high-quality pre-k, including reduced retention rates in school, lower dropout rates, decreased need for special education, and decreased juvenile crime rates. These research-based findings have become widely accepted by politicians from both parties, law enforcement officials, business leaders, educators, and family advocates, and the debate over pre-k has shifted to how best to finance increased availability and quality of pre-k programs.

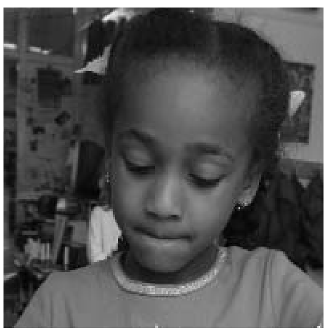
Spectrum of Services

Unlike K-12 education, the types of pre-k programs paid for by the states vary widely. For example, programs differ in the following ways:

- Some supplement the federal *Head Start* program, restricting eligibility to low-income children, while others offer access for every four year old whose family chooses to use it;
- Some limit their providers to the public schools, while others permit private organizations, faith-based institutions, or childcare settings to provide state pre-k;
- Some run only half-day schedules, while others provide full school- or work-day programs;
- Some restrict availability to four year olds, while others include three year olds; and
- Some provide "wrap around" social services, including healthcare and parenting classes, while others provide only educational services.

An important element of each state's program is the standards that dictate how high the quality will be. Without adherence to high standards of quality, the economic and social benefits of pre-k cannot be realized. Quality can be measured by whether programs require highly trained, professional teachers, by class sizes, by teacher-child ratios, and by appropriateness of the curriculum.[2] For example, Oklahoma's high teacher-qualification standards have resulted in a quantifiable payoff. Oklahoma Assistant State Superintendent of Schools Ramona Paul notes that her state's requirement for certified teachers has led to "[r]esults that are just astounding. The results legislators see in children have convinced them that they've never before made such a good investment in education." In a recent study by the National Institute for Early Education Research, Oklahoma's program was touted as one of the best in the nation, producing statistically significant impacts on children's early literacy, vocabulary, and mathematical development. States that do not require high standards in their programs are not likely to find the same level of return on their investment.

Structures and Strategies



Forty-one states and the District of Columbia currently fund some type of state pre-k program or provide additional state funding for *Head Start*. Many states combine federal and local revenue to supplement state funding. For example, in Arkansas, the state dedicates funds for its pre-k program from its Educational Excellence Trust Fund, which is supported by a sales tax on beer and general revenue. However, localities must provide matching funds equal to 40 percent of the total cost, and federal money is also used to supplement the state and local resources. It is only the combination of all these sources that allows Arkansas to offer its high-quality pre-k program.

By far, most states allocate their portion of pre-k funding out of general state revenues. Each year, state legislatures appropriate a specific amount from their budgets to fund pre-k. However, as increasing access to high-quality pre-k has become a priority, policy-makers are looking for other efficient, stable, and growing sources of revenue that will support the highest level of services for children in their states. The following sections explore in depth some of the innovative strategies states are using to support their pre-k programs.

General Revenue Funding

General state revenues are usually derived from a combination of sales, income, property, and other taxes and from fees levied by the government. Every state with a pre-k program, except for Georgia and Missouri, uses some general revenue for program funding. In most cases, over the past few years, general revenue funds have provided steady but modest increases in pre-k allocations. Illinois, Oklahoma, and Wisconsin, in particular, have successfully used general revenue appropriations to continuously increase support for their pre-k programs. The main advantage of using general state revenues is that they are highly flexible and often thrive in economically sound times. Even in economic downturns, legislatures may be reluctant to cut funding for popular and important education programs.

However, funding pre-k with general revenue requires annual (or bi-annual) legislative approval and is susceptible to cuts. In allocating the state budget, legislators are constantly asked to choose between competing policy priorities. When funds are not dedicated, advocates must continually monitor budget processes to ensure that pre-k receives funding sufficient to support the quality and accessibility of the state program. In Ohio, for example, in response to a weak FY02-03 fiscal outlook, general revenue funding for pre-k was withdrawn and replaced with federal TANF funds. This change subjected Ohio pre-k to federal regulations that resulted in reductions in the number of children served and other detrimental program changes.

In many states, such budgetary uncertainty stymies analysts' efforts to predict future pre-k allocations. For example, Maryland cut its state funding of pre-k from over $19 million in FY04 to $16.8 million in FY05 (and is expected to have flat funding in FY06).[3] Other states that use general revenues and have flat-funded state pre-k programs for FY06 include Kentucky, Michigan, New York, Rhode Island, and South Carolina.

Since general revenue is subject to the competing demands of multiple public programs, without a dedicated revenue source for pre-k, there is also the danger that other important children's programs may be under-funded to accommodate an increase in pre-k. Clearly one children's program should not be funded at the expense of another. Moreover, changes in political leadership and priorities can affect annual spending levels. For example, in 1997, the New York legislature passed a bill to provide pre-k for all four year olds in the state beginning with low-income children. Yet today, only 25 percent of the state's four year olds attend state-funded pre-k, due largely to changing policymaker priorities. As a result, funding for pre-k has been flat since 2001. In the absence of the increased funding needed to support service delivery, programs have focused on development of systems and infrastructure. When pre-k is not a priority among legislators or for the governor, general revenue funding can result in decreased allocations.

Despite the potential pitfalls of general revenue funding, it has been and remains the central source of pre-k funding for states nationwide. The challenge for policymakers is not how to replace general revenues but how best to supplement them and provide allocations for pre-k that are secure, growing, and diverse enough to withstand both political and economic ebbs and flows.

Dedicated Dollars

An inability to secure additional general revenue funds has led a few states to create dedicated funding streams for pre-k. These sources range from lottery and gaming revenues to tobacco settlement money to excise taxes, and they have produced increased pre-k funding in these states in the last few years. Earmarking special revenue sources for pre-k often enjoys more public support than a general tax increase, and funding can be structured to prohibit diversion of dedicated monies to other public programs.[4] The other side of the coin, however, is that the limitations on income from earmarked sources, particularly specialized taxes, may fail to provide sufficient funds once general revenues are no longer available.[5] For example, Georgia's pre-k program – funded entirely by lottery revenue – could face fiscal difficulty if the lottery were to lose popularity. Moreover, even within some dedicated structures, pre-k must compete for dollars with other important educational needs. In Georgia and Tennessee, for example, lottery revenues fund college scholarships as well as pre-k, an arrangement which risks pitting higher education against early education in lean times. Whether through new or expanded taxes, lotteries, or legal settlements, the key is for states to identify and dedicate pre-k funding sources that are reliably stable and hold the promise of annual increases.

Lottery Funds

Three states now use dedicated lottery funds as part of their source for pre-k funding: Georgia, North Carolina, and Tennessee. The use of lottery money to fund pre-k (and other education) programs has been controversial. Proponents champion the idea that lotteries provide substantial, consistent funds that boost investment in education. The revenue does not require legislative approval or tax increases; so funding is generally secure. Lotteries generally receive public support, especially when the funds are designated for educational programs. Of the 41 states and District of Columbia that run lotteries, 20 dedicate at least a portion of those proceeds to education programs.[6]

Opponents, however, have been vocal in their belief that lotteries set a bad example for children and encourage gambling. Some argue that lotteries amount to regressive taxes because low-income citizens tend to play more often while the well-off benefit disproportionately from the educational scholarships and improvements that lottery money supports. Detractors further suggest that a lottery is an inefficient way to raise money for state programs, as it may divert retail dollars and thereby reduce sales tax revenue. Opponents also point out that because these funds tend to support multiple education programs, they do not provide the stable, secure, and growing funding for pre-k that proponents suggest and in fact produce a competitive fiscal environment that can foster factionalism within the education community and among advocates and policymakers.

Idaho State Senator Gary Schroeder (R-Moscow) regarding his 2006 bill to allow public funds for pre-k.

When children are ill-equipped to be successful in life, it costs all of us. We can send people to Harvard cheaper than having them in the juvenile justice system.

The major question surrounding the use of lottery revenues for education is whether these funds ultimately supplement or supplant other state education expenditures. If states use them to replace other resources in funding education, then lottery proceeds will not lead to greater state investment in education. On the other hand, if lottery funds are allocated in addition to other state revenue sources, then the result can be a significant increase in overall state education funding. Among the three states that dedicate lottery proceeds to pre-k, the strategies, and therefore the answers to this question, vary greatly.

The Georgia Lottery for Education was created in 1993. Profits from the lottery are designated for pre-k for all, higher education scholarships, and technology grants for public schools. The first lottery funds were used in 1993-94 to provide pre-k for more than 8,700 at-risk four year olds.[7] In 1995, the program was opened to all four year olds and served 44,000 children at a cost of $78 million. The state relies solely on its lottery money to fund pre-k and does not appropriate any general revenues as a supplement. Unlike some states, Georgia's lottery sales have steadily increased since its creation (except in 2001), including another record in FY05.[8] The lottery has generated over $2.7 billion in revenues, providing $276 million for the *Georgia Pre-Kindergarten Program* in 2005. The Georgia program serves 54 percent of its four-year-old population (72,000 children), making it one of the most comprehensive programs in the nation. The use of lottery funds has enabled Georgia to provide pre-k for all its four year olds without compromising funding for other education programs.

Dedicated Dollars

continued from page 7

Amid tremendous controversy and debate, the North Carolina legislature narrowly approved the creation of the North Carolina Lottery for Education in the summer of 2005, with the strong support of Governor Mike Easley. Lottery proceeds will fund pre-k for at-risk four year olds, smaller class size in K-12 schools, school construction, and college scholarships for disadvantaged students. Advocates anticipate that the lottery will generate $400 million annually for education programs, with 50 percent earmarked for class-size reduction and pre-k. Experts in North Carolina, however, worry that the lottery money will be used in lieu of general revenue dollars for pre-k rather than in addition to them.

The Tennessee Education Lottery began in 2004 and has already raised almost $300 million for education, primarily for higher education scholarships and grants.[9] When the lottery was created, the law identified state pre-k as a possible recipient of funds, but only as a secondary priority after college scholarships, and in the first year, no lottery dollars were allocated to pre-k. However, through determined political efforts, lawmakers came to understand that high-quality pre-k reduces the achievement gap and prepares students to succeed in K-12 and graduate from high school, empowering them to take full advantage of expanded higher education opportunities. So, after a hard-fought battle in 2005, the legislature approved Governor Phil Bredesen's plan to allocate $25 million of lottery proceeds annually for Tennessee's voluntary pre-k program, funds which will wisely be used to supplement the existing $10 million general revenue appropriation.

Gaming Revenue

Missouri is the only state that currently invests revenue from its non-lottery gambling industry to pay for pre-k. State-sanctioned gambling is controversial, but Missouri voters have twice approved it in statewide referendums. Since 1999, gambling proceeds alone have supported the Early Childhood Development Education and Care Fund, which finances pre-k. For FY06, gaming revenues provided $14.7 million for the *Missouri Preschool Project*, a modest increase from $14.6 million the previous year.[10] The *Missouri Preschool Project* provides grants to public and private pre-k programs, with priority given to services for children from low-income families or with special needs. Ten percent of every grant must be reserved for teachers' professional opportunities, a provision intended to improve the quality of the programs.[11] Despite the controversial nature of gambling as a funding source, it provides a consistent source of funding, effectively supporting Missouri's efforts to ensure the quality and accessibility of its pre-k programs.

On The Horizon

California's Preschool for All Initiative
In June 2006, California voters will decide whether to support the Preschool for All Initiative. This proposal was offered in June 2005 by a wide coalition of business and education leaders and children's advocates. The initiative proposes to fund voluntary, part-time pre-k for all children in California for one year prior to kindergarten. It requires a tax rate increase of an additional 1.7 percent on annual income over $800,000 (married couple) or $400,000 (individual). This tax increase is expected to raise $2.3 billion, which will be placed in a trust fund dedicated solely to financing pre-k. Both public schools and private providers will be eligible to deliver the pre-k services under the initiative.

Arizona's First Things First Initiative
A broad-based coalition of community members, educators, and business leaders has launched the First Things First campaign. If successful, the campaign would place an initiative on the November 2006 ballot to create the Early Childhood Development and Health Fund similar to North Carolina's *Smart Start*. The initiative states, "providing dedicated funding to improve the quality, accessibility, and affordability of early childhood development opportunities … should be one of the state's top priorities." The initiative will be funded through an 80-cents-per-pack increase in the cigarette tax, which is forecasted to raise approximately $150 million per year for at least ten years. Money from the Early Childhood Development and Health Fund would be available for pre-k programs, as well as literacy programs, parental training, health screening, transportation, and teacher training and development. Though the measure requires establishment of a statewide board, funds would be distributed regionally, empowering local entities to decide how to spend their share. Ninety percent of the funds will be earmarked for local programs, and the initiative specifies that these dedicated funds "shall supplement, not supplant, other state expenditures" on early education.

Dedicated Dollars

continued from page 9

"Sin" Taxes

Excise taxes can also be an important source of revenue for pre-k programs, turning public health and other challenges into positive social programs. California is a leader in the use of dedicated "sin" taxes to increase the accessibility and quality of pre-k in the state. In 1998, with the California Children and Families First Act, voters added a fifty-cent tax to every pack of cigarettes sold. In FY04 alone, the tax collected approximately $590 million, and more than $3.5 billion has been raised to date.[12] This money is earmarked for programs for prenatal to five year olds with a focus on school readiness. School readiness encompasses children's health, pre-k, parent/family support, and building an integrated early childhood system.[13] The Act required each county to set up a First 5 Commission to create a spending plan and distribute funds. Several of these commissions have plans to implement pre-k for all, including Los Angeles, which launched its program in 2005 and has dedicated $600 million of its cigarette tax funding to increase access to quality pre-k over the next five years. The dedicated tax revenue for these First 5 Commissions is separate from and in addition to the general revenue funds that the legislature allocates in its annual budget to support the small state pre-k program.

Since 2001, Arkansas has levied a 3 percent tax on the sale of beer (about 18 cents per six-pack), 80 percent of which is dedicated to funding the *Arkansas Better Chance (ABC)* early education program. This tax generated $11 million for *ABC* in 2005. These funds supplement the general revenue stream that supports the bulk of the Arkansas program. Opponents argue that the tax unfairly and punitively targets a single industry. Nevertheless, in the past some leaders in the state have encouraged policymakers to consider doubling the tax – which was originally scheduled to expire in June 2005 and has been extended through 2007 – to 6 percent. Arkansas's total 2005 state pre-k investment, including both general revenues and beer tax proceeds, was $51.2 million. In FY06, it will increase to $71.2 million. After 2007, *ABC* will rely solely on general revenue unless the legislature identifies a new source of supplemental funding or further extends the beer tax.

Tobacco Settlement Money

Two states have used money from tobacco settlements to provide supplemental funding for early education programs. In 2005, Kansas added $804,000 in tobacco money to its $12.8 million pre-k budget, and the state expects to retain that funding structure for the next few years.[14] Louisiana used $1.5 million in tobacco settlement money to supplement its $58 million pre-k program, *LA4*, in 2004.[15]

Innovation Pays Out and Pays Off

Far and away, the most substantial and consistent funding for state pre-k programs comes from the general revenues collected by the states through their myriad taxes. A decade ago, general revenues were the only funding source for state pre-k programs, which were generally smaller and less expensive. However, in the past few years, a handful of states have dedicated specific sources of revenue to expand and improve pre-k with an infusion of additional funds. Only Georgia (lottery) and Missouri (gaming) have completely replaced general revenues with these alternative sources. In six states, tobacco settlement money, excise taxes, or lottery money are used to supplement the general revenues and increase pre-k funding. Two states – North Carolina and Tennessee – passed legislation in 2005 permitting the use of lottery funds for pre-k programs. In California and Arizona, voters will face initiatives, likely in 2006, that provide for an infusion of funds to increase the availability and quality of early education programs. Although increases in funding do not guarantee increases in quality, the elements of a quality program – high professional teaching standards, small classes, and appropriate curriculum – require substantial investments.

Funding Pre-K through State School Funding Formulas

Setting pre-k, rather than its source of funding, as a priority appears to be the most significant factor in increasing funding for state pre-k programs. The most effective way to protect and advance state pre-k is to tie its funding to the popular support for K-12 education spending. Several states currently allocate their pre-k funds according to their state's K-12 school funding formula. Although the formulas differ, they generally provide funding to school districts based on the number of children who attend, adjusted for various other factors (i.e. number of at-risk, limited English proficiency, or special education students). By including pre-k in the state school funding formula, states guarantee that pre-k will keep pace with any population influx of pre-kindergarteners. The funding will only be cut if general education expenditures are diminished. Since the public tends to oppose cuts in funding for public education, including pre-k in the general education budget provides the most stable, politically secure program funding. This method has been successfully implemented in Maine, Nebraska[16], Oklahoma, Vermont, West Virginia, and Wisconsin. All of these states increased or maintained their pre-k funding in FY05. Nationwide, however, K-12 spending continues to significantly outpace investments in pre-k. Achieving parity between pre-k and K-12 allocations will require increases in pre-k funding from all sources. Decision-making about sources of revenue for pre-k must begin, therefore, with the assumption that pre-k is an essential component of broader education-reform efforts and as such is a priority that warrants substantial investment.

Pre-K Funding Strategies:
The Pros and Cons

Source of Funding	Pros	Cons
General Revenues	• Potentially stable • Can increase with need • Flexible • Politically popular if tied to K-12 funding • Thrives in economically sound times • Substantial amounts available	• Subject to political whims • Vulnerable to swings in states' economic health • Competes with other priority children's programs • Must be regularly reauthorized by legislatures
Lottery Funds or Gaming Revenues	• Large amount of revenue raised • Does not require new taxes • Dedicated amount doesn't compete with other priority children's programs • Doesn't require repeated legislative approval	• Annual revenues are unpredictable • Regressive "tax" • Promotes gambling
Tobacco Settlement	• Does not require new taxes • Provides substantial, easily quantified, dedicated funds	• Non-renewable at some point in the future
"Sin" Taxes	• Dedicated amount doesn't compete with other priority children's programs • Doesn't require repeated legislative approval	• Unpredictable level of funding • Targets individual industries
Dedicated Percentage of Income Tax	• Potentially large source of funds • Dedicated amount doesn't compete with other priority children's programs • Doesn't require annual legislative approval	• Requires voter/legislature-approved income tax increase • Subject to economic health of state citizens

Choosing Wisely

Policymakers from many states share the goal of high-quality, accessible pre-k for all children and are seeking strategies to fully fund these programs. Using limited general revenues for pre-k can create competition with existing programs, especially in tough fiscal times. To protect pre-k from the battle for these resources and to avoid raising taxes generally, lawmakers have looked to other sources. In several states, public support for education and children's programs has provided the momentum for the passage of lottery legislation or the creation of dedicated taxes. Georgia, Arkansas, and Tennessee are leading the way in finding sufficient revenue to support the quality they acknowledge is essential for effective pre-k programs. Lawmakers in these states have identified alternative funding sources to promote stability, expand accessibility, and build quality for their programs. However, relying on just one source of funding also puts programs at risk, should that revenue stream decline or disappear. For example, if participation in a state lottery dropped, a pre-k program dependent entirely upon lottery proceeds would suffer regardless of the level of political support. Conversely, states that augment general revenues with alternative sources, such as Arkansas, address this risk without sacrificing the consistency and breadth of a general revenue source.

Policymakers must determine what funding method can garner political support in their state. The first question is whether that funding source can raise sufficient funds to support a high-quality, voluntary, accessible pre-k program. The second question is whether that funding source can be protected from political wrangling and from swings in a state's economic health. The third question is whether that funding source will support increases in spending as the pre-k program improves in quality and grows to serve all children. Alternative sources, such as lotteries, tobacco settlement money, or excise taxes may be helpful supplements, but general revenue continues to provide the backbone of funding in almost every state.

Conclusion

Pre-k is not a luxury. High-quality pre-k significantly improves the ability of children to thrive in school and later in life. The achievement gap will not be closed until all children have the opportunity to come to kindergarten prepared to succeed. The numerous social benefits from pre-k are well documented, and the public supports the effort to ensure that all our children have access to these critical educational services.

Policymakers have joined the growing movement in support of pre-k as they come to understand that their investment in quality early education pays back significant returns to children and society. In order to achieve the level of quality necessary to realize that goal, sizeable state investments are required. Where general revenue cannot keep pace with the need for significant increases, policymakers and advocates have turned to alternative sources of funding, such as lotteries, tobacco settlement money, excise taxes, and gaming revenues. These options provide a dedicated source of supplemental funding that can significantly impact the quality and accessibility of state programs as long as they are not used to supplant general revenue funding already in place.

Even in difficult economic times, some states – Oklahoma, North Carolina, and Tennessee, for example – have prioritized the need for high-quality pre-k and are taking steps to ensure they have the money to support it. In California and Arizona, citizens have taken the lead by launching ballot initiatives to prioritize early education and, in California, to dedicate a specific funding source to guarantee access to high-quality pre-k for all children. Clearly, states across the country are finding the funds to make this important commitment to our children.

Endnotes

1 Information on pre-k funding sources was drawn from: Pre-K Now, *Votes Count: Legislative Action on Pre-K Fiscal Year 2006* (Washington, DC: Pre-K Now, 2005). http://www.preknow.org/documents/LegislativeReport_Nov2005.pdf; W. Steven Barnett, Hustedt, Jason T., Robin, Kenneth B, and Schulman, Karen L., *The State of Preschool: 2004 State Preschool Yearbook* (New Brunswick: National Institute for Early Education Research (NIEER), Rutgers, The State University of New Jersey, 2004). http://nieer.org/yearbook/pdf/yearbook.pdf; The Trust for Early Education, *Quality Pre-Kindergarten for All: State Legislative Report* (Washington, DC: The Trust for Early Education, 2004). http://www.trustforearlyed.org/docs/Legislative%20Report-9-9.pdf; and through email and telephone contacts with sources in state budget offices and departments of education, as noted.

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14 Abby Thorman, Senior Strategic Advisor on Children Youth and Families, Kansas City Community Foundation, Email, Sept. 15, 2005.

15 Lois Azzarello, MSW, MPH, State Budget Management Analyst, Division of Administration, Louisiana Office of Planning and Budget, Email, Sept. 15, 2005.

16 Nebraska's 2005 legislative session changed the state aid formula, starting in 2007, to include four year olds enrolled in an early childhood education program that received a grant for at least three years. Source: William Scheideler, Budget Division, Nebraska Department of Administrative Services.

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Pre-K Now at a Glance

Mission

Pre-K Now collaborates with advocates and policymakers 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.

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Funders

The Pew Charitable Trusts
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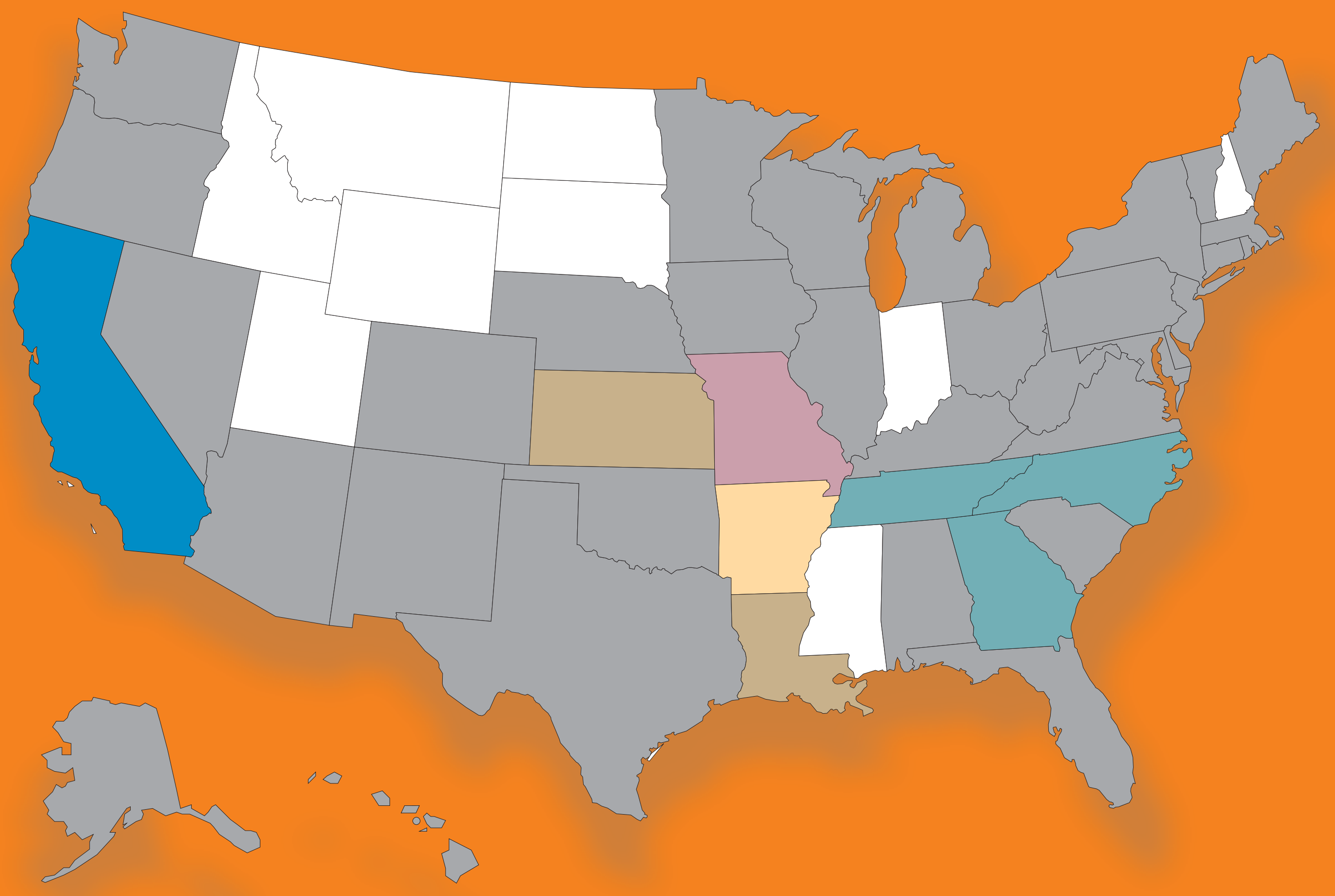
Pre-K Now Key Differentiators

- 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 development in the brain happens by age five.
- High quality pre-k is the first step to improving K-12 education.

Sources of Funding of State Pre-K Programs



The vast majority of states use general revenues exclusively as a funding source to support pre-k. Only Georgia (lottery) and Missouri (gaming) fund pre-k services entirely through an alternative source. In eight other states, tobacco settlement money, excise taxes, or lottery proceeds are used to supplement funding from general revenues.

- General Revenues Only
- Lottery Revenues
- Gaming Revenues
- Tobacco Settlement Funds
- Cigarette Tax
- Beer Tax
- No State-Funded Pre-K Program

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Funding the Future:
States' Approaches to
Pre-K Finance