

# State Preschool Budget Update

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# **State Preschool Budget Update**

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For the third year in a row states have faced difficult, challenging budgets. In fact, according to the National Governors Association and the National Association of State Budget Officers, “dreary state revenue collections continue, due in large part to the dragging national economy.” State efforts to meet their balanced budget mandates have resulted in budget cuts as well as broad-based tax and fee increases.

Research from the National Institute for Early Education Research (NIEER) and others demonstrates that preschool education programs are sound public investments, generating positive economic returns for society. The economic returns included decreased educational costs for special education and repeated grades, increased family earnings and reduced crime rates. It is vital that these investments be sustained even when budgets are tight because cutbacks will cost taxpayers more money than is saved later on.

Yet, most state preschool programs are relatively new and, therefore, might be more vulnerable to cutbacks than other state programs. With entering their third straight year of budget shortfalls and facing a \$200 billion budget gap, how did the 42 state preschool programs fare? To find out, NIEER polled 31 states.\*

The poll produced information about budgets and state preschool programs for 26 states, indicating whether state-funded preschool budgets had been cut, were held at previous years spending levels or not yet passed.

Of the 26 states for which we obtained data, only 19 had FY '04 budgets in place. The other seven did not yet have budgets. Three of the 19 states increased funding to preschool. Of the remaining 16 states, nearly half opted to help balance their budgets by cutting back state-funded preschool programs.

Significant numbers of children will not have access to preschool programs in the states with cutbacks, and this ultimately decreases the country's investment in the education of its youth. Returns on the investment have been documented at \$4-\$7 for every dollar spent.

The good news is that, despite the dire straits facing state budgets, none of the 26 states eliminated funding for preschool programs. However, this was not accomplished without difficulties. In New York the legislature overrode the Governor's veto to fund the preschool program. In Ohio, state funds were replaced with federal TANF funds, a less reliable source of future support. Even the budgets that were not cut generally failed to keep up with inflation. Two states increased their

budget for preschool programs, while another allocated more federal dollars to preschool.

Three states – Illinois, Louisiana, and New Jersey -- increased spending levels over the cost of living, in spite of serious budget shortfalls. Louisiana allocated more federal dollars to its programs while Illinois and New Jersey increased its state funds by \$30 million each. New Jersey is under court order to provide high-quality preschool programs.

Of the remaining 16 state budgets for prekindergarten programs, seven states cut into the preschool education program budgets and nine state budgets remained flat.

- State preschool programs saw cuts in Colorado, Massachusetts, Ohio, Oklahoma, Oregon, South Carolina and Tennessee.
- State-funded preschool programs were funded at previous year spending levels in: Arizona, Delaware, Iowa, Kansas, Kentucky, Maryland, New York, North Carolina and Vermont.
- Many states reported that, even with flat funding, preschool services to children were adversely affected.
- Of the eight states that ended up with flat level funding, two – Arizona and New York – survived proposals to zero out prekindergarten funding following legislative debate.

Taking cost-of-living into consideration, even the states that held their budgets steady at last year's funding level will see a net reduction in preschool programs as either the number of children served or education quality is reduced. What that means is that children in 16 out of 19 states, where budgets are settled, suffered losses in state preschool programs.

Seven of the states had undecided budgets at this time – Alabama, California, Connecticut, Michigan, Pennsylvania, Texas and Washington. In a number of these states, the budgets remain unsettled because of the difficult choices states face because of large looming budget shortfalls. Forty-six states' fiscal years run from July to June. Alabama and Michigan use an October to September fiscal year; New York is on an April to March fiscal year; and Texas runs from September to August.

The survey of state budgets also asked questions regarding budget impacts on administrative training and technical assistance funds for preschool programs. Out of 13 states, five– Colorado, Illinois, Louisiana, Michigan, Ohio and South Carolina – saw cuts in these administrative areas; six states – Delaware, Kansas, Kentucky, North Carolina, Tennessee and Vermont experienced flat funding in administrative areas and one state – New Jersey – received added administrative funding above the cost of living.

Other states have dealt with the flat or reduced budgets in a variety of ways. The numbers of preschool slots offered across states have been slashed, even in states with level funding. In addition, some states have dealt with the budget situation through measures such as no longer providing transportation and comprehensive child development services, and reducing funding for evaluation efforts, professional development, accreditation support and technical assistance. Specific state examples include:

**Colorado** – The Colorado Preschool Program was reduced by 1,500 slots, 1,000 of those for four-year-old children receiving preschool services and 500 for children receiving full-day kindergarten services.

**Delaware** – Even with no funding change, some programs will see a net reduction as they must give increases to staff with no state increases. The same is true for Head Start programs that receive state money.

**Iowa** – Budget cuts over the last two years have negatively affected the state prekindergarten program. One program reduced the number of days of service, another is reducing the number of children served, and others are no longer providing transportation or other comprehensive child development services.

**Kentucky** – Even though the funds remained the same, funds per child were reduced by 7% from last year to serve an additional 1,000 children.

**Massachusetts** – Funding cuts led local councils to reduce all components of the program, including direct services, quality initiatives, comprehensive services and evaluation efforts. Cuts resulted in a reduction of \$6.2 million to direct services and the elimination or early end of services to 4,130 children over the course of the year.

**New Jersey** – Both program and administrative funds increased above the cost of living.

**South Carolina** – Over 2,000 children's slots have already been lost. Some districts are attempting to use other funding sources to absorb the state cuts.

**Tennessee** – The Tennessee Early Childhood Education Pilot Project was cut approximately 34 percent. Technical assistance funding was eliminated last year so that Tennessee is now entering its second year with no technical assistance other than that which can be offered over the phone.

**Vermont** – Static levels of funding have not kept pace with escalating costs. As a result, fewer children receive services and those services have been reduced in their intensity.

| <b>STATE</b>   | <b>BUDGET CUT</b> | <b>FLAT FUNDING</b> | <b>BUDGET ADDED</b> | <b>NO BUDGET</b> |
|----------------|-------------------|---------------------|---------------------|------------------|
| Alabama        |                   |                     |                     | ■                |
| Arizona        |                   | ■                   |                     |                  |
| California     |                   |                     |                     | ■                |
| Colorado       | ■                 |                     |                     |                  |
| Connecticut    |                   |                     |                     | ■                |
| Delaware       |                   | ■                   |                     |                  |
| Illinois       |                   |                     | ■                   |                  |
| Iowa           |                   | ■                   |                     |                  |
| Kansas         |                   | ■                   |                     |                  |
| Kentucky       |                   | ■                   |                     |                  |
| Louisiana      |                   |                     | ■                   |                  |
| Maryland       |                   | ■                   |                     |                  |
| Massachusetts  | ■                 |                     |                     |                  |
| Michigan       |                   |                     |                     | ■                |
| New Jersey     |                   |                     | ■                   |                  |
| New York       |                   | ■                   |                     |                  |
| North Carolina |                   | ■                   |                     |                  |
| Ohio           | ■                 |                     |                     |                  |
| Oklahoma       | ■                 |                     |                     |                  |
| Oregon         | ■                 |                     |                     |                  |
| Pennsylvania   |                   |                     |                     | ■                |
| South Carolina | ■                 |                     |                     |                  |
| Tennessee      | ■                 |                     |                     |                  |
| Texas          |                   |                     |                     | ■                |
| Vermont        |                   | ■                   |                     |                  |
| Washington     |                   |                     |                     | ■                |

\*States not polled were Arizona, Arkansas, Florida, Georgia, Hawaii, Maine, Minnesota, Nevada, New Hampshire, New Mexico, Rhode Island, South Dakota, Utah, Virginia, West Virginia, Wisconsin and Wyoming.

\*\* States with no preschool programs: Idaho, Indiana, Mississippi, Montana, North Dakota, South Dakota, Utah, and Wyoming.