Financing Early Childhood Education Programs: State, Federal, and Local Issues

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Financing Early Childhood Education Programs: State, Federal, and Local Issues

Jason T. Hustedt¹ and W. Steven Barnett²

Abstract
The landscape of financing early childhood education in the U.S. is complex. Programs run the gamut from tuition-supported private centers to public programs supported by federal, state, or local funds. Different funding streams are poorly coordinated. The federal government funds several major targeted programs that are available only to specific subgroups of children. States have also tended to offer targeted programs, though in recent years several states have committed to serving all children at age 4. Types of finance models used in state preschool initiatives are examined in detail, and future opportunities to build a more cohesive system are explored.

Keywords
early childhood finance, public preschool education, state pre-K, funding streams

Preschool enrollment rates in the United States have increased substantially since the mid-1960s (Barnett & Yarosz, 2007). The majority of children today participate in some type of early education program before beginning

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kindergarten. In 2005, nearly three quarters of 4-year-olds started kindergarten having attended a preschool program the previous year, and more than half had attended a preschool program 2 years before kindergarten entry (Belfield, 2008). Although going to preschool has become a typical experience for most American children, early education programs run the gamut from private programs relying entirely on parent tuition payments to public programs wholly supported by federal, state, or local funds. This article focuses on the politics of financing publicly funded early childhood education models across the nation. We devote particular attention to state-funded prekindergarten (pre-K) programs, which now represent the largest single source of publicly financed education for preschool-age children (Barnett, Epstein, Friedman, Sansanelli, & Hustedt, 2009).

As state and local governments have primary responsibility for K-12 schooling in the United States, this has created barriers to the establishment of a comprehensive early childhood education and care policy by the federal government. It is worth emphasizing that some important early steps toward publicly funded early childhood programs took place at the federal level, starting with sustained investment in Head Start programs across the U.S. in the mid-1960s. However, federal early childhood legislation has focused on creating separate programs to accomplish specific objectives (e.g., education for children with disabilities, workforce participation by mothers) rather than creating an integrated national system of early education and care (Kamerman & Gatenio-Gabel, 2007; Zigler, Gilliam, & Jones, 2006). In general, these federal initiatives have not been funded at levels sufficient to serve all children and families who qualify.

Efforts to make early childhood programs more broadly available have often faced political resistance. The Comprehensive Child Development Act of 1971, which would have provided voluntary access to early care and education for all children nationwide, was passed by both the U.S. House and Senate before being vetoed by President Nixon (Zigler et al., 2006). The defeat of this act marked a turning point in federal policy that ultimately allowed states to play an important role in the implementation of early education programs (Barnett, Brown, Finn-Stevenson, & Henrich, 2007). Nearly 40 years later, arguments against the widespread availability of public preschool remain similar. Most notable are concerns that governments should not become too involved in such traditional family matters as the care and education of young children (Bowman, 2003; Kamerman & Gatenio-Gabel, 2007; Zigler et al., 2006). Another obstacle involves concerns from educators about unfunded mandates by which schools would be required to offer public education for even younger
children, without availability of sufficient government resources (Zigler et al., 2006).

According to Kamerman and Gatenio-Gabel (2007), the U.S. Congress currently “plays an important role in formulating [early childhood] policies and goals and facilitates the states’ and localities’ major roles in the actual implementation of programs to suit the particular needs and preferences of their regions” (p. 26). Not surprisingly, there is a marked diversity of funding streams and approaches used by the publicly funded preschool programs that exist today. The selection of financing mechanisms for preschool initiatives is mostly a political issue (Barnett & Masse, 2003). With different funding streams come different areas of emphasis and different requirements for classrooms. There are several continua along which pre-K programs may be distinguished. Is the primary purpose of the program (a) to meet the child care needs of working parents with services such as extended hours, (b) to promote child development, or (c.) to do both? Among programs taking a child development approach, will comprehensive services be offered to address nutrition, health, and parent education, or is the emphasis more exclusively on education? For programs focusing on education, are they designed to meet the needs of typically developing children or those with special needs? While an individual classroom may fall at any point along each continuum, the funding streams used by that program will often dictate certain areas of emphasis.

**Common Federal, State, and Local Preschool Funding Silos**

The choice of a particular funding mechanism in and of itself is not likely to affect benefits associated with participation (Barnett & Masse, 2003). However, the landscape of financing early childhood education is complex. Different funding streams for public preschool programs tend not to be coordinated with each other. As a result, these funding streams may be viewed as separate silos. Each federal, state, or local funding silo comes with its own requirements, and to the extent that preschool providers blend or braid funds from different sources to create a single classroom, they must coordinate across the (sometimes conflicting) regulations associated with each silo. There are dozens of initiatives supporting early childhood education and care at the federal level alone (Barnett & Masse, 2003). In what follows, we briefly discuss the most prominent funding silos and the goals and restrictions associated with each. Table 1 offers a comparison of key features of these funding silos.
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(continued)
Head Start

Head Start is a federal U. S. Department of Health and Human Services initiative serving preschoolers from low-income families, with annual funding of US$6.88 billion in fiscal year 2008. This initiative takes a comprehensive child development approach, providing 3- to 5-year-old children and their families with a mixture of educational, health, nutritional, and social services. In addition to the center- and home-based programs for preschoolers offered through Head Start, Early Head Start programs are available to infants, toddlers, and their families, including expectant mothers. All Head Start programs must follow federally mandated program standards. Funding for this initiative flows directly from the federal government to service providers at the local level. Enrollment has been stable at about 910,000 children annually since fiscal year 2001 (U.S. Department of Health and Human Services, 2008).
Eligibility for Head Start is primarily determined by having a family income below 100% of the federal poverty level (FPL). The 2007 reauthorization for Head Start included a new provision allowing grantees to serve children with family incomes up to 130% of FPL provided that children with family incomes up to 100% of FPL have already been enrolled. In general, though, the federal Head Start budget is not currently sufficient to serve all children nationwide with family incomes up to 100% of FPL.

Direct Child Subsidies (CCDF and TANF)

The U.S. Department of Health and Human Services also operates the federal government’s main child care funding programs, through the Child Care and Development Fund (CCDF) and Temporary Assistance to Needy Families (TANF). Both programs target assistance to low-income families, with CCDF focusing on working families below 85% of the state median income level and TANF (for goals most closely related to early childhood) focusing on needy families as defined at the state level (Greenberg & Schumacher, 2003). Federal and state child care subsidies grew dramatically after the 1996 welfare reform. Funding growth ceased in recent years, and it is possible that it has declined in real terms over the last several years (Besharov, Higney, & Myers, 2007). An immediate concern is that states may have difficulty maintaining funding for child care subsidies in the face of current budget woes, though the requirements for state maintenance of effort (MOE) to receive federal matching funds may constrain state cutbacks somewhat. It should be noted that a substantial portion of child care subsidy funds may not reach direct service providers. A major concern with federal (and state) child care subsidies is that work support is the primary consideration in decisions about the trade-off between the number of children supported and the quality of the services with respect to support for children’s learning and development.

There are few state reporting requirements for TANF, and the information that follows about program operations is for CCDF alone. Just more than half of the children in the program attend centers. Many are in family daycare homes or the homes of family members. Quality regulation is essentially left up to the states, and their child care standards are weak. In addition, 24% of children are in the care of providers who are not required to be licensed or regulated. Most funds are distributed through vouchers, which is how payments are made for 86% of the children (U.S. Department of Health and Human Services, 2009a).
Overall federal funding for CCDF has leveled off at about US$5 billion annually in recent years, not including funds from the American Recovery and Reinvestment Act (ARRA) that were authorized in 2009. Federal TANF funds spent directly on child care or transferred to CCDF have declined in recent years to just more than US$3 billion annually. States provide matching funds under these programs, and state and federal spending on child care subsidies totaled around US$13 billion in 2007. It is estimated that about 2.2 million children through age 13 are served (Matthews, 2009). In CCDF, 55% of the participants were under age 5 (29% under 3 and 26% between 3 and 4) in 2007 (U.S. Department of Health and Human Services, 2009a).

**Tax Credits**

The U. S. Department of the Treasury provides federal funds (e.g., loss of revenue) for early childhood through its support of the Dependent Care Assistance Program (DCAP) and the Child and Dependent Care Tax Credit (CDCTC). The DCAP permits employees to pay for child care from an account in which they can annually set aside up to US$5,000 in pretax earnings. Neither federal nor state income tax is paid. The CDCTC is a progressive tax credit that reimburses parents for a percentage of qualifying child care expenses of up to US$3,000 per child for a maximum of 2 children under age 13. The percentage starts at 35% (for incomes less than US$15,000) and falls by 1% for every additional US$2,000 in income until it reaches 20% (for incomes more than US$43,000). In 2010, an estimated 6.7 million families will claim the credit, receiving an average of US$532 each, at a total cost of US$3.5 billion to the U.S. Treasury. President Obama has proposed increasing the income limit so that it reaches its 20% threshold for families with incomes more than US$113,000 (Tax Policy Center, 2010).

**Title I**

There are multiple sources of U.S. Department of Education funds available through the Elementary and Secondary Education Act (ESEA, also known as No Child Left Behind) that can be tapped to fund early childhood education, including funds that were once administered through Bilingual Education and Migrant Education programs. Title I funds through ESEA are flexible and may be used to offer an extensive range of educational services to disadvantaged children not only in grades K-12 but also at the preschool level (Gayl, Young, & Patterson, 2010; Matthews & Ewen, 2010). Since Title I funds are available in 93% of U.S. school districts, with most
funds distributed to elementary schools (Stullich, Eisner, & McCrary, 2007), this funding stream is a potentially important one for districts interested in offering preschool education programs. When schools do provide Title I preschool programs, they may use one of two approaches (Gayl et al., 2010; Matthews & Ewen, 2010). In schools where at least 40% of children are in poverty, a schoolwide approach may be used, in which pre-K is available to all students regardless of their family income level. In schools where fewer than 40% of children are in poverty, a targeted program may be implemented, in which pre-K is made available only to students identified as academically at risk.

Specific data on Title I support for preschool education are available only from the year 2000 or so. Extrapolating to today, as many as 500,000 children may be funded with approximately US$400 million each year under Title I. As this works out to less than US$1,000 per child, Title I funds appear to be used to supplement existing programs, and it is likely that most children receiving Title I are enrolled in state-funded pre-K, Head Start, or served under IDEA. Guidance from the federal government states that Title I funds can be used to pay for additional hours for children in Head Start or to serve preschool special education students. Recently, there have been new opportunities to use Title I funds for a variety of purposes, including preschool education, due to the availability of US$13 billion in additional Title I funds through ARRA (Matthews & Ewen, 2010).

**Early Childhood Special Education**

The U.S. Department of Education’s federal preschool special education program (IDEA, Part B, Section 619) resulted in all states guaranteeing a free appropriate education to all children aged between 3 and 5 by the 1991-1992 school year. Since then, enrollments have expanded, and by 2008-2009, 6% of 4-year-olds and 4% of 3-year-olds were served nationwide (Barnett, Epstein et al., 2009). There is wide variation in the percentage served across the states. One reason is that while states are required to serve children identified with a disability, they also have the discretion to serve children with developmental delays that fall short of constituting a disability. It seems likely that many differences among states are due to differences in their interpretations of eligibility guidelines in practice and in how they coordinate special education with other early childhood programs at the state level. Federal financial support for preschool special education has not kept pace with enrollment, and state and local governments have assumed greater shares...
of the total cost in recent years. In fiscal year 2009, the federal government share was US$374 million for well over 700,000 children (U.S. Department of Education, 2008). More than 400,000 of these children were aged between 3 and 4 (Barnett, Epstein et al., 2009). Actual expenditures for preschool special education are much higher than the federal government funding level. State and local governments spend perhaps US$5 billion annually to serve these children (Barnett & Masse, 2003).

**State-Funded Pre-K**

Most major state programs for early childhood education are linked with federal programs directly through requirements for matching funds (e.g., CCDF, TANF), mandates (e.g., preschool special education), or indirectly by building upon (e.g., Head Start supplements) or copying (e.g., state income tax credits) existing federal programs. Total expenditures on all of these efforts are unknown, but the most substantial state contributions—child care subsidies and preschool special education—were outlined in our earlier discussion of federal programs. The largest state and local investment in young children that is not connected to a federal program is state-funded pre-K.

State Pre-K initiatives take a variety of different approaches toward offering services to children (Barnett, Epstein et al., 2009). The major threads across these initiatives are that they are funded, controlled, and directed by state government and that they offer group learning experiences for children during the year or two before they are eligible for kindergarten. Though these initiatives receive state funding and must in turn follow state-specified standards, they may operate in a variety of settings, in addition to public schools, depending on specific state policies. Potential settings include private child care providers, Head Start centers, faith-based settings, and family child care providers. Most state-funded pre-K programs target children who are deemed to be at elevated risk of starting school behind and failing later. The most common criterion used to determine risk is family income, but many other criteria are used, as well. Most state pre-K programs are essentially for 4-year-olds, and all are voluntary.

In recent years, a number of states have committed to serving all children at age 4. Florida, Georgia, Illinois, Iowa, New York, Oklahoma, and West Virginia all have programs that are designed to serve all 4-year-olds now or at some time in the future (Barnett, Friedman, Hustedt, & Stevenson Boyd, 2009). As some of the commitments of pre-K for all children are recent, not all these states currently enroll high percentages of children at age 4. Also,
some states that have not committed to serve all children at age 4 nevertheless
serve larger percentages of the population. Illinois is currently the only state
that has committed to serving all children at ages 3 and 4. At the other end of
the spectrum, 12 states did not fund any pre-K program in fiscal year 2009
(Barnett, Epstein et al., 2009).

Nationally, 25% of 4-year-olds (more than 1 million children) were
enrolled in state pre-K during the 2008-2009 school year, but only 4% of
3-year-olds (about 150,000 children) were enrolled (Barnett, Epstein et al., 2009).
This makes state pre-K by far the largest funder of services for 4-year-olds,
eclipsing enrollment levels for 4-year-olds in both Head Start and programs
funded by CCDF/TANF. State spending on pre-K initiatives was US$5 billion
in fiscal year 2009, an increase of US$446 million from the previous year
without adjusting for inflation.

Local Programs

In many cases, federal money may be directed at the local level toward creat-
ing or sustaining early childhood education programs. For example, Title I
funds have long been used in the operation of the well-known Chicago Child-
Parent Centers, and, more recently, Montgomery County, Maryland, has used
Title I money to extend Head Start programs to a full day (Gayl et al., 2009).
Contributions of local school funding to state pre-K initiatives are likely to
represent the largest local investments in early childhood education that are
not connected to the operation of an existing federal program. Eleven state
pre-K initiatives require the use of local matching funds, and many addi-
tional state programs rely on matching funds even in the absence of required
local matches (Barnett, Epstein et al., 2009). Currently, it is not possible to
provide a national-level estimate of local funding used toward state pre-K,
though the amounts reported in some states are substantial.

There are also purely local pre-K initiatives across the country that make
use of public funding but that do not build upon existing state or federal ini-
tiatives. These local programs range in size from single classrooms to city-
wide initiatives. It would be extremely difficult to formulate national-level
estimates on local pre-K spending and enrollment because many of these
initiatives operate on such a small scale and may not be required to report any
data at a state or national level. However, despite this lack of aggregated
information, it is clear that local spending decisions represent an important
piece of the puzzle in financing pre-K programs.
Combining Funds Across Silos

Clearly, there has been significant and widespread public investment in early childhood education programs as they have expanded over the past several decades. However, despite a growing availability of early childhood programs, it remains the case that “preschool and other services for young children are delivered through what is widely recognized as a non-system, with programs . . . operating in separate policy silos” (Satkowski, 2009, p. 1). Coordination across different federal, state, and local funding streams can be a challenge, with a variety of different, or even conflicting, regulations. This can be a particular problem at the local level, where different funding streams are often blended and braided to come up with sufficient money to offer a single preschool program. For example, a state pre-K program might use a combination of state and TANF funds while operating in a Head Start building. This program could be required to coordinate across multiple distinct sets of eligibility criteria when enrolling children.

New Opportunities

Toward the end of the last decade, work began on new federal initiatives aimed at improving coordination across the patchwork of pre-K policies and regulations that currently exists. First, the Head Start reauthorization of 2007 required that each state establish or designate an Advisory Council on Early Childhood Education and Care. Included among the duties of each state early learning council is identification of opportunities to coordinate and collaborate across early childhood education and care programs receiving federal and state funds. Though the Head Start Reauthorization Act did not provide funds for the state early learning councils, initial federal funding was provided in 2009 through ARRA, and states were to continue developing the councils through summer 2010 (Satkowski, 2009). Federal funds will provide only 30% of the funding for each state’s council, though, and the state itself must provide the other 70%.

Another initiative that may ultimately improve coordination across early childhood funding streams is the possible Early Learning Challenge Fund. A 2009 U.S. House of Representatives bill called for US$1 billion annually for each of 8 years for federal-to-state grants funding early childhood initiatives and supporting coordination (Satkowski, 2009). If this proposed program is implemented, states would be required to coordinate their Early Learning Challenge Fund applications with their early learning councils.
Federal or State Decision Making

One important political consideration involves determining which decisions about early childhood education will be made at the federal, state, and local levels. Head Start was the first widely available child development program for children in poverty. All Head Start programs are subject to extensive regulations established by the federal government, specifying such details as eligibility procedures, types of educational and family support activities provided, and teacher education requirements, among others (U.S. Department of Health and Human Services, n.d.). Funding for Head Start flows directly from the federal government to grantees at the local level. In this model, all decision making rests with the federal government, and the states are bypassed. Some states choose to supplement the federal Head Start program with state funds to allow enrollment by additional children or to expand services, but such efforts largely follow federal regulations (Barnett, Epstein et al., 2009).

Although they are also federal initiatives, CCDF and TANF allow for some state-level decision making as well. Both initiatives provide annual funding for the states that may be used for a variety of activities allowable by the federal government, such as paying for child care, improving the quality of child care services, and, potentially, offering pre-K (Greenberg & Schumacher, 2003). This allows states to use federal money more broadly than Head Start funds (which must be used for a specific program rather than a range of activities), though each state must submit its TANF and CCDF plans for federal approval. If states meet MOE requirements for TANF and CCDF by spending state funds in support of the federal programs, they are also eligible to draw down additional federal funds.

In contrast, state pre-K initiatives receive much of their funding from state sources, often supplemented by local contributions as in K-12 that vary greatly from state to state and about which little is known (Barnett, Friedman et al., 2009). As a result, decision-making authority rests primarily at the state level but may be delegated to the local level to varying degrees. Such models allow states to assert control over early childhood education as primarily a state responsibility, in much the same way that states are responsible for K-12 education. In states with a strong tradition of “home rule” in education, many key policy decisions may be left to local discretion (Conley, 2003). While states do sometimes partly rely on federal funds (e.g., TANF and special education dollars) that come with restrictions, each state has broad latitude to develop its own pre-K policies, as evidenced by the extensive variety of pre-K policies currently in place across the country (Barnett, Epstein et al., 2009).
Targeted and Universal Early Childhood Programs

Another key political consideration involves deciding whether an early childhood education program will be targeted (means-tested or available only to a targeted subset of children, such as those with disabilities) or universal (available to all families who wish to enroll their children). Arguments for targeting typically rest on the premise that children who are at greatest risk stand to benefit the most from a preschool education program; thus, limited government resources should be directed toward children who are most likely to benefit, and quality can be bolstered. Proponents of targeting may also argue that it is easier to garner public support for programs serving families who cannot afford to pay for early childhood education. Under such circumstances, public funds are not being used on families who can afford to pay tuition on their own, without government assistance (Barnett, Brown, & Shore, 2004; Hustedt & Barnett, 2010).

Early childhood programs funded by the federal government have typically employed a welfare-oriented, targeted approach, with programs available only to specific subgroups of the preschool population. Eligibility for Head Start and child care subsidies (through CCDF and TANF) is primarily determined by low-income status. Title I programs must follow a targeted approach, although in high-poverty schools the programs may be offered to the entire student body regardless of family income. While the Dependent Care Assistance Program does not distinguish based on family income, the Child and Dependent Care Tax Credit provides a higher reimbursement rate to families with lower incomes. The federal Early Childhood Special Education program targets children identified with a disability, first and foremost. State-funded pre-K has also tended toward a targeted approach, though there are large-scale programs designed to be available to all 4-year-olds in states such as Oklahoma, Georgia, and Florida.

Proponents of a universal approach argue that even if disadvantaged children benefit most, the benefits of also serving nondisadvantaged children may still outweigh the costs. Programs enrolling children across a range of family incomes may be of higher quality and may be more effective at serving children from low-income backgrounds. Advocates of a universal approach may also argue that universal programs are more equitable and will garner greater public support because they draw from broader populations that have more political influence (Barnett et al., 2004; Hustedt & Barnett, 2010).

Decisions at the local level about whether it is possible to offer a universal pre-K education program may be heavily influenced by the program’s
funding source. Private programs entirely supported by parent tuition will be available to all parents who have the money to pay for them. Such programs can be viewed as targeted in the sense that they are available only to families with sufficient resources. Publicly funded programs that rely on federal or state funding sources will be required to follow eligibility requirements for any children supported by a particular funding silo. However, some early childhood programs will still have the resources to use multiple funding sources for different children, or the flexibility to make a decision about whether to offer universally available or targeted services. For these programs, and for federal and state initiatives on a larger scale, there are four reasons that universal approaches may be more effective at serving disadvantaged children (Hustedt & Barnett, 2010):

1. Targeting is difficult, and there are costs associated with identifying the children who qualify and excluding those who do not. Since family incomes can change quickly, children who do not qualify on a continuous basis may be required to terminate their enrollment, depending on program regulations. Universal programs are likely to achieve more complete coverage of disadvantaged children.
2. Recent research suggests that children who are disadvantaged may learn more when the preschool programs they attend also include children from middle-income families (e.g., Schechter & Bye, 2007).
3. Voters may be more easily convinced to support high-quality preschool programs if they are available to all children.
4. All children can benefit from preschool programs that are high quality, and the benefits to society are also likely to exceed the costs.

Again, the decision to offer a targeted or universal program may be tied closely to the requirements associated with a particular funding stream. State governments, in particular, employ a variety of different mechanisms to fund their statewide early childhood initiatives. The selection of a state funding model will have important implications on how state funds can be distributed to local pre-K programs.

**Funding Models for State Pre-K Initiatives**

While the politics of financing early childhood programs are likely idiosyncratic at the state level (Barnett & Masse, 2003), several approaches are noteworthy because of their success at providing adequate and consistent funding
streams or because of their widespread use. Nearly all states use some general revenue funds (derived from taxes and fees) to support their state-funded pre-K initiatives (Mitchell, 2009; Stone, 2008). However, state finance models take widely disparate approaches and tend to place differing levels of emphasis on access and quality. In the examples of state pre-K funding models in the following, we focus on finance models that go beyond simply appropriating set amounts of a state’s general revenue each year for pre-K.

**School Funding Formulas**

One particularly effective and stable approach to funding involves including pre-K initiatives in statewide school funding formulas for K-12 education. A major strength of this approach is that it ties funding to enrollment and budgets are less subject to large cuts in what may be viewed as a highly discretionary program with a small constituency. As enrollment increases, funding also rises; in this way, supply for pre-K can be linked to demand. Inclusion within a school funding formula creates a dedicated and politically stable revenue stream for state pre-K (Stone, 2008). Although they rely on general revenues, school funding formulas offer greater protection from large cuts in difficult budgetary times because cuts to public education impinge on a large constituency that is well represented at the ballot box. While some cuts may occur it is generally assumed that schooling will continue to be provided for all children who wish to enroll regardless of economic circumstances.

**Oklahoma.** In Oklahoma, the statewide school funding formula has played a particularly important role in the expansion of state pre-K. Currently, Oklahoma is the state that comes closest to providing pre-K access for all 4-year-olds. Fully 71% of Oklahoma’s 4-year-olds are enrolled in the state-funded Early Childhood Four-Year-Old Program, and an additional 16% are enrolled in federally funded Head Start or preschool special education programs. This leaves only 13% of 4-year-olds not enrolled in any public early education initiative (Barnett, Epstein et al., 2009).

The history of Oklahoma’s pre-K program is especially relevant, as it helps illustrate the role of funding mechanisms in program expansion. Oklahoma’s initiative first began in 1980 as a pilot program. In 1990, it was added to the state school funding formula and was made available statewide as a targeted initiative serving children from low-income families (Barnett, Epstein et al., 2009; Stone, 2008). School districts offering the program received roughly one third the amount of per-child funding that they would receive for enrolling children in full-day kindergarten. In 1998, a bipartisan bill authorized districts to provide pre-K to all 4-year-olds in the state, regardless of family income.
This legislation closed a loophole that previously allowed districts to enroll 4-year-olds in kindergarten and receive higher funding amounts. It also established a weighting scheme whereby districts receive greater amounts of funding for children from low-income families, those who are bilingual, and those with disabilities. At the same time, Oklahoma experienced declining K-12 enrollments, creating an even more favorable environment for pre-K expansion in public schools (Gormley & Phillips, 2003).

After the commitment to universal pre-K in Oklahoma, enrollment began to grow quickly, with 56% of 4-year-olds enrolled by the 2001-2002 school year and more than 70% currently enrolled (Barnett, Epstein et al., 2009). State spending per enrolled child has also increased over time, even taking inflation into account. During the 2008-2009 school year, state funding was US$4,084, and Oklahoma ranked 18th of 38 states in terms of per-child pre-K spending. To put this in perspective, Oklahoma ranks 45th among the 50 states in median household income (U.S. Census Bureau, 2008). Furthermore, the quality of Oklahoma’s universal pre-K initiative is high—teachers have bachelor’s degrees with certification in early childhood education, class sizes are sufficiently small, a variety of comprehensive services are offered, and state monitoring is used to demonstrate adherence with program standards. Oklahoma’s experience with universal pre-K provides clear evidence that a school funding formula can effectively support expansion of a high-quality statewide pre-K initiative.

West Virginia. West Virginia is currently taking an approach similar to Oklahoma’s in making pre-K available to all 4-year-olds. West Virginia initially started a public school pre-K program in 1983 (Barnett, Epstein et al., 2009). In 2002, the state began a 10-year phase-in process toward universal pre-K (Cavalluzzo, Clinton, Holian, Marr, & Taylor, 2009), following enactment of state code section 18-5-44, Early Childhood Education Programs. Like Oklahoma, West Virginia was experiencing declines in K-12 enrollment that made the school funding formula a particularly attractive means of expanding toward universal pre-K in that schools could draw down funds for 4-year-olds to offset declines in enrollment by older children. In addition to providing funds through the school funding formula, state code also encourages pre-K programs to make use of other funding sources, including federal funds from Head Start, TANF, and ESEA, as well as School Building Authority funds and private funds. County boards are responsible for implementing pre-K and must submit biannual plans to the state for review, including information about funding sources, implementation timelines, and plans for collaboration with existing early childhood programs.
Since this 2002 policy change, West Virginia Universal Pre-K has grown quickly. During the 2001-2002 school year, 24% of the state’s 4-year-olds were enrolled, and by the 2008-2009 school year, 51% of the state’s 4-year-olds were enrolled (Barnett, Epstein et al., 2009). The state has defined universal access as a participation rate of 80% of its 4-year-olds and is working to reach this goal by the 2012-2013 school year (Cavalluzzo et al., 2009). West Virginia’s average state spending per child enrolled in pre-K was US$5,264 during the 2008-2009 school year, and West Virginia ranked 13th of 38 states in terms of per-child spending for pre-K (Barnett, Epstein et al., 2009). This is particularly notable, given that West Virginia ranks 49th among the 50 states in median household income (U.S. Census Bureau, 2008).

**Wisconsin.** Another state that utilizes its school funding formula for pre-K is Wisconsin. Wisconsin’s case is especially interesting because the state first offered public pre-K in 1873, financed by what later became the school funding formula. Although state-funded pre-K declined after the 1890s and was later suspended entirely from 1957 to 1984, the financing mechanism remained in place (Barnett, Epstein et al., 2009; Stone, 2008). Interest in utilizing these funds has greatly increased in recent years, and the percentage of 4-year-olds enrolled in the state’s Four-Year-Old Kindergarten (4K) grew from 18% during 2001-2002 to 47% during the 2008-2009 school year (Barnett, Epstein et al., 2009; Barnett, Robin, Hustedt, & Schulman, 2003). This rapid growth of state pre-K in Wisconsin helps illustrate the flexibility of a school funding formula approach in sustaining enrollment increases.

**Other states.** School funding formulas have also been widely applied for 4-year-olds in Vermont and Maine, and both states have seen enrollment increases in the past decade. Enrollment growth has been dramatic in Vermont, where 44% of the state’s 4-year-olds are now enrolled in the program known as Vermont Prekindergarten Education Act 62, though the state places an upper limit on available funding. Also, statewide school funding formulas are used for targeted populations in other states, including Kansas, Maryland, Michigan, and Texas (Barnett, Epstein et al., 2009; Stone, 2008).

**Lotteries**

State lotteries represent another potential finance mechanism for state-funded pre-K. Lotteries can quickly generate large sums of money and are politically popular when the proceeds are used in support of education. Lotteries can be used to create dedicated funding streams for pre-K that are protected from state budget shortfalls in difficult times. However, state lotteries, once believed to be recession-proof, experienced sales declines beginning in 2008.
due to the deep recession, threatening program maintenance and expansion. This approach also raises concerns because lotteries are viewed as regressive taxes on low-income populations and because education lotteries can lead to competition among the various education programs that are the beneficiaries (Stone, 2008).

**Georgia.** In 1993, Georgia became the first state to offer a pre-K initiative supported by lottery funds. Two years later, Georgia expanded its targeted pre-K initiative, becoming the first state to offer a universal pre-K program intended for all its 4-year-olds. Georgia’s Pre-K program grew quickly, and had a lottery-supported enrollment of more than 60,000 children by 1998. Even though revenues from the state lottery kept increasing, growth in pre-K funding slowed considerably starting in 2000, and enrollment increases since then have only kept pace with Georgia’s growing 4-year-old population. Demand for Georgia’s Pre-K program has outstripped supply, and children’s participation is determined by methods such as waiting lists, enrollment lotteries, and even overnight camp-outs (Southern Education Foundation, 2008). During the 2008-2009 school year, 53% of the state’s 4-year-olds were enrolled (Barnett, Epstein et al., 2009). State spending per child was US$4,234 in 2007-2008, a decrease of more than US$800 per child in inflation-adjusted dollars since the 2001-2002 school year.

In January 2010, Georgia’s governor proposed diverting US$34 million in lottery funds to help balance the state budget, raising financial concerns for lottery-supported education programs. These concerns were exacerbated by predictions that the costs of the lottery-funded programs (also including a popular college scholarship initiative) would exceed lottery revenues for the first time in 2010 (Salzer, 2010). Thus, while Georgia’s approach to pre-K funding was successful in achieving a high rate of expansion during the program’s early years, further lottery-fueled growth seems uncertain in the context of greater competition for finite lottery funds.

**North Carolina.** North Carolina also recently began using lottery funds to finance state pre-K. The high-quality More at Four (MAF) initiative started on a very small scale in January 2002 and served about 1% of the state’s 4-year-olds in its first year. By 2006, when the state’s lottery was narrowly approved, 12% of North Carolina’s 4-year-olds were enrolled. The new North Carolina Education Lottery held great promise for pre-K expansion, as about half of the proceeds are committed to MAF and class size reduction in grades K-3. North Carolina’s governor called for an expansion of pre-K enrollment as well as an increase in per-child spending. By 2009, MAF was serving 25% of the state’s 4-year-olds, ranked 11th of 38 states in per-child spending, and set some of the highest program standards in the nation. Lottery proceeds, however, were lower
than anticipated, and the state was struggling to find acceptable solutions to this problem (Barnett, Epstein et al., 2009; Cobb, 2009).

**Other states.** Other states that have used lotteries are also in the South (Mitchell, 2009). Tennessee is another state that has used a lottery to fund pre-K on a large scale. Tennessee’s state pre-K program began as a pilot project in 1998 but began to grow quickly once funds from the new state lottery became available in 2005. Virginia has also moved toward using lottery funds to support pre-K in recent years (Barnett, Epstein et al., 2009). Oklahoma began a lottery in 2005 to supplement general revenues, with proceeds going to support education from pre-K through college (Mitchell, 2009). Florida has used lottery funds to support pre-K in the past, but no longer does so.

While lotteries offer some stability of funding, the experiences of Georgia and possibly North Carolina suggest that there may be limits to the level of expansion supported by this type of revenue source. Mitchell (2009) notes that the use of lotteries may also be limited because the vast majority of states have existing lotteries with existing beneficiaries; repurposing the lotteries to support pre-K could be politically difficult. However, it is also worth pointing out that several states without lotteries—Hawaii, Mississippi, Utah, and Wyoming—are among the 12 that had not yet developed pre-K initiatives in fiscal year 2009 (Barnett, Epstein et al., 2009).

**Financing Universal Pre-K in New York and Florida**

New York and Florida deserve particular attention in any discussion of large scale state pre-K initiatives—New York was one of the earliest states to commit to universal pre-K but has had difficulty gaining traction toward that goal, and Florida rolled out a universal program in a very short time span but with very low program standards for staff qualifications.

**New York.** New York’s Universal Prekindergarten (UPK) initiative began in 1998, the same year that Oklahoma adopted a universal approach. This made New York one of the early pioneers to commit to state-funded pre-K for all 4-year-olds. However, unlike Oklahoma and Georgia, New York did not include pre-K in the school funding formula or have a dedicated funding stream for pre-K, leaving it subject to shifting political priorities in each year’s budget allocations process (Ackerman, Barnett, Hawkinson, Brown, & McGonigle, 2009). After an initial period of growth in districts with the most economically disadvantaged families, UPK was flat-funded from 2002 until 2005, and continued expansion into more affluent districts was limited. In his 2007-2008 budget, Governor Spitzer committed significant additional funds to UPK and set a goal of universal access by 2011 (Cochran, 2009). During the corresponding
school year, UPK served 39% of the state’s 4-year-olds (Barnett, Epstein et al., 2009), though following Governor Spitzer’s resignation UPK has battled for funding once again. In Governor Patterson’s 2010 budget proposal, UPK was flat-funded, and the planned phase-in for universal access was pushed forward to the 2016-2017 school year (Winning Beginning New York, 2010).

Florida. In 2005, Florida’s Voluntary Prekindergarten (VPK) program was started in response to a constitutional amendment requiring the state to make pre-K available to all children at age 4. Three years later, more than 145,000 children had enrolled, representing 67% of Florida’s 4-year-olds. Although Florida offers an extremely large pre-K program, it is not well funded. Per-child spending in Florida ranks among the lowest in the country, and program staffing standards are very low (Barnett, Epstein et al., 2009). The state provides only a minimal student allocation for every child projected to enroll in pre-K. In summer 2009, base student allocations for VPK were reduced, and staff-child ratios were increased as a result (State of Florida Agency for Workforce Innovation, n.d.). While using a low-base student allocation allowed for a rapid roll-out of Florida’s program, this extremely quick expansion was possible because children were essentially served in existing child care programs with little or no increase in quality, thus rendering the educational effectiveness of the programs highly questionable.

Additional State Finance Models

In addition to allocations from general revenue funds, school finance formulas, and lotteries, Mitchell (2009) identifies a number of other funding mechanisms that have been used over the years for state-financed pre-K. Arkansas implemented a “sin tax” on beer. Missouri has levied fees on gambling. Several states have taxed tobacco or used funds from the national tobacco settlement to help fund pre-K. These approaches may pose problems for pre-K expansion because sin taxes can discourage the behavior that provides tax revenues, and tobacco settlement money is finite. Both South Carolina and Arkansas have used sales taxes. Also, states such as Ohio and Louisiana have made extensive use of unspent TANF funds by allocating them to pre-K, a strategy that can create problems when unspent TANF funds dry up (Barnett, Epstein et al., 2009). Of course, many states also rely heavily on local funding to supplement the state investment in publicly funded pre-K. Eleven state pre-K initiatives require the use of local matching funds, but in general the amounts contributed at the local level are not tracked and are largely unknown. Local contributions may include facilities and administration provided by school districts or community organizations, Title I funds allocated at the local...
level, and local school revenues. Some communities have created dedicated local taxes to support children’s programs including pre-K, as for example, the Children’s Trust in Miami-Dade, Florida.

**Financing Preschool Education in the Future**

As early childhood education has expanded across the United States during the past several decades there has been a decided lack of cohesive system building across the various initiatives that have emerged. This has resulted in a patchwork of preschool policies and finance mechanisms at the federal, state, and local levels. Preschool finance models that work well in one locale may be less successful in others—or less successful over time—due to differences or changes in political climates. For example, new education lotteries responsible for the early growth of public pre-K in some states may not be able to support sustained growth over time, and the majority of states have already committed lottery proceeds to other types of initiatives.

Much of the recent activity surrounding publicly funded early childhood education has occurred at the state level. However, as noted earlier, new opportunities for large-scale coordination are taking shape through federally funded early learning councils. Early learning councils are established by state governors and must include representation from state and local education agencies, Head Start, and IDEA programs among others, as well as additional members at the governor’s discretion. Councils are charged with developing recommendations to increase participation in early childhood programs from birth to age 5 at the federal, state, and local levels; developing recommendations for professional development plans and unified statewide data systems; and identifying opportunities for improved coordination and collaboration (Satkowski, 2009; U.S. Department of Health and Human Services, 2009b).

Although the new early learning councils are not the federal government’s first effort at encouraging state-level early childhood collaboration, they are more likely to be successful due to the way they must be structured. First, they will be highly visible because they are initiated by state governors and will include prominent stakeholders as members. Also, they will cover a broad range of early childhood issues rather than having a narrow focus, providing states with an incentive to reexamine, reorganize, and coordinate current systems. Finally, unlike some previous efforts, the early learning councils will be supported through federal funding. Substantial initial funding, based on each state’s population, will provide a means of accomplishing
the council’s goals (Satkowski, 2009). If the proposed Early Learning Challenge Fund is established, further coordination of the early learning councils with grants from the Challenge Fund would provide even greater opportunities to make impacts.

Several explicit goals of the state early learning councils are directly related to challenges identified in this article. Preschool education programs are currently funded by a complex mixture of federal, state, and local funding streams existing in separate silos that may or may not overlap. When funds are limited, difficult trade-offs must be made when deciding whether to serve more children or to provide higher-quality preschool programs. Even when sufficient funding appears to be available, eligibility requirements and other regulations may clash, making it a challenge to blend funds from separate streams that serve similar objectives. Progress toward resolving these conflicts through the early learning councils can only be seen in a positive light, as the potential result is a more seamless, coordinated system of early childhood education and care. The broad perspective permitted by having members across early childhood constituencies will allow the councils to reduce overlap, identify gaps, and craft policies that improve educational initiatives for young children (Satkowski, 2009). As states work out the conflicts across different funding silos or collapse across silos, this will create new opportunities for them to offer high-quality preschool programs that are more widely available.

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References


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