



Financing an Equitable and High-Quality Education System:

Investing in Early Learning

NGA Center for Best Practices: Education Division

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Presented by the
WestEd Team

Welcome!



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WestEd's Mission

WestEd is a ***nonprofit, nonpartisan research, development, and service agency*** that works with education and other communities to *promote excellence, achieve equity, and improve learning for children, youth, and adults.*



Today's Objectives

- Build a common understanding of key issues in education school finance and trends that signal possible future directions.
- Engage in discussion about the most pressing early learning issues nationally and in your states.
- Share upcoming engagement opportunities.

Agenda

- **Welcome and Introductions**
- **National Context**
- **Why Early Learning?**
- **Trends in Early Learning**
- **Financing Early Learning**
- **Emerging Ideas from the Field: Policy Levers in Action**
- **Closing**

Discussion Norms

- Please use the chat box to pose a question to the presenters or to the group at any time.
- NGA will mute your line if you are not speaking.
- At the end of each section, we will ask you to participate in a quick poll.



Warm-Up Poll

What issues related to financing early education are you most interested in learning more about?



National Context

Social and demographic trends impact school finance

Baby Boomer generation is now a few years into retirement

Younger generations (e.g., Millennials) have very different workplace expectations

Approaching a tipping point of the proportion of contributing taxpayers to those drawing on social services and programs

- Places greater and larger burden on fewer individuals to support public programs

State revenues more vulnerable to volatility

Revenue Sources	FY 1971	FY 1990	FY 1998	FY 2005
Taxes as a Percentage of Total Revenue	65.5%	59.1%	56.6%	53.3%
Property taxes	26.1	18.3	16.8	16.6
Individual income tax	8.2	12.6	12.9	11.9
Corporate income tax	2.4	2.6	2.5	2.1
General sales tax	12.3	14.3	13.8	13.0
Excise taxes	10.6	6.7	7.4	6.0
Other taxes	5.9	4.6	3.2	3.6
Nontax Revenues as a Percentage of Total Revenue	34.4%	40.9%	43.4%	46.6%
Charges and miscellaneous	14.1	17.9	19.9	21.2
Interest	2.3	6.9	4.8	3.7
Federal aid	18.0	16.1	18.7	21.7
Total	100.0%	100.0%	100.0%	100.0%

Source: US Department of Commerce, Bureau of the Census (<http://www.census.gov/govs>)

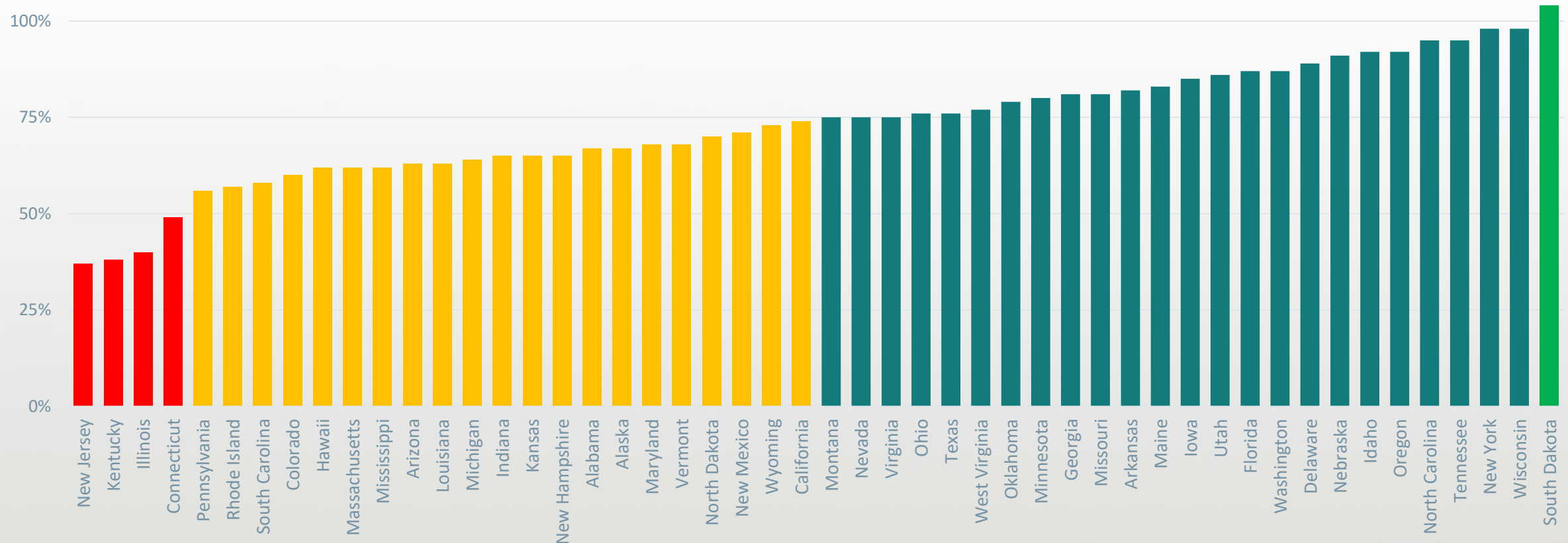
S&P Global

Market Intelligence

“When it comes to the outlook for economic growth, U.S. state and local governments can expect the now long but shallow expansion to persist, according to S&P Global Ratings' updated forecast. Considering GDP, the broadest measure, the pace of the expansion is likely to remain subdued, with growth of 2.2% in 2017 and 2.3% in 2018.”

Unfunded ratio loom large for states and districts

In 2015, Only **One** State Had a Funded Ratio Over 100%, **Twenty-One** States Were Below 75%, and **Four** States Were Below 50%



Impacts beyond the bottom line

Impact to Students

- Flat revenues combined with internal expenditure pressures *force choices by leaders between employees and programs for students*
- *Investments in key student supports wane in lean budget times, e.g., routine maintenance on buildings, transportation, etc.*

Impact to Employees

- *Most revenue increases to school districts are likely to go to pension and health/welfare contributions rather than salaries*
- *Risks ensuring the salaries keep pace with comparable wages*

State policy can encourage effective resource use

FLEXIBILITY

Districts may not have meaningful **flexibility** over certain resources

SUPPORT

Most districts don't have access to proactive **supports** to inform resource investments

ACCOUNTABILITY

Where flexibility exists, **accountability** often measures the wrong things in the wrong way

TRANSPARENCY

State structures to improve **transparency** are focused on compliance rather than strategic decision-making

Why Early Learning?

Participation in early learning has a lasting impact on academic achievement

When children are better prepared to enter school...



...they perform better academically in the long term and have increased levels of educational attainment.

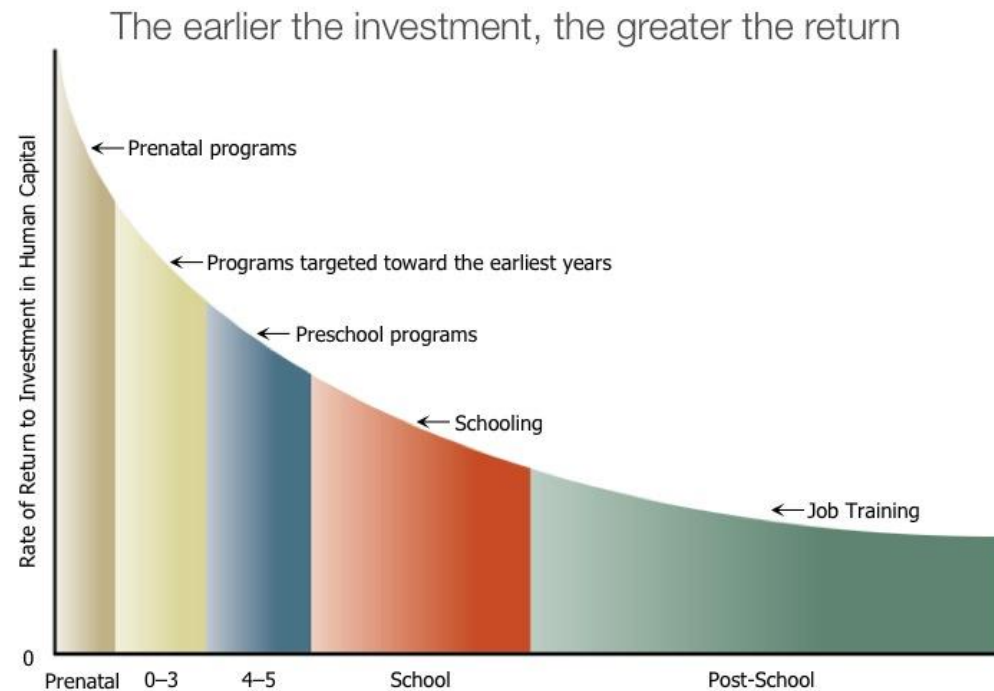
The benefits of early education extend beyond academics

- **Better overall health**
- **Less likely to be incarcerated**
- **Higher rates of employment**



High returns on investments in Early Learning

EARLY CHILDHOOD DEVELOPMENT IS A SMART INVESTMENT



Source: James Heckman, Nobel Laureate in Economics

Rate of return on public investment

13% per year for every \$1 invested in early learning

Source: (Heckman, 2016)

<https://www.ecs.org/wp-content/uploads/State-Pre-K-Funding-2016-17-Fiscal-Year-Trends-and-opportunities-1.pdf>

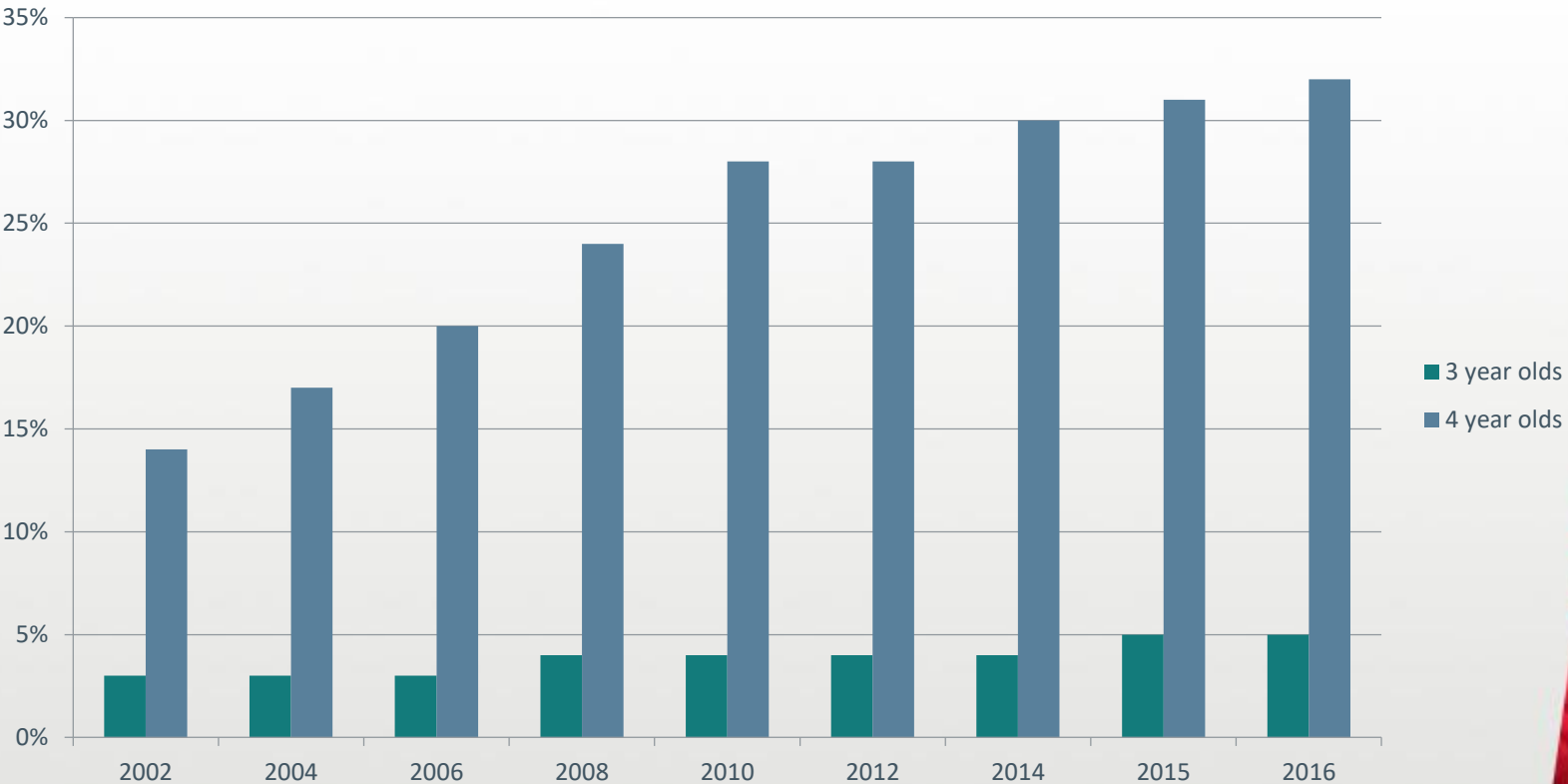
What is Early Learning?

- Defined by age: Birth to 5
- Different settings and types of support:
 - Infant-Toddler Providers
 - Family Child Care
 - Preschool
 - Transitional Kindergarten-Kindergarten
 - Transitional Kindergarten-Grade 3
 - Early Intervention
 - Nearly 1.5 million children attended state-funded preschool in 2016

Early Learning Landscape

Trends in Early Learning

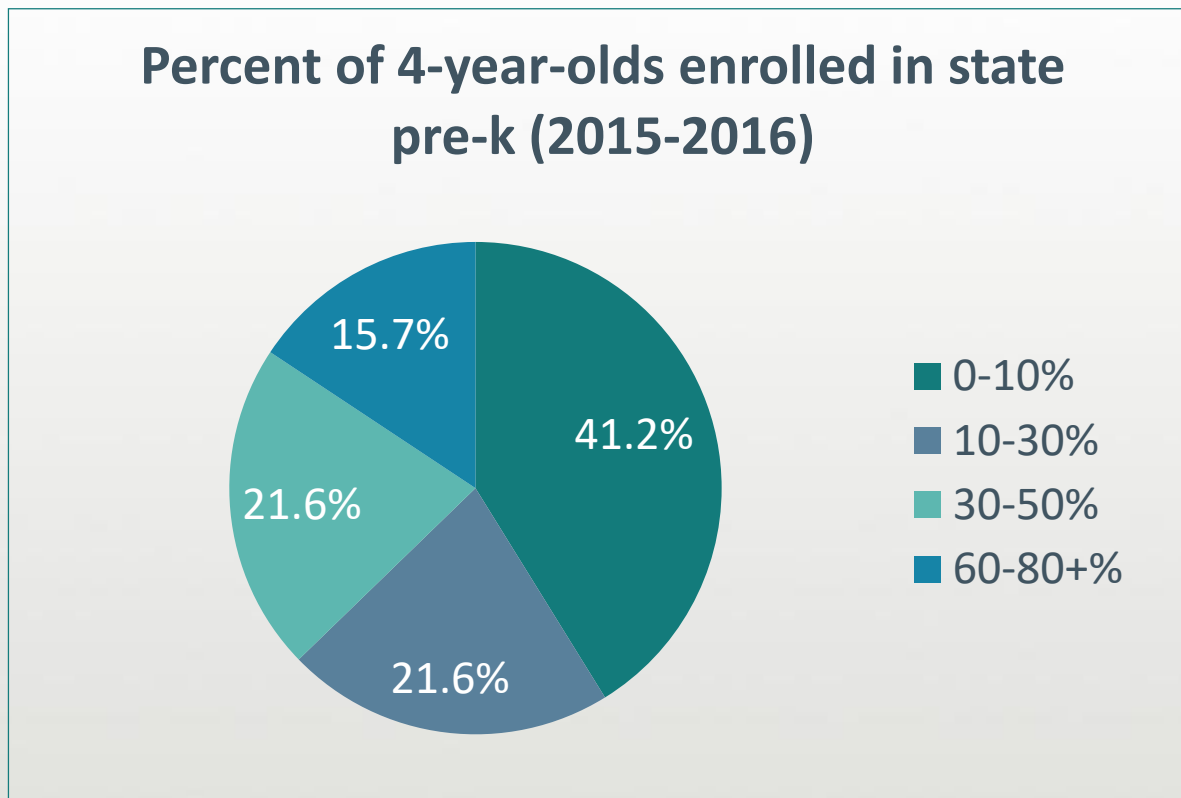
Steady Increase in Percent of Students Enrolled in Pre-K



Source: http://nieer.org/wp-content/uploads/2017/08/FullyB_8.21.17_compressed.pdf



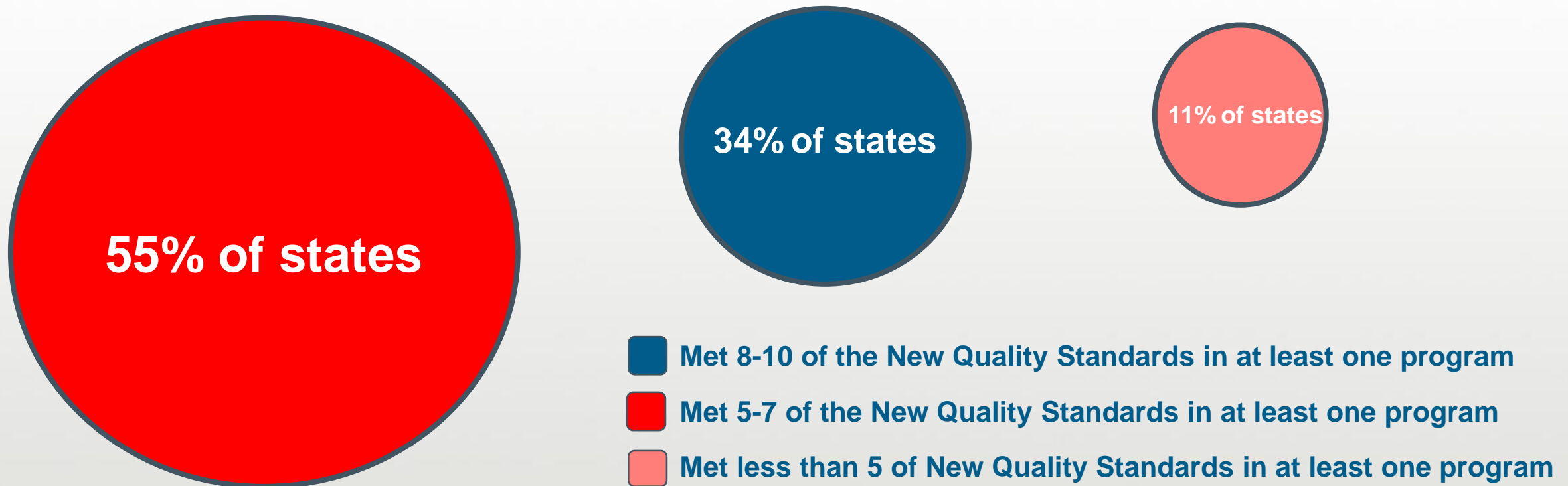
Access to Pre-K Varies Considerably by State



- **14 states with preschool programs served less than 10 percent of 4-year-olds.**
- **Six states continue to have no program.**

Source: http://nieer.org/wp-content/uploads/2017/08/FullYB_8.21.17_compressed.pdf

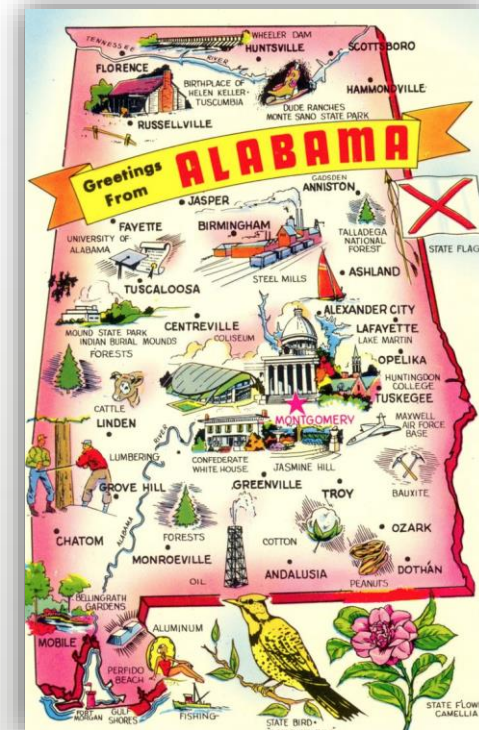
Only two states met *all* of NIEER's New State Preschool Quality Standards



Source: http://nieer.org/wp-content/uploads/2017/08/FullYB_8.21.17_compressed.pdf

Alabama

- **Preschool enrollment increased 56% from 2014-2015 to 2015-2016.**
- **All classrooms are supported by a coach and monitored for continuous improvement.**
- **Each classroom is required to have a lead teacher with a BA and an early learning credential**



Improving Early Education: A focus on Equity

Access

- Children from low-income families are less likely to be enrolled in preschool than their more affluent peers (41% compared to 61%).
- Subsidized programs often have limited placement available—resulting in lower access overall.

Quality

- Students from low-income, minority or at risk backgrounds are significantly less likely to be enrolled in high quality early learning programs.
- 13 state programs meet half or less of the quality standards benchmarks, including states serving large numbers of children in poverty.

Affordability

Many privately available programs are prohibitively expensive for low income families.

Source: <https://www.urban.org/sites/default/files/publication/76991/2000586-Barriers-to-Preschool-Participation-for-Low-Income-Children-of-Immigrants-in-Silicon-Valley.pdf>; <https://www2.ed.gov/documents/early-learning/matter-equity-preschool-america.pdf>; http://nieer.org/wp-content/uploads/2017/08/FullyB_8.21.17_compressed.pdf

Why Early Learning: It's about Equity

Despite having clear positive outcomes for students, access to high quality preschool continues to be an equity issue.



Quick Poll

What is the biggest priority to address as related to high-quality early education in your state?



Financing Early Learning

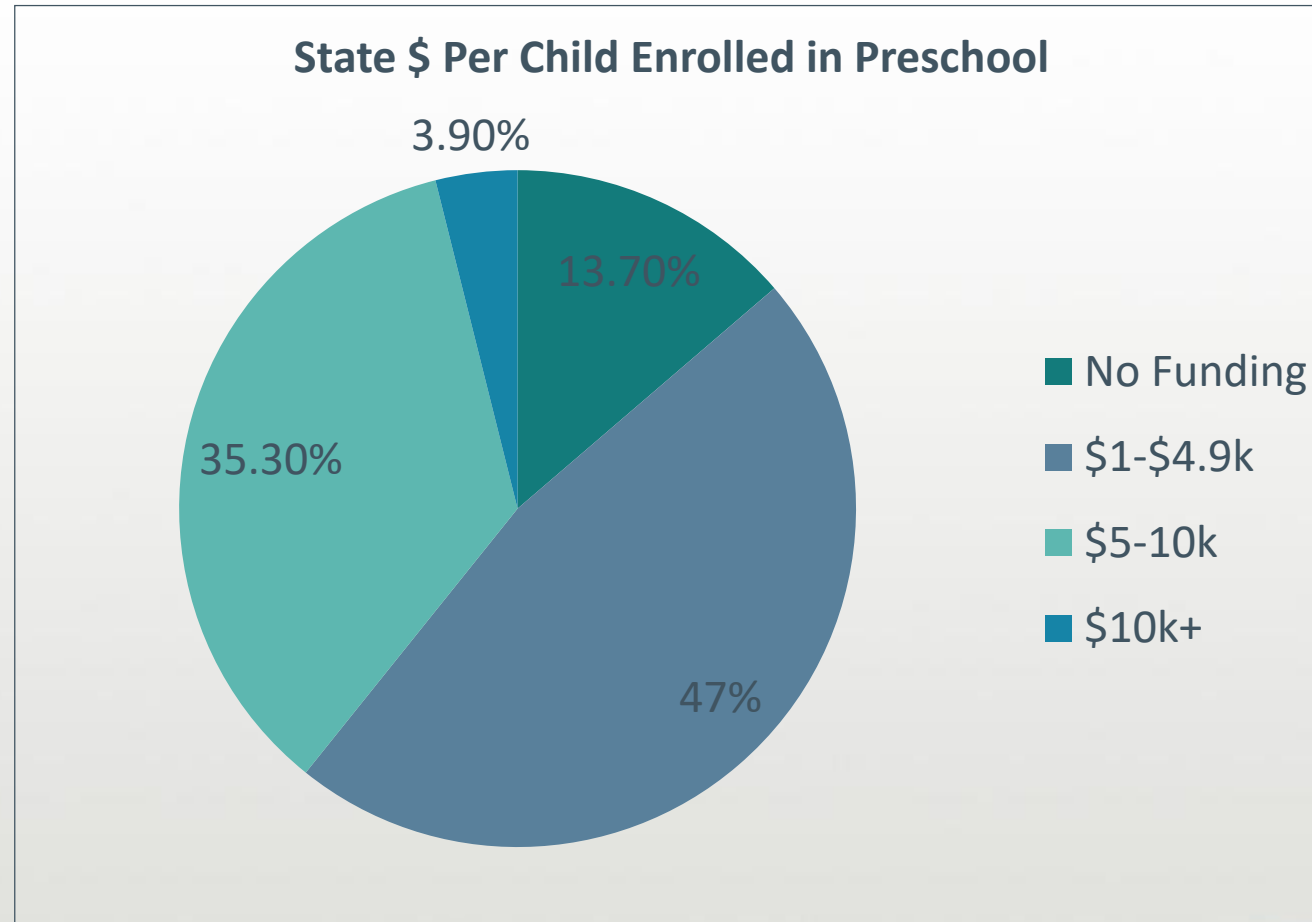
Average State Spending per Enrolled Child (2016 dollars) Lower than 2002 Levels



Source: http://nieer.org/wp-content/uploads/2017/08/FullyB_8.21.17_compressed.pdf

State Resources for Early Learning vary considerably by state

The **District of Columbia** and **New Jersey** both contribute over \$10,000 per child enrolled in preschool.

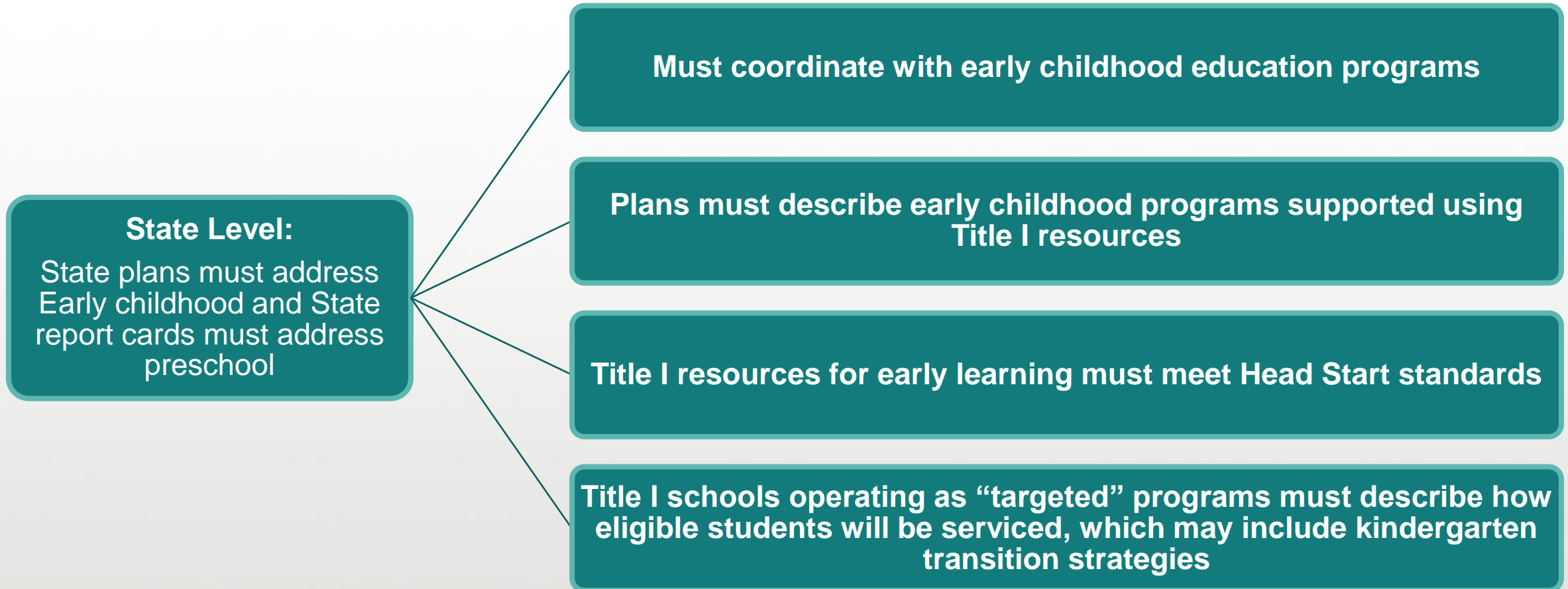


Source: http://nieer.org/wp-content/uploads/2017/08/FullYB_8.21.17_compressed.pdf

Major Federal Sources of Early Learning Funding

- **The Child Care and Development Fund (CCDF)**
- **Temporary Assistance to Needy Families (TANF)**
- **The Social Services Block Grant (SSBG)**
- **Head Start and Early Head Start**
- **Medicaid and Child Health Insurance Program (CHIP)**
- **PDG Funding**
- **Child and Adult Food Program**
- **Titles I, II, III, IX of ESSA**

ESSA and Title I Funding



Source: <https://ffyf.org/resources/eceinessa2015/>

State Funding Strategies: Pre-K

- **School Funding Formulas:** Link Pre-K to K-12 funding
- **Dedicated Funding Streams and Taxes:** Lotteries, Beer, Tobacco, Gambling
- **Legislated Budget Process:** Negotiated in state budget (Ex: New York and Florida)
- **Local Tax Initiatives:** Approved by voters (Ex: Denver)

<http://nieer.org/wp-content/uploads/2016/08/24-1.pdf>

<https://www.ecs.org/wp-content/uploads/State-Pre-K-Funding-2016-17-Fiscal-Year-Trends-and-opportunities-1.pdf>

Focus on Quality, Access, and Affordability: Additional Considerations for State Funding Policies

- **Teacher compensation**
- **Professional development/support**
- **Setting Standards: Quality indicators for teacher/student interaction, classroom environment, student outcomes**
- **Examine enrollment in the state by demographics: Who is currently accessing high-quality early learning opportunities?**
- **Funding for facilities**

Quick Poll

What aspects of funding would you be most interested in learning more about?



Emerging Ideas from the Field: Major Policy Levers

State policy can encourage effective resource use

FLEXIBILITY

Districts may not have meaningful **flexibility** over certain resources

SUPPORT

Most districts don't have access to proactive **supports** to inform resource investments

ACCOUNTABILITY

Where flexibility exists, **accountability** often measures the wrong things in the wrong way

TRANSPARENCY

State structures to improve **transparency** are focused on compliance rather than strategic decision-making

Emerging Ideas from the Field: Major Policy Levers

Lever 1: Use funding to incentivize improvements in quality

For example, create a basis for ratings by defining state quality standards that incorporate assessments of adult-child interactions, as well as structural factors, such as adult-child ratios and facility requirements.

FLEXIBILITY

SUPPORT

ACCOUNTABILITY

TRANSPARENCY

Lever 1: Use funding to incentivize improvements in quality

Develop quality rating and improvement systems to support continuous improvement, reinforce quality standards, and provide a basis for program accountability.

Develop a strong local infrastructure to meet the needs of diverse communities.

FLEXIBILITY

SUPPORT

ACCOUNTABILITY

TRANSPARENCY

Policy Lever In Action

STATE EXAMPLE: North Carolina

1. Integrates its child care licensing, quality rating and improvement systems
2. Scoring and finances are linked
3. Incentives to expand the ECE workforce (T.E.A.C.H and WAGE\$)



FLEXIBILITY

SUPPORT

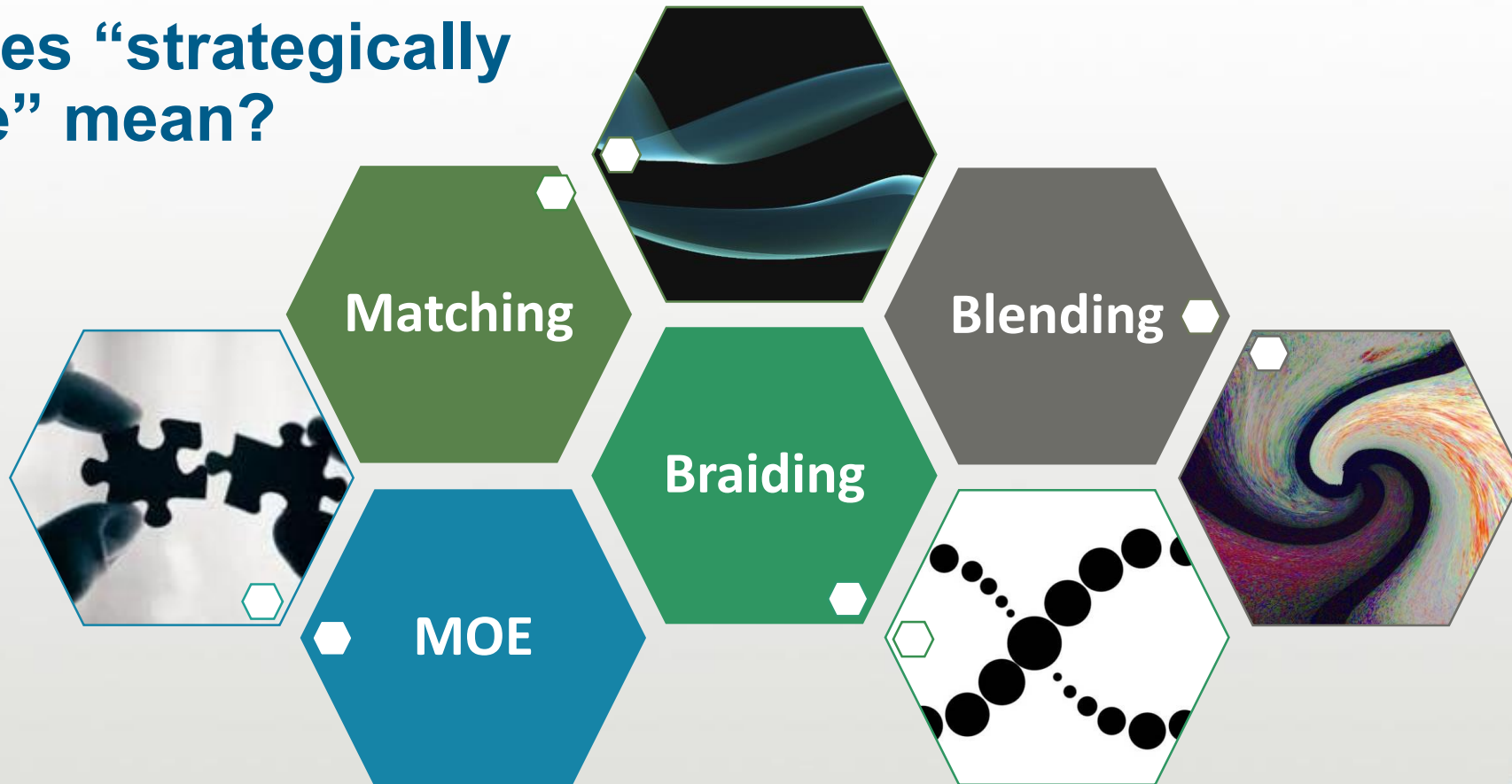
ACCOUNTABILITY

TRANSPARENCY

Sources: <http://www.childcareservices.org/wagesapps/index.php>,
<http://www.childcareservices.org/ps/teach-nc/>

Lever 2: Strategically Combine Multiple Funding Sources to Increase Access and Improve Quality

What does “strategically combine” mean?



Policy Lever In Action

STATE EXAMPLE: Michigan

1. State funds are the main source of revenue for preschool, but some local programs combine state, federal, local, and private funding to cover the cost.
2. Programs may blend federal Head Start funds and GSRP funds to create a full-day program.
3. This also has the result of increasing available full day program access. Slots for these positions are based on eligibility factors.



FLEXIBILITY

SUPPORT

ACCOUNTABILITY

TRANSPARENCY



Policy Lever In Action

STATE EXAMPLE: Oklahoma

- Oklahoma Established a Public-Private partnership to run their Early Education foundation.
- In 2003, HB 1094 creating the Oklahoma Partnership for School Readiness Act (OPSR)
- A foundation was established to solicit and receive public and philanthropic dollars to support early childhood initiatives.
- The Oklahoma Partnership for School Readiness Foundation, Inc. (OPSRF), serves in this capacity as a 501(c)3 organization to serve this purpose.

FLEXIBILITY

SUPPORT

ACCOUNTABILITY

TRANSPARENCY

Recap: Major Policy Levers

Lever 1: Use funding to incentivize improvements in quality

- Create a basis for ratings by defining state quality standards that incorporate assessments of adult-child interactions, as well as structural factors, such as adult-child ratios and facility requirements.

Lever 2: Strategically combine multiple funding sources to increase access and improve quality:

- Matching state to local grant programs
- Simplifying financing system for local providers
- Linkages to K12 funding system
- **Leverage short-term funds and public-private partnerships. (Ex: Social Impact Bonds)**

Next Steps

Where can you go for more information?

Reach out to your team at NGA and WestED for support.

We will be happy to respond to questions specific to your state.

Exploring next steps

- **Developing a narrative for your state's investment**
- **Identify existing type of funding model**
- **Opportunities to repurposing funds from other state budget items to early learning**
- **Costing out expansion relative to state policy goal**

Center on Enhancing Early Learning Outcomes (ceelo.org)

Our mission is to build the capacity of SEAs to improve outcomes for children, birth to 3rd grade.

Priority focus areas:

- Costs and Financing ~ [Cost of Preschool Quality and Revenue](#)
- Leadership and Organizational Capacity ~ [Leadership Academy](#)
- Improving Quality of Teaching and Learning ~ [Every Student Succeeds Act](#) and many other resources



Contact: Lori Connors-Tadros, *Senior Project Director, CEELo, a project of the National Institute for Early Education Research* ([NIEER](#)) at ltadros@nieer.org

Open Discussion

What are the biggest areas of opportunity in your state for optimizing education resource allocations to expand early learning opportunities?



Upcoming Opportunities

Follow-up School Finance Webinar and Chronic Absenteeism

- Date TBD

Thank You!



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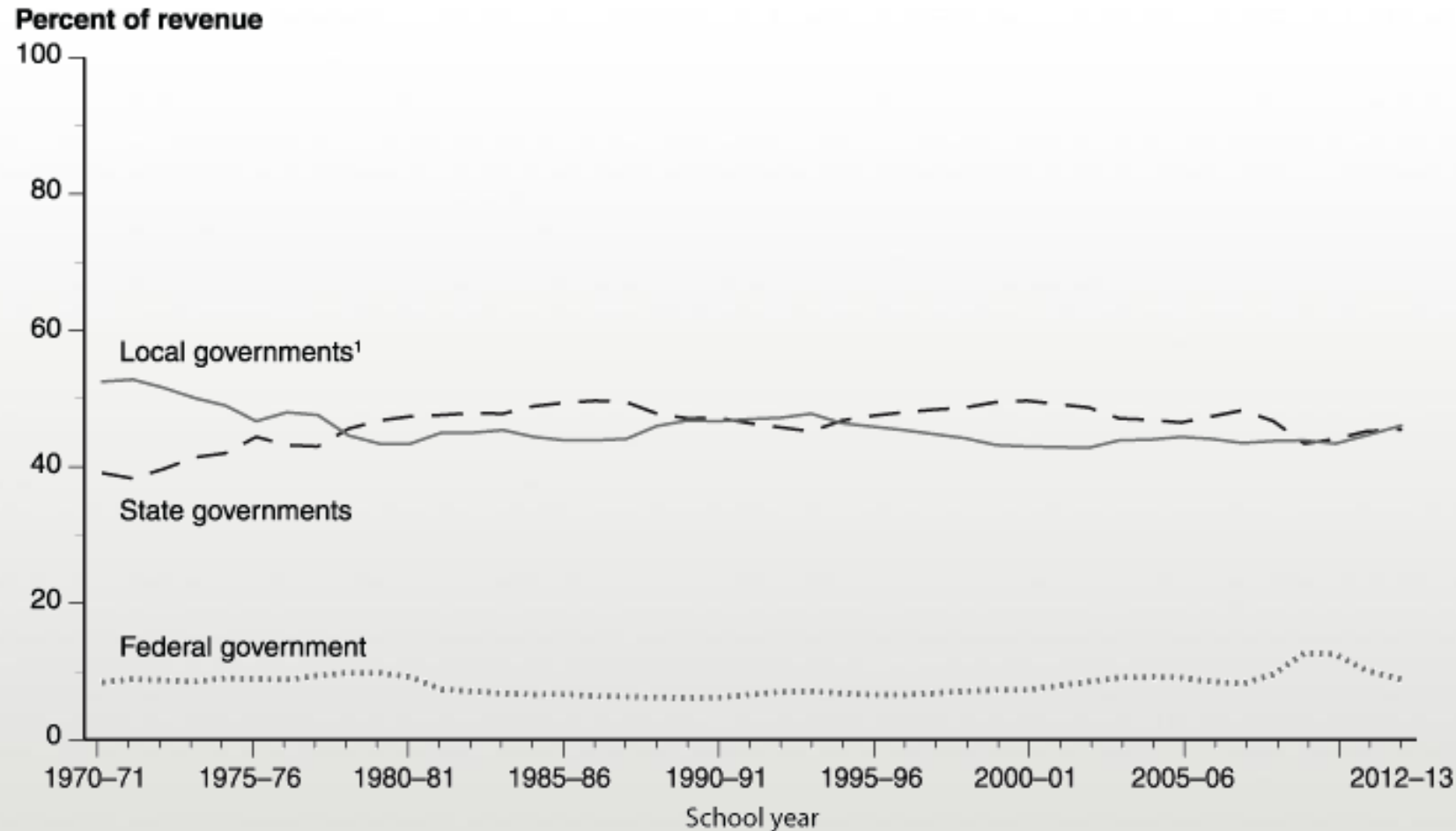
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RESERVE SLIDES

Over time, state effort has increased shifting proportion

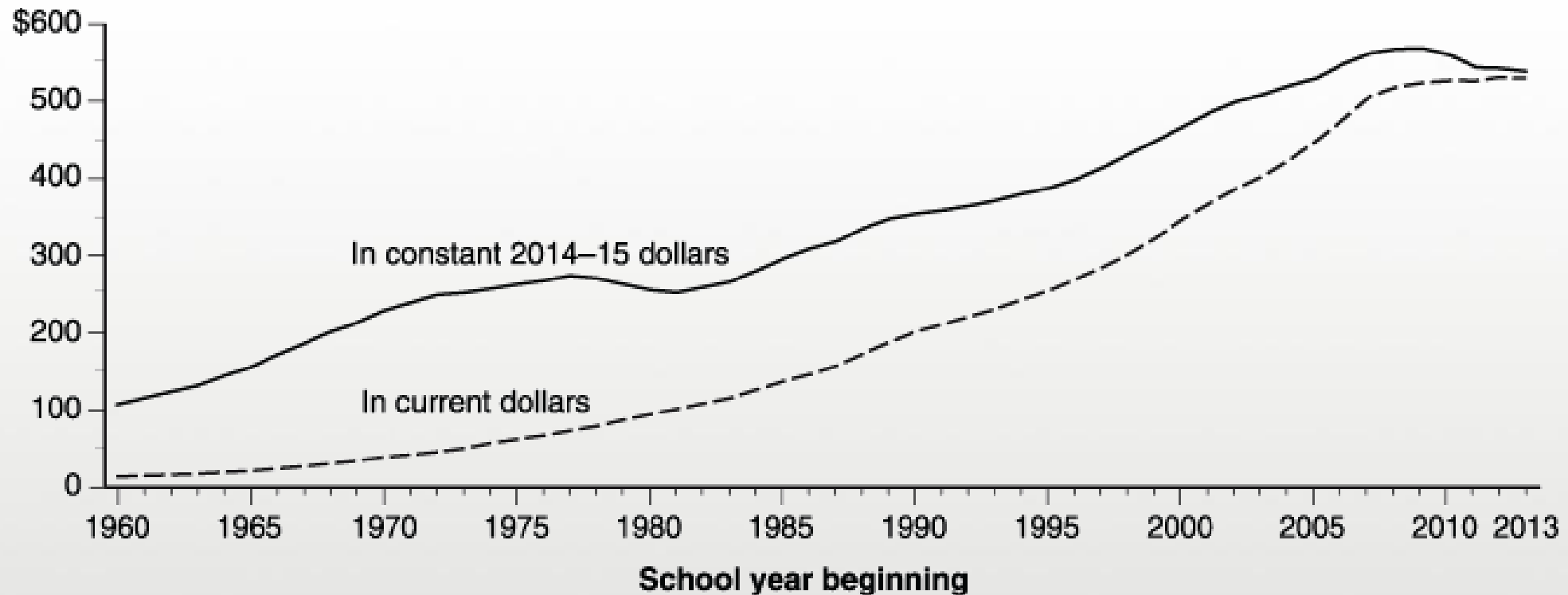


¹ Includes intermediate sources below the state level.

SOURCE: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education, 1970-71 through 1986-87*; and Common Core of Data (CCD), "National Public Education Financial Survey," 1987-88 through 2012-13.

Steady rise in spending...until the Great Recession

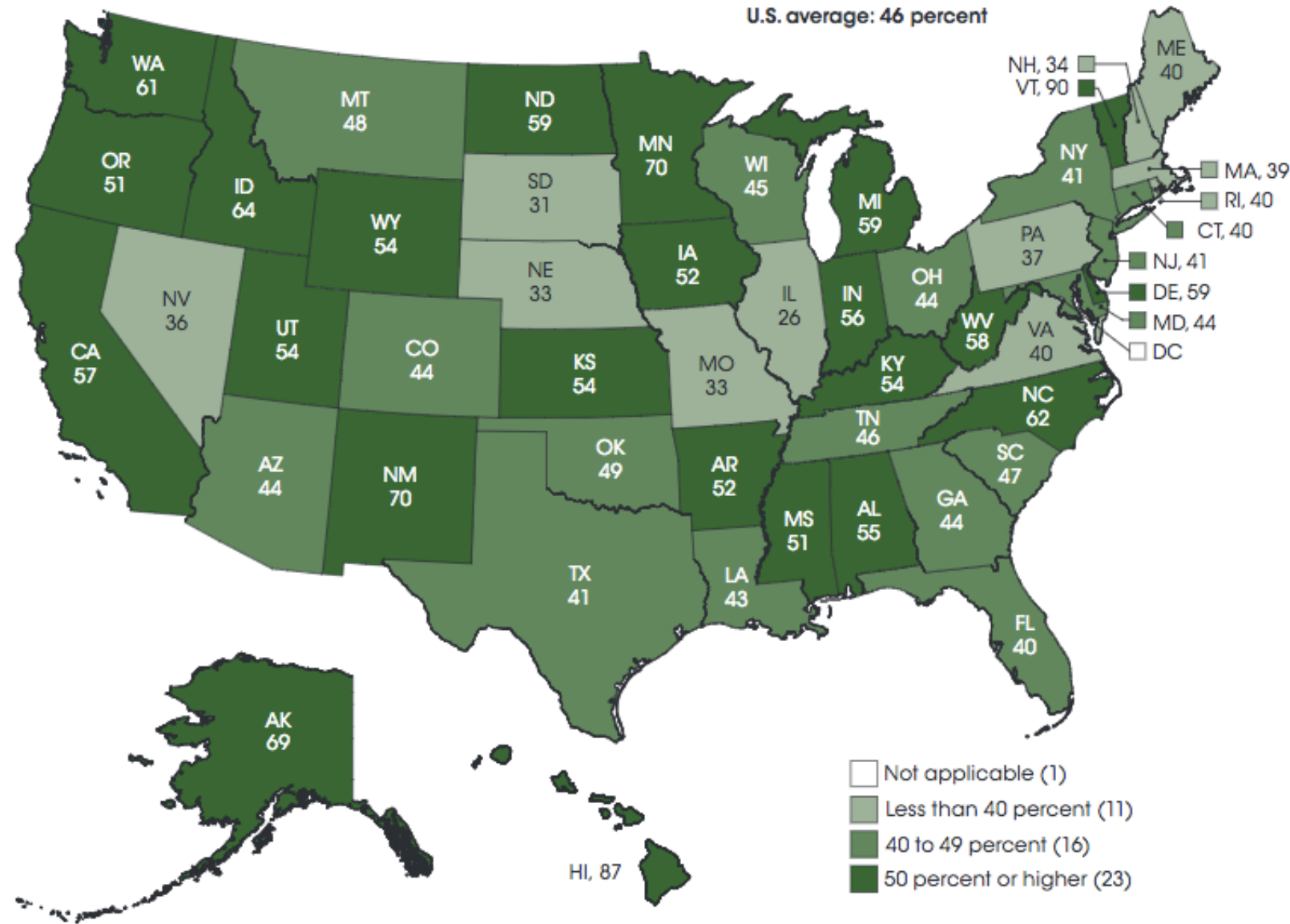
Current expenditures, in billions



NOTE: Expenditure data for school year 2013 (2013-14) are projected.

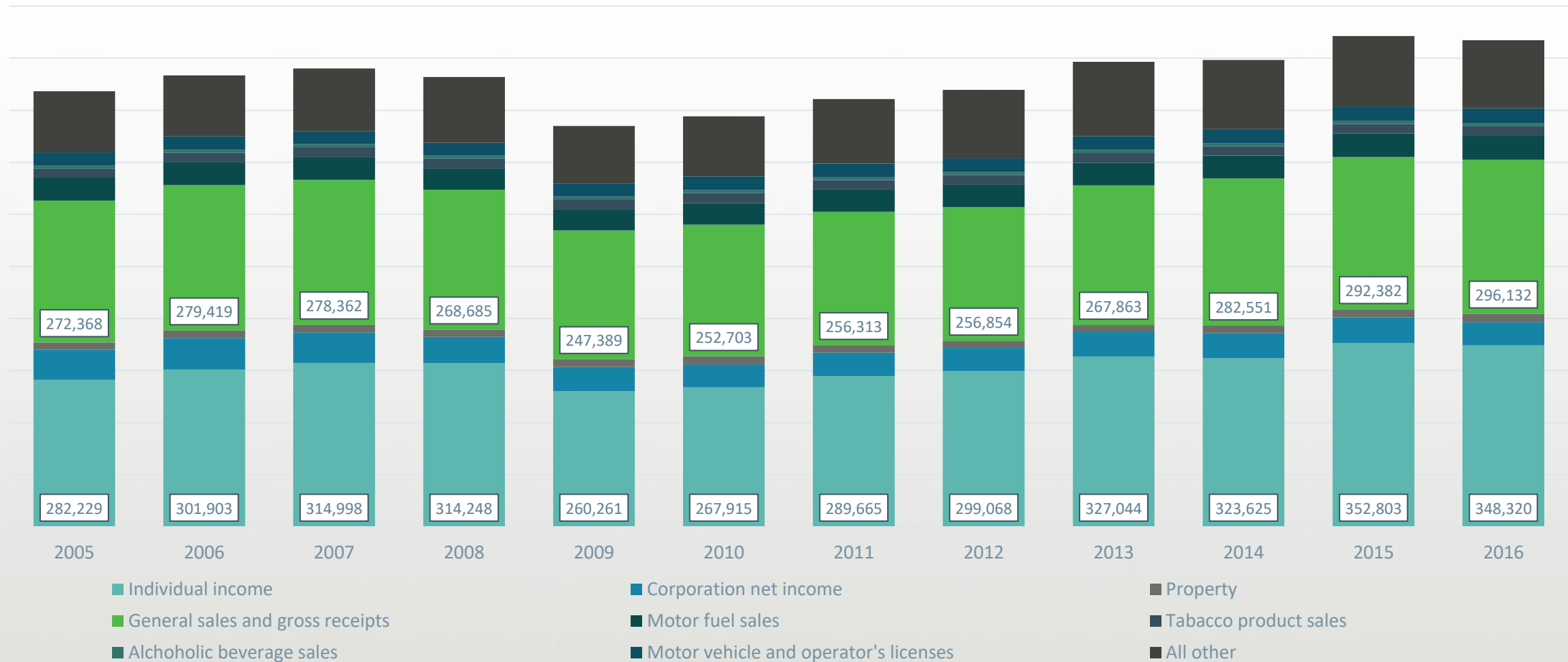
SOURCE: U.S. Department of Education, National Center for Education Statistics, *Statistics of State School Systems*, 1959-60 through 1969-70; *Statistics of Public Elementary and Secondary Day Schools*, 1959-60 through 1980-81; *Revenues and Expenditures for Public Elementary and Secondary Education*, 1970-71 through 1980-81; Common Core of Data (CCD), "State Nonfiscal Survey of Public Elementary/Secondary Education," 1981-82 through 2013-14, and "National Public Education Financial Survey," 1989-90 through 2012-13; and Public Elementary and Secondary Education Current Expenditure Projection Model, 1973-74 through 2025-26.

Figure 2. State revenues for public elementary and secondary schools as a percentage of total public school revenues, by state: School year 2013-14



NOTE: All 50 states and the District of Columbia are included in the U.S. average, even though the District of Columbia does not receive any state revenue. The District of Columbia and Hawaii have only one school district each; therefore, neither is comparable to the other states. Categorizations are based on unrounded percentages. Excludes revenues for state education agencies.
 SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey," 2013-14. See *Digest of Education Statistics 2016*, table 235.20.

Sales tax revenue growing far less than income tax



Total state K-12 spending below 2008 levels

Percent change in total state funding per student, inflation-adjusted, fiscal years 2008-2014



Note: California, Hawaii, Indiana, Maryland, Rhode Island, and West Virginia are excluded because the data necessary to make a valid comparison are not available.

Source: CBPP budget analysis and National Center for Education Statistics enrollment estimates.

Case Study: San Jose Unified SD

Enrollment: 32,454

Low income: 44%

English learners: 22%

Special education: 14%

Tchr per pupil ratio: 20.8

Avg. tchr. salary: \$72,731

\$ in millions	FY14	FY15	Chg. % (FY14-15)	FY20	Chg. % (FY15-20)
Certificated Salaries	\$139.7	\$144.5	+3.4%	\$154.9	+7.2%
Classified Salaries	\$40.9	\$40.4	-1.2%	\$46.4	+14.9%
Employee Benefits	\$58.6	\$69.9	+19.3%	\$104.1	+49.9%
Total Spending	\$298.6	\$313.2	+4.9%	\$362.8	+15.8%
Ending Balance	\$42.4	\$30.3	-28.5%	\$9.1	-69.9%

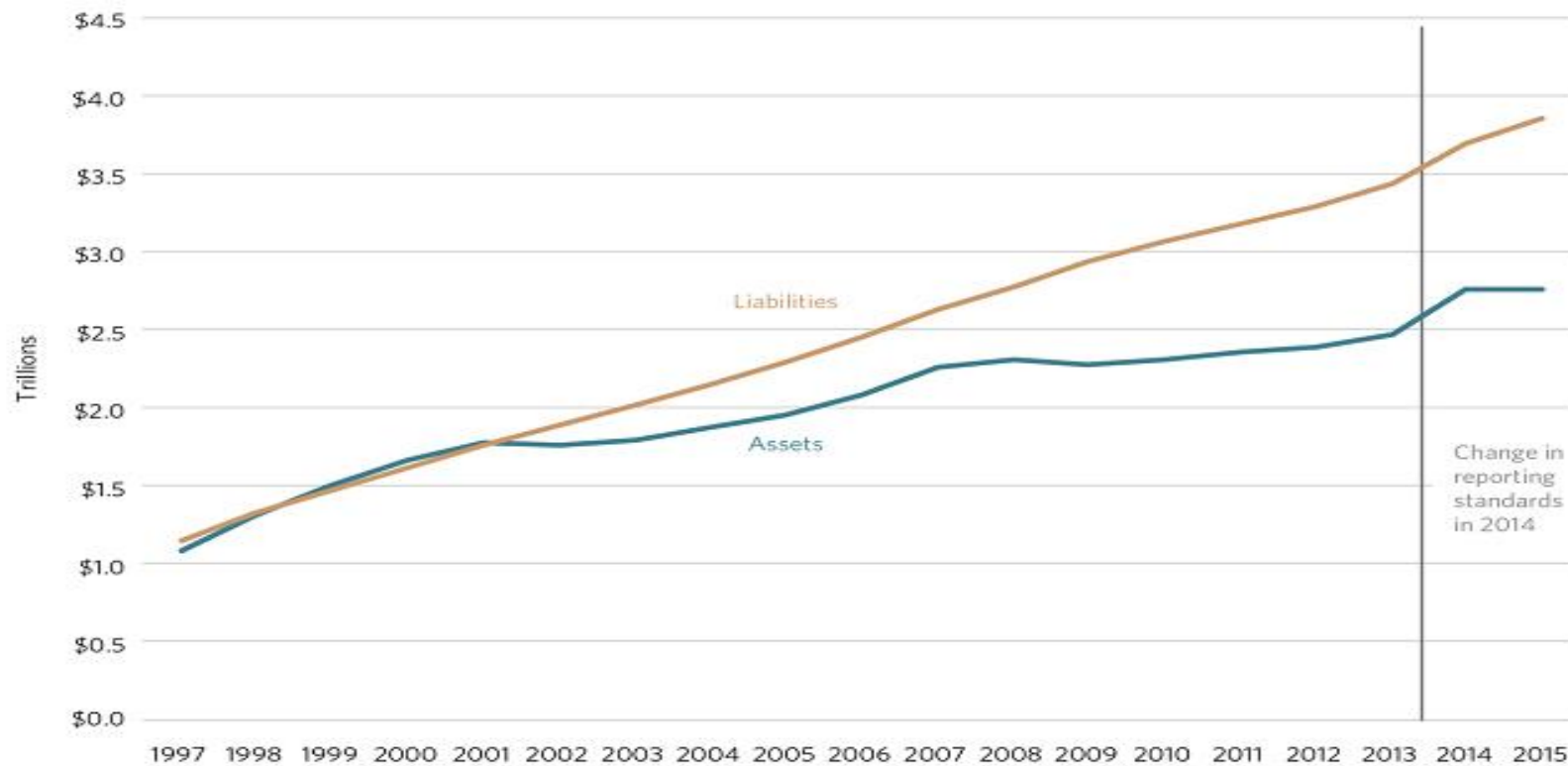
Source: 2014-15 Unaudited Actuals. San Jose Unified School District. San Jose, CA.

Little relief in sight for states on pensions

Figure 1

Tracking State Pension Assets and Liabilities, FY 1997-2015

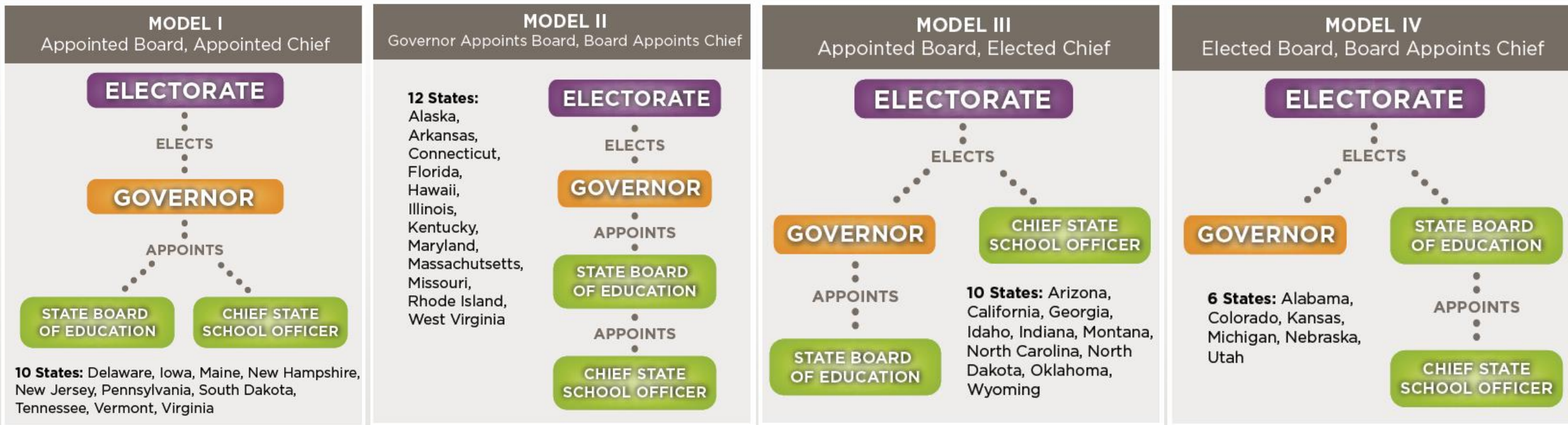
Gap increased in 2015, the second year of new reporting standards



Sources: Comprehensive annual financial reports, actuarial reports and valuations, or other public documents, or as provided by plan officials.

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K12 governance structures are simply: complicated



Source: Education Commission of the States. *50-State Review: State Education Governance Models – 2017 Update*. Denver, CO.

School Finance and The National Context

Fiscal equity is an ongoing, pervasive, and multifaceted challenge for state education funding systems.

- **To better understand and tackle this issue requires:**
- **A closer look at how states allocate aid to local districts,**
- **The identification of education investments that are producing the greatest returns; and**
- **Strategies for data-use to identify funding and educational inequities.**