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APPROACHES TO FINANCING STATE PRE-K



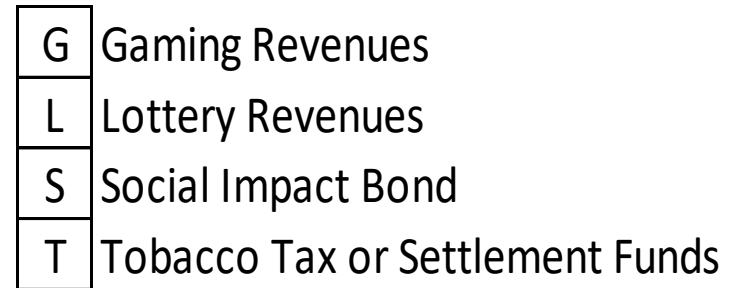
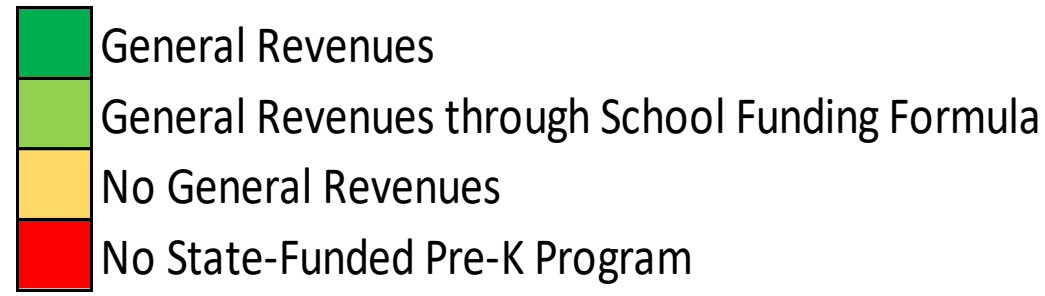
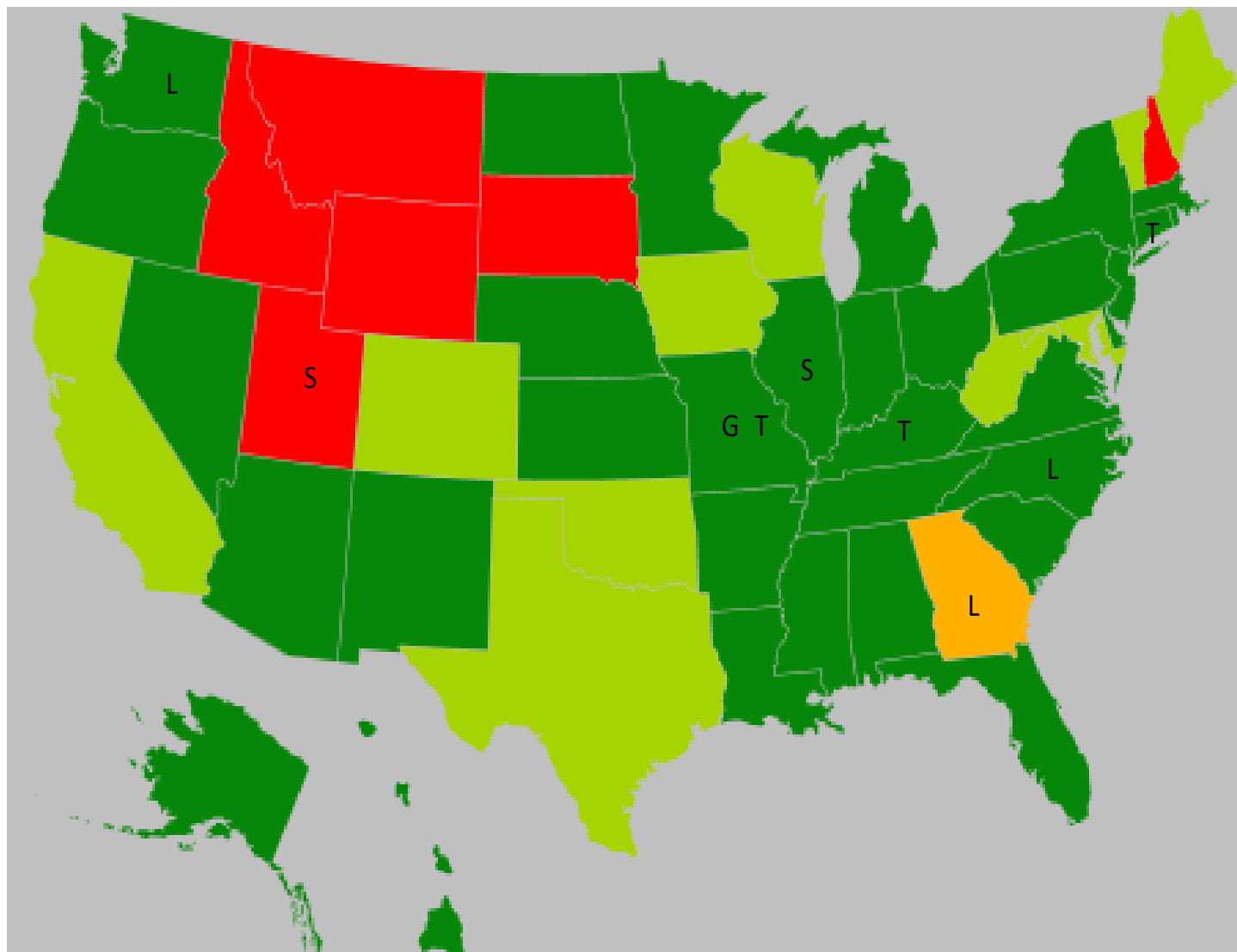
Financing State Pre-K Programs: 3 Key Decisions

- How is Pre-K funding raised?
 - Multiple state funding streams available
 - Local funding
 - Federal funding
- How is Pre-K funding distributed?
 - Formula or Grant
 - Available for all eligible or capped
- How much Pre-K funding do you need?
 - Number of children to serve
 - Goals and features of the program—cost per child
 - What revenues/resources are already available

Potential Funding Sources

- Multiple State Funding Sources
 - General revenues
 - Dedicated taxes
 - Lotteries
- Local Funding
 - Required match?
 - Sources—local tax revenue, federal Title I, fees
- Blending and Braiding
 - Federal funding for child care and Head Start (not state controlled)
 - Special education & inclusion (Sp. Ed. can cost more in ***total*** than regular pre-K)

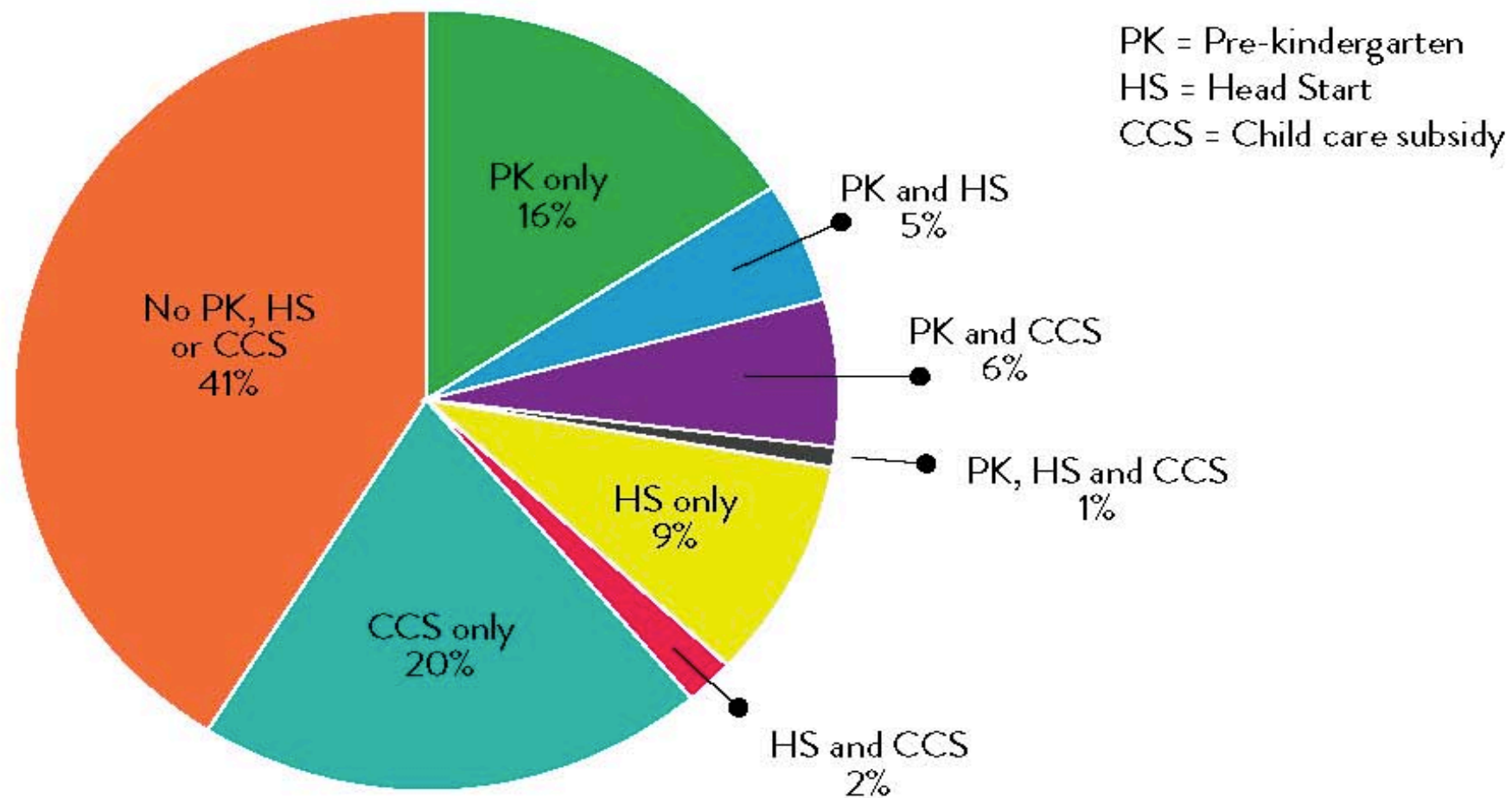
Sources of Funding of State Pre-K Programs



How Much States Get from Each Source

Funding Type	# programs / states	total in millions	percent of total
State General	73 / 42	\$6,738	80.1%
Property Tax	19 / 19	\$905	10.8%
Lottery	3 / 3	\$455	5.4%
Other Local	18 / 18	\$191	2.3%
Tobacco	3 / 3	\$57	0.7%
Sin Tax	1 / 1	\$37	0.4%
SIB	2 / 2	\$20	0.2%
Sales Tax	1 / 1	\$8	0.1%
Gambling Rev.	1 / 1	\$4	0.1%
Grand Total	78 / 46	\$8,415	100.0%

Figure 10. Mixing of Major Public Program Funding Within Preschools



Source: NSECE center-based provider questionnaire [N=129,000 centers].

How Can States Distribute Pre-K Funds?

- Through the school funding formula
 - Entitlement based on enrollment
 - Capped allocation and total
 - May require a local match explicitly or implicitly
 - Using the same weights or different weights as K-12
- As categorical school aid
- As grants
 - Fixed amount per child set by legislature each year
 - Variable (by district or individual provider) amount per child based on formula or grant application

Much States Use Each Funding Approach

Distribution Type	# programs / states	total in millions	percent of total
Discretionary Grants - Fixed	40 / 25	\$3,538	42.0%
Discretionary Grant - Formula	17 / 14	\$1,771	21.0%
School Funding Formula	11 / 11	\$2,870	34.1%
State HS	5 / 5	\$132	1.6%
Scholarship	1 / 1	\$44	0.5%
Tax Credits	2 / 2	\$40	0.5%
SIB	2 / 2	\$20	0.2%
Grand Total	78 / 46	\$8,415	100.0%

Pre-K Funding Strategies: The Pros and Cons

Source of Funding	Pros	Cons
General Revenues	<ul style="list-style-type: none"> • Can increase with need • Flexible • Thrives in economically sound times • Substantial amounts available 	<ul style="list-style-type: none"> • Subject to political whims • Vulnerable to swings in states' economic health • Competes with other programs • Must be regularly reauthorized by legislatures
Distribution through the School Funding Formula	<ul style="list-style-type: none"> • Assured funding source • Receives equal priority with K-12 • May promote quality with teacher-certification requirements • Allows growth commensurate with enrollment • Greater stability • Adequacy and equity 	<ul style="list-style-type: none"> • May result in restrictions on how pre-k is delivered or by whom • Local match usually required • Swings with K-12 budget • Property tax can be regressive
Lottery Funds or Gaming Revenues	<ul style="list-style-type: none"> • Large amounts of revenue raised • Does not require new taxes • When proceeds are dedicated, doesn't compete with other priorities • Doesn't require repeated legislative approval 	<ul style="list-style-type: none"> • Annual revenues are unpredictable • Regressive "tax" • Promotes gambling

Pre-K Funding Strategies: The Pros and Cons

Source of Funding	Pros	Cons
Tobacco Settlement	<ul style="list-style-type: none"> • Does not require new taxes • Provides substantial, easily quantified, dedicated funds 	<ul style="list-style-type: none"> • Non-renewable at some point in the future
“Sin” Taxes	<ul style="list-style-type: none"> • Dedicated amount doesn’t compete with other priorities • Doesn’t require repeated legislative approval 	<ul style="list-style-type: none"> • Unpredictable level of funding • Targets individual industries • Likely to dry up as discouraged behavior decreases • Sometimes a regressive tax
Dedicated Percentage of Sales or Income Tax	<ul style="list-style-type: none"> • Potentially large source of funds • Dedicated amount doesn’t compete with other priorities • Doesn’t require annual legislative approval 	<ul style="list-style-type: none"> • Requires voter/legislature-approved tax increase or allocation • Subject to economic health of state or local residents
Public-Private Partnership	<ul style="list-style-type: none"> • Engages private sector in making pre-k a priority • Potential catalyst for innovative pilots • Flexibility in distribution of funds 	<ul style="list-style-type: none"> • May not be sustainable • Requires continual fundraising efforts • Hard to raise substantial amounts
Blending and Braiding Other Funds	<ul style="list-style-type: none"> • Increases available resources • Encourages partnerships, decreases silos • Federal funding is counter-cyclical 	<ul style="list-style-type: none"> • Requires multi-agency collaboration • Multiple/conflicting regulations • Caps on child care and Head Start limits expansion

School Funding Formula for Pre-K: How it Works

- Determine amount of funding needed per pupil for an adequate education
- Determine how much funding to be provided by the state (and local share) to increase adequacy and equity
- Adjustments or weights for: specific children's needs, concentrations of poverty, and geographic cost differences.

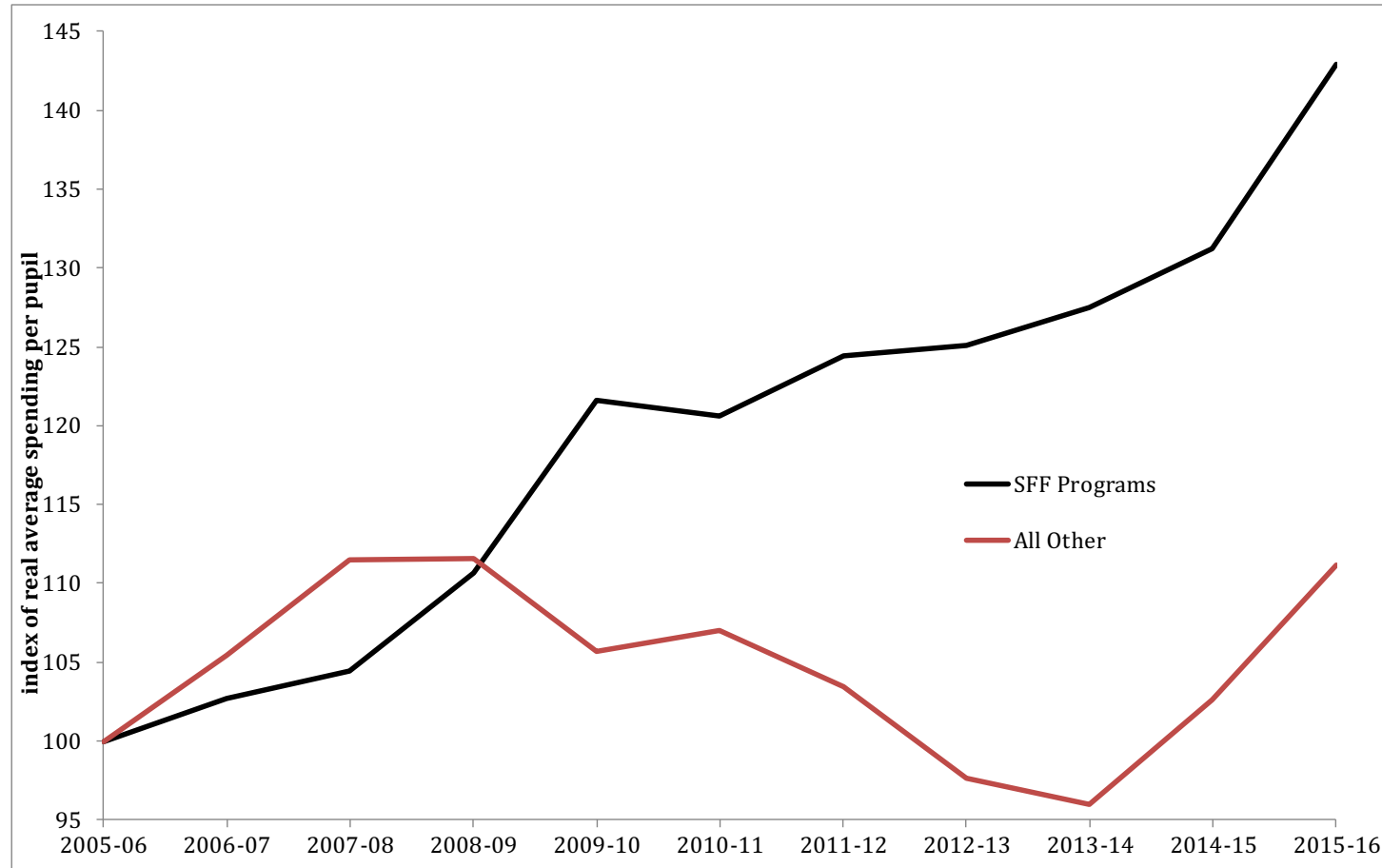
Typically a foundation level plus equalization for local capacity

- Scope and magnitude of adjustments differ greatly from state-to-state, as does adequacy and equity.
- State formulas may have equity problems, but are still better than flat amounts that are more typical for pre-K

Use of School Funding Formula in State Pre-K Programs

State program	Universal Coverage	Cap on Funding
California	*	
Colorado		*
District of Columbia	*	
Iowa	*	
Maine		
Maryland		
Oklahoma	*	
Texas		
Vermont	*	
West Virginia	*	
Wisconsin	*	

SFF for Pre-K Seems More Resistant to Economic Swings



Summary: School Funding Formulas & Pre-K

- 11 states fund pre-K programs using SFFs
- 7 of the 11 fully use the formula – universal enrollment
- 3 of the 11 fund full-day
- OK and DC – two examples of SFF used to fund pre-K exactly the same way as K-12.
- Some states – CO and TX – use the foundation aid level but not equalization, categorical, or other adjustments.
- On average School Funding Formula states fund pre-K at per pupil levels closer to K-12 spending than other states

Other State Approaches to Formulas

- NJ Abbott
 - $(\$12,788 * \text{in-district students}) + (\$14,375 * \text{private provider students}) + (\$7,943 * \text{Head Start students})$
- KY
 - $(\$4,682 * \text{at-risk students}) + (\$8,896 * \text{severely-/multiply-disabled children})$ for four-year-olds whose family income falls within 150% of FPL and those with disabilities.
- MI
 - Per-slot expenditure is fixed -- School-day classroom programs are reimbursed at two slots per child (\$7,250); all others are reimbursed at one slot per child (\$3,625). The number of slots funded is based on the product of percentage of children enrolled in grades one-through-five who receive free lunch and kindergarten enrollment.

How Much Money is Needed?

- Who do we want to serve and how many?
 - Set number of children
 - Set timeline for expansion
- What do we want the program to do?
 - Define program features
 - Specify system infrastructure
- What does this cost—CPQ&R?
 - Compute cost per child by category and location
 - Identify existing untapped resources

Examples of State Pre-K Funding Amounts

	Spending Per Pupil		
	State	Local	Total
Colorado	\$2,471	\$1,529	\$4,001
District of Columbia	\$16,812	-	\$17,875
Maine	\$3,201	\$3,019	\$8,371
Oklahoma	\$3,476	\$3,139	\$7,479

Questions?

Additional Resources, sbarnett@nieer.org

http://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs_assets/2008/pewpknfundingthefuturefeb2008pdf.pdf

http://sites.nationalacademies.org/cs/groups/dbassesite/documents/webpage/dbasse_176099.pdf

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