Financing Services for 3- and 4-Year Olds in a PreK–3rd School

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Communities across the United States are expanding access to public pre-kindergarten programs. Many of these classrooms are in school settings staffed by school employees but supported by a complex combination of local, state and federal funding mechanisms that are new to many K-12 education systems. Offering pre-kindergarten services may also require facilities and staffing patterns that are new to many school systems. These changes place unique requirements on program administrators who are trying to meet the challenge of initiating or expanding preschool programs as part of a comprehensive PreK-3rd early school experience for young children.

In this brief we will provide an overview of issues related to financing early childhood programs in a school setting, provide estimates of costs and sources of revenue to support the portions of the program for children below the typical age of entry into school, and discuss special issues related to capital costs for renovations and new construction.

The US is experiencing a major shift in schooling for young children. After a period of huge expansion of the number of mothers of young children entering the workforce, and a resulting explosion in the provision of out of home care for children in the years before they have typically entered school,1 we are now experiencing a shift in how and where preschoolers receive services. The demand for improved outcomes in school combined with the recognition of the potential for learning in young children based on research on brain development have led to higher expectations for programs serving children prior to typical school entry. One result of this new emphasis has been an expansion of the role of education agencies in serving these younger children. By the beginning of the 21st Century, large numbers of children were already in public school programs of a variety of kinds, including pre-kindergarten programs, Head Start programs operated by schools and programs specifically for children with special needs.2 By 2007, over 1 million children were in state funded pre-kindergarten programs in the 38 states with formal state funded pre-kindergarten programs, an increase of 40% in 5 years.3 Financial investments in these programs have increased concurrently. Between 2005 and 2007, state spending on pre-k increased from $2.4 billion to $4.2 billion.4

The provision of public pre-k services has shifted from focusing almost exclusively on preschoolers with special needs and others deemed at risk of later school failure to a more broad-based effort to
serve a very large proportion of 4-year-olds and an increasing number of 3-year-olds as well. At the same time there has been a move to better integrate pre-kindergarten into the K-12 education program delivered by public schools. In particular there is a drive to reform services for children at the beginning of school to ensure that the needs of these young children are fully met, and to improve services to children in the early elementary grades at the same time. Sometimes referred to as the P-3 movement, this drive focuses simultaneously on the developmental needs of young children as well as the need to prepare children to excel academically.5,6

The rapid expansion has placed a burden on local school administrators, who must cope with the pressure to expand pre-kindergarten services despite the reluctance of state education officials and legislators to fully recognize these young children as part of the public education population, and to fund these services in the same manner as services for K-12 children. As they turn to sources of funding beyond the typical education funding streams they face a totally new set of rules and regulations and sometimes a primary intent that is not totally congruent with the educational needs of young children.

The Cost* of Pre-K
Data on the true costs of pre-kindergarten programs is quite limited. Nearly all reports on financing provide only state expenditures while acknowledging that little is known about the extent to which programs rely on other sources of support. For example, an early report on state pre-kindergarten initiatives found that in the late 1990s funding per pupil from state resources varied widely, and these differences were partly due to differing requirements for local† financial support in addition to the state support.7 Levin and Schwartz8 echo the lack of precise information about the costs of preschool programs, and identify the use of multiple funding sources and the lack of adequate accounting systems as major problems.

Complicating the picture is the fact that there is substantial variation in the intensity and design of pre-kindergarten programs, and little attention to the policy or funding implications of where children are served. In a study of state pre-kindergartens in six states, Clifford, et al.,9 found that program length ranged from less than 15 hours per week to more than 35 hours per week with classes offered fewer than 5 days per week in more than a third of the programs. While about 70% of teachers had a bachelor’s degree, only about half were certified to teach 4 year olds. Almost half (47%) of these state-funded pre-k programs were in schools. These and other variations have a significant impact on costs.

The yearly per child costs reported tend to range from only a few hundred dollars to approximately $10,000.10,11 However, we know that even in the case of K-12 education funding, the state expenditures account for only roughly half of the per child yearly totals, with local and federal sources making up the remainder. A study of pre-kindergarten costs in North Carolina found total cash expenditures averaged $7,857 per child in 2002-03 when total state expenditures were approximately $3,500 per child in the same year.12 The North Carolina example was for a school day length program of approximately 6 hours per day for 5 days per week for a full school year of 180 days. Part day programs would be

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*We use the term “cost” to refer to the total of all types of support including cash and the value of in-kind donations. Expenditures refers to the cash outlays used to support a program.
†The term “local” is used to refer to any support not provided from federal or state funding sources. Thus it includes local education agency support as well as any other support raised locally either in the form of cash or in-kind contributions. Funding from the local school district and provision of space in a school for a pre-k class at no cost to the program would both be counted as local support.
expected to cost less as would programs with less stringent requirements for class size, staff to child ratios, and teacher pre-service education. These estimates seem to fit reasonably well with the 2005-06 state spending reported for New Jersey Abbott pre-kindergarten of $11,022\textsuperscript{13} where the state pays essentially the full costs and where both standards and teacher compensation levels are much higher than in North Carolina. In a forthcoming report on the cost of pre-kindergarten programs in 6 states, yearly per child costs, determined using the same methods as in the North Carolina study, were somewhat lower in 2002-03, with a mean total cost per child of $6,309 for full day programs. This study attempted to include both cash and in-kind contributions of the local agency providing the pre-k program. The authors indicate that accurately accounting for all costs was quite difficult in these states so these should be viewed as lower bound estimates. Finally, these cost estimates for pre-k services are comparable, when adjusted for inflation, to the federally supported Head Start program, where the federal portion of costs averaged $7,209 in 2006.\textsuperscript{14} Head Start regulations require a local match equal to 20\% of the total program costs. This match is often provided through documentation of in-kind resources provided to the programs, including occupancy costs, and is not reflected in the above cost figure.

Overall, the operational cost* of pre-k programs appears to be in the range of $7,000 to $10,000 per child for a school year, with variations from state to state heavily dependent on the salary levels for teachers and other personnel, and to a lesser degree on variations in program intensity (length of day and year, and class size). These estimates roughly equate to the combined total of federal, state and local support for public school students in the US. So in considering the level of funding needed, a quick approximation could be achieved by simply looking at the total operational cost per child for K-12 education in your own area.

Sources of Support for Pre-K Programs

A major issue for schools starting or expanding pre-k services is that there is usually no legal requirement for local support of programs for 3- and 4-year-olds, and no dedicated funding stream at the local level. And while most states do have a formal state pre-k program with funding flowing to the local level, it is rarely sufficient to pay the full cost of the program. Thus local administrators must seeking a wide variety of funding sources to bring total per child resources up to a level that allows the provision of high quality programs. The most frequently used funding streams are described briefly below:

**Head Start:** The federal government provides grants directly to local Head Start programs. While the amount per child varies slightly, the Head Start grantee or the Head Start State Collaboration coordinator is able to provide a reasonable estimate of potential revenue per child. Using Head Start revenue means the pre-kindergarten program must meet the Head Start standards, and children must meet the Head Start eligibility criteria. Head Start funds can be combined with other funding streams as long as they are pro-rated to pay for children who meet Head Start eligibility criteria. For more information on how to integrate Head Start funding and program standards into a larger pre-kindergarten program, see Better Outcomes for All: Promoting Partnerships Between Head Start and State Pre-K.\textsuperscript{15}

**State Pre-kindergarten:** In 2007, 42 states either funded a state pre-kindergarten program or supplemented the federal Head Start program, making state funding the single largest revenue stream for pre-k. Each state pre-kindergarten program is unique, from the eligibility criteria, to the length of the school day, to the scope of the program. Like the Head Start funds, accessing state pre-k funds means local programs must meet the state standards and

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*Operational costs exclude capital construction including major renovation costs. See the last section of this brief for a discussion of capital costs.
unique funding requirements. Some states prohibit the blending of state pre-k funds with other state dollars, while other states require matching funds. For general information on state pre-k standards and potential revenue streams, the National Institute for Early Education Research publishes annual data (see <http://nieer.org/yearbook/>). For current data, including the potential for increased funding for state pre-kindergarten, contact your state pre-kindergarten program administrator.

**Title I of the Elementary and Secondary Education Act (No Child Left Behind):** The U.S. Department of Education’s largest source of funding for local school districts includes provisions that can fund pre-kindergarten programs. Title I provides financial assistance to local school districts with high concentrations of poor children to help ensure that all children meet challenging state academic standards. Local education agencies have the flexibility to choose how to allocate these funds, and 3 percent of Title I funds supported early education programs in 2007. The Center for Law and Social Policy offers more detail on the use of Title I funding to educate children prior to kindergarten.16

**Subsidized Child Care:** Each state regulates how state and federal child care subsidies can be combined with other funds to provide a pre-kindergarten program. Some states allow child care funds to supplement the pre-k program, while others limit funds to the portion of the day that is not considered pre-k. Local administrators can only access child care subsidies for children who meet the state’s eligibility criteria—generally those with low-income, working parents—and many states do not have enough funds allocated to provide subsidies for all eligible children. For more information on the availability of state child care funds, the amount of the subsidy, and the rules for combining funds, contact the state or local child care subsidy administrator. See state contacts at <www.nccic.org>.

**Special Education:** Part B Section 619 of the Individuals with Disabilities Education Act ensures children ages 3–5 with disabilities are provided a free, appropriate, public education that emphasizes special education and related services designed to meet their unique needs. States define who is eligible for services and supplement the federal funding when the demand for services requires more than the federal funding will support. Unlike most other funding sources, special education funding is guaranteed as long as the child meets the eligibility criteria. Contact the state or local Part B, Section 619 coordinator for information on potential funding levels.

**National School Lunch Program:** The federal government subsidizes the cost of providing nutritionally balanced snacks, breakfast, and lunch for programs operating in public and nonprofit private schools and residential child care institutions. Reimbursements rarely cover the full cost of the food, and vary according to the total percentage of low-income children in the school and the specific income of the child eating the meal. For current information on the reimbursement rates, go to <http://www.fns.usda.gov/cnd/lunch/>. For details on how the rates apply to your school, contact your local school food service supervisor.

**Local Education Funds:** In most cities and towns, local tax revenues pay a significant portion of public elementary and secondary school costs. The availability and flexibility of these revenues to pay for pre-kindergarten will depend on local authorities. Local support frequently includes in-kind funds such as utilities, maintenance, and rent when the public school houses the pre-k program. Local education revenues also can be designated for salary and operating costs at the discretion of the local authorities.

**Private Tuition:** Most federal and state funding streams are restricted to children who meet specific eligibility criteria that are generally related to risks for poor educational outcomes. Programs may be able to serve children who do not meet these criteria.
by charging parents for the cost of the program. With approximately half of all three- and four-year-olds in the US enrolled in some type of preschool program, many parents are already paying for a pre-kindergarten experience. Administrators can generate additional revenue by charging tuition for families who can afford it. It should be noted that collecting tuition often proves difficult in practice.

Two challenges in estimating potential revenue for school-based pre-kindergarten programs are significant.

**Competition for existing funds:** Potential revenue streams may not be available for a new or expanding program because existing funds may already be allocated. Programs are more likely to receive funds during periods when funding streams are expanding (i.e., state pre-kindergarten funds) or when funds are unclaimed by other area providers (i.e., Head Start funds). Programs may be able to attract children who already receive funding that will follow the child to the new pre-k program.

**Restrictions on funding streams:** Detailed knowledge is necessary to understand how funding streams can be combined. For example, in some states a child enrolled in a part-day pre-kindergarten program may be eligible for a part-day child care subsidy in order to fund a full day of care. In other states, the pre-kindergarten funding is intended to supplement the child care subsidy, and children enrolled in pre-kindergarten are still eligible for a full-day child care subsidy. Head Start regulations restrict funding to children based primarily on family income while state pre-kindergarten programs may have different requirements for participation. On the other hand Head Start regulations require expanded services in health and social services that many state pre-kindergarten programs do not fund. Blending funds from these different sources is complicated. The school district must show that funds are spent according to the specific regulations of each funding source, and at the same time be able to document that all services to which a given child is eligible under that funding source are being provided for that child.

**Funding Capital Construction Costs**

While the funding for operational costs is often from a mix of federal, state, and local funding sources, rarely is there a corresponding mix of funding available for financing construction or the major renovations many existing schools require in order to provide appropriate space for early childhood programs.† While a few states, including New Jersey and Connecticut, have special provisions for assisting with financing construction of facilities, most often school districts finance construction and renovation costs for pre-k from the same sources used for K-12 facilities.‡ This means schools either access state funds for construction or rely on local bond issues. For example, Charlotte-Mecklenburg school district in North Carolina has financed renovation of older schools as special pre-k centers and has added pre-k classrooms to elementary school buildings under recent construction bonds for some 3,000 preschoolers served in the district. It has recently secured additional funding in a bond referendum to construct a new pre-k facility to address a higher than expected demand for its program.

Increasingly states are recommending that local boards of education include three- and four-year-old children in their long range plans for elementary

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*An exception to this general situation is Head Start. There are provisions under federal Head Start regulations that allow Head Start funds to be used to finance a portion of the capital costs for facilities serving Head Start children. School districts that are Head Start grantees have the ability to access Head Start funds to pay a portion of the cost of building facilities to serve children in the Head Start program, even when the facility serves other children as well. Details on the Head Start options are available at <http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Procurement%20Standards>
school buildings. Often districts are under intense pressure to increase the total capacity of the school system to meet the needs of an increasing population. Building pre-k classrooms may be seen as competing with the funding needs of older children.

Particular attention must be given to designing spaces that meet the full range of needs of the youngest children served. Often special regulations are in effect for programs that serve Head Start children, children receiving child care subsidies, or other early childhood funds. These regulations may call for special provisions for the playground, toileting facilities, meal and snack preparation and dining areas, as well as entry and exit requirements. The amount of classroom space required per child may be greater than that found in many K-12 classrooms and more staff may be needed per classroom than is the case with older children. In addition, there is a greater need for dedicated spaces for families in the facility to promote the necessary relationship between programs and families of young children. Provisions within the facility which foster close working relationships with community agencies, including health, social services, mental health and other core community agencies are also advantageous. These provisions may include co-location of services at the school site. These are but a few of the specific provisions needed in facilities serving children before kindergarten.

Looking to the Future

The expansion of the public schools to serve large numbers of children as young as 3 and 4 years of age has tested the ability of local school administrators to acquire and budget funds to support this new work. In nearly all states the traditional financing mechanisms for K-12 are not yet modified to include these younger children, forcing administrators to seek new and varied sources of financial support. We desperately need changes in both federal and state financing mechanisms for education services for young children that facilitate effective and efficient means of serving young children in school settings. In the meantime it is hoped that this brief will aid school personnel as they seek to bring this younger group of children and their families into what is rapidly becoming the new first school experience for children in the United States.
Notes


For more information

The rapid growth of pre-kindergarten programs in public schools means local administrators need tools to help them understand the costs and potential revenue streams for the program. The Financial Planning Model developed by the FPG Child Development Institute walks administrators through a budgeting process, and produces documents that can be used for financial management or in negotiations with funders. There is a version for administrators starting a new program, and another for administrators seeking to expand an existing program. The tool covers a variety of costs, from salaries and benefits to other operating costs, to in-kind and capital costs. It prompts administrators for places to look for revenue, and provides a unique planning tool to help match sources of revenue with categories of expenditures. For more information about technical assistance with financial planning, contact Richard Clifford: at dickclifford@unc.edu or visit the FirstSchool web site at www.fpg.unc.edu/~firstschool.

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