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New Efforts to Finance Prekindergarten

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States with limited dollars are investing in prekindergarten.

Legislative momentum for prekindergarten has been dramatic because states that are considering how to make effective investments with limited state dollars are choosing to invest in prekindergarten. In 2005, 26 states expanded state funding for prekindergarten, totaling more than \$600 million. State leaders are looking to high-quality early education programs to improve the success of children when they enter school and to reduce the achievement gap.

Legislators are relying on economic research, neuroscience, and numerous short- and long-term studies that show the effectiveness of high-quality early education. Gains for children are found in language, pre-reading and math skills, and in social and emotional skills that leading economists identify as critical to the future U.S. workforce. The skills lead to higher achievement, reduced special education placement and fewer children retained in a grade. Documented long-term benefits include higher rate of graduation from high school, increased earnings and employment, greater participation in college, reduced incarceration, and lower participation in welfare.

Thirteen states and the District of Columbia use the school finance formula to direct funding.

States are approaching funding for prekindergarten in three ways. Thirteen states—Colorado, Kansas, Kentucky, Maine, Michigan, Nebraska, New Jersey, New York, Oklahoma, Texas, Vermont, West Virginia, Wisconsin—and the District of Columbia rely on the school finance formula to direct funding. These states direct funding using the foundation formula with per pupil weighting, categorical funding allocation or competitive grants based on the school funding formula. Funding is distributed to school districts, but many states require or encourage districts to include private providers such as child care centers that meet the quality standards. The inclusion of these providers has been a key component in many states in order to use current capacity to serve 4-year-olds and to meet the needs of working families.

Three Common Ways to Fund Prekindergarten

- Use the school finance formula to direct funding.
- Distribute funds through a formula grant to districts or communities based on certain criteria.
- Use a competitive grant process under which potential providers apply for funding.

A second approach is to distribute funds through a formula grant to districts or communities based on, for example, the number of children in poverty in the district or districts where there are low-performing schools. A third method is to use a competitive grant process that calls for potential providers to apply for funding. The competitive process may include inviting school districts, individual providers or local councils to apply based on specific criteria.

States' Use of School Finance Formulas. Including prekindergarten in the school finance formula can be effective. It underscores the educational purpose of early education and connects the funding to the later schooling, a tie that promotes a strong transition from prekindergarten to the early elementary years. The school finance formula also may provide some stability to the funding stream, where grant programs or pilot programs may be more vulnerable to cuts when budgets are tight. In addition, given that high-quality prekindergarten includes many of the features of "education"—such as high-quality teachers, curriculum standards and accountability—it can make sense for the state to include it in a school finance context.

State Action

Funding prekindergarten through the school finance formula is in place in states that offer prekindergarten to all 4-year-olds whose parents choose it, as well as in those states that limit funding to children who are at risk of school failure. Oklahoma and West Virginia are examples geared to all 4-year-olds, while Michigan and Nebraska target funding.

Oklahoma is one of the leaders in providing funding to serve all 4-year-olds. Its program was expanded in 1998, with funding for prekindergarten included in the school finance formula and distributed to school districts that choose to provide prekindergarten. The formula is weighted to provide an incentive for districts that participate. Prekindergarten students are weighted at 0.7 per pupil for half day and 1.3 per pupil for full day.

Oklahoma uses a weighted funding formula.

West Virginia is midway through its planned phase-in of prekindergarten for all 4-year-olds by 2012-2013. Counties are required to have an approved plan before they can receive school aid funding, and providers must meet all quality standards to receive funding. The state currently is enrolling almost 50 percent of 4-year-olds.

Michigan funds its school readiness program for at-risk 4-year-olds through both a school finance formula and a competitive grant process. The school finance formula funding, totaling \$72 million, is distributed to participating school districts. The competitive grant process, funded at \$12 million, is awarded to private providers such as child care centers.

Nebraska now uses the school finance formula for prekindergarten.

The most recent state to consider the school finance formula for prekindergarten is Nebraska. In 2005, the state expanded and enhanced prekindergarten by adding 4-year-olds with a per-student weighting. Nebraska phased in the use of the school finance formula and continued the current grant process. Providers who received grant funding for three years become eligible under the school aid formula in 2007-2008.

Although Nebraska is the most recent state to incorporate prekindergarten into the school finance formula, Iowa's governor in 2006 also proposed to expand preschool funding through the school aid formula with increased funding phased in over four years.

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