How Do States Fund Pre-K?

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Access to high-quality early care and education (ECE) supports healthy child development, accelerates academic achievement, reduces educational inequality, and catalyzes economic growth.[1] The benefits of ECE are even greater among economically disadvantaged children, children with disabilities, and multilingual learners.[2] However, despite these well-established benefits, public investment in ECE remains far below the level young children, families, and ECE providers need.[3]

One area of particular interest for many states is public funding for pre-K programs, where K-12 and ECE intersect. Direct state investment in pre-K has more than doubled in the past 20 years, from about $5 billion in 2003 to more than $11.7 billion in 2023.[4] But there is plenty of room for publicly funded pre-K to grow: While 65% of five-year-olds attended public kindergarten in 2022, just 27% of all three- and four-year-olds attended public pre-K programs in 2022.[5]

This brief examines state funding mechanisms for pre-K programs and provides an overview of the approaches and considerations that states can take to fund and expand access to high-quality pre-K. It serves as an introduction for advocates and state policymakers with an interest in supporting ECE via state funding policy.

Key Terms

- **Early Care and Education (ECE)**: The acronym can also refer to early childhood education. ECE is a broad term for recurring, nonparental care settings for young children.[6] This brief refers to ECE as settings serving children from birth to kindergarten entry. High-quality ECE settings develop young children's emotional, social, and cognitive skills and support their overall well-being. "**Child care**" and "**preschool**" are other common terms that usually refer to ECE in group settings.
- **Pre-K**: Although states and individual ECE programs define pre-K in various ways, this brief refers to pre-K as a subset of ECE programs that provide full-day or half-day ECE for three- and four-year-old children, with an emphasis on building kindergarten readiness skills. Pre-K may be delivered in schools, at ECE centers, or by home-based ECE providers.
- **Providers**: School districts, nonprofit and for-profit groups, faith-based institutions, tribal councils, individuals, and other organizations operate ECE programs in center-, home-, or school-based settings.[7]

What Are the Benefits of Access to High-Quality Pre-K?

High-quality pre-K programs provide substantial short- and long-term benefits to children and their families, particularly economically disadvantaged families, children with developmental delays and disabilities, and multilingual learners.[8] Specifically, pre-K:

- **Accelerates Student Achievement**: Attending a high-quality pre-K program increases a student's likelihood of reading by grade 3,[9] graduating high school, and attending college. Furthermore, some long-term studies have found these benefits can translate into adulthood through higher earnings and lower rates of incarceration.[10]
- **Reduces Educational Inequality**: Access to high-quality pre-K programs can close socioeconomic gaps in child learning, language, and development at kindergarten entry.[11]
- **Fosters Economic Growth**: Investments in high-quality ECE programs for disadvantaged children generate an estimated 14% return on investment per year by improving students' life outcomes as adults, helping parents stay in or enter the workforce, and enabling businesses to hire and retain more employees with young children.[12]

How Does the ECE Landscape Differ From K-12?

When policymakers consider greater investments in ECE, including public pre-K, they should consider the context of the ECE sector — especially the ways in which it differs from the public K-12 system — and how these differences might impact funding allocations and program success. Some high-level factors that may play an important role in funding decisions include:

- **Public Revenue**: K-12 schools are supported predominantly by a mix of local and state revenues (about 45% each, nationally), supplemented by federal funds targeting student groups or programs (about 10%).[13] In ECE, comparable data do not exist for revenue allocations, but public funding is a much smaller and more fragmented patchwork that is more reliant on federal funds, along with highly varying and mostly targeted state funds, with much less use of local funds. Even state or local programs aiming for universal pre-K eligibility may not have the capacity or funding to provide universal access.[14] Systems of regional governance or local intermediaries for distributing funding from state and local governments to provider sites are also less consistent in ECE than the state-to-district-to-school relationship in most public K-12 settings.[15]
    - **Implications for pre-K funding**: System-building and coordination costs should be considered in addition to the costs of high-quality classroom-level staffing, programs, and facilities. ***And***, investment in only one part of the ECE landscape (e.g., pre-K) can destabilize a fragile fiscal system.

- **Mixed Delivery and Family Choice**: ECE is often referred to as a "mixed delivery" system.[16] This means that ECE, including many publicly funded programs, can occur in schools, child care centers, or homes, operated by nonprofit, for-profit, or faith-based organizations, or individuals. ECE is also a system built on family choices: ECE is not mandatory, and in many states compulsory schooling does not begin until age six or seven.[17] Families may choose a particular care setting for their child for reasons such as cost, scheduling, location, perceived quality, or any number of personal preferences. A large factor in family choice is family cost: In the absence of sufficient public investment, families largely bear the costs of ECE through tuition.[18]

    - **Implications for pre-K funding**: Public funding for pre-K can take a large cost burden off working families. ***And***, funding systems should consider ways to maintain the strengths of both mixed delivery and family choice. For example, restricting the settings where public pre-K can be provided to only schools may reduce access, destabilize existing ECE providers, and limit choices that might better align with families' needs and preferences.

- **Educator Workforce**: As in K-12, the bulk of spending in pre-K programs goes to support educator salaries.[19] Compared with a typical K-12 classroom, a high-quality ECE classroom needs more adult support and supervision.[20] This means more adults per child in ECE, especially for infants and toddlers. Credential requirements and access to professional development for educators vary widely in different ECE settings and for different ages of children served. ECE educators make less money than their K-12 peers and are less likely to receive other workplace benefits — especially if they teach younger children in settings other than a public school.[21] Turnover of educators in ECE is markedly higher than in K-12.[22]

    - **Implications for pre-K funding**: The levels of staffing needed for a high-quality ECE classroom are expected to be higher than those of a classroom serving older children. ***And***, state leaders must address workforce inequities in compensation, benefits, and access to professional development that contribute to shortages in ECE educators.

What Are Sources and Structures of Public Pre-K Funding?

Publicly supported pre-K programs across the country receive funding from a variety of federal, state, and local sources. Whereas K-12 school systems rely primarily on state and local revenue streams, public pre-K programs rely more heavily on federal and state funding.[23]

During the 2024-25 school year (SY), the federal government allocated more than $25 billion to ECE, much of which supports pre-K programs, both directly and indirectly. The majority of federal funding for ECE is targeted toward economically disadvantaged families or children with developmental delays or disabilities.

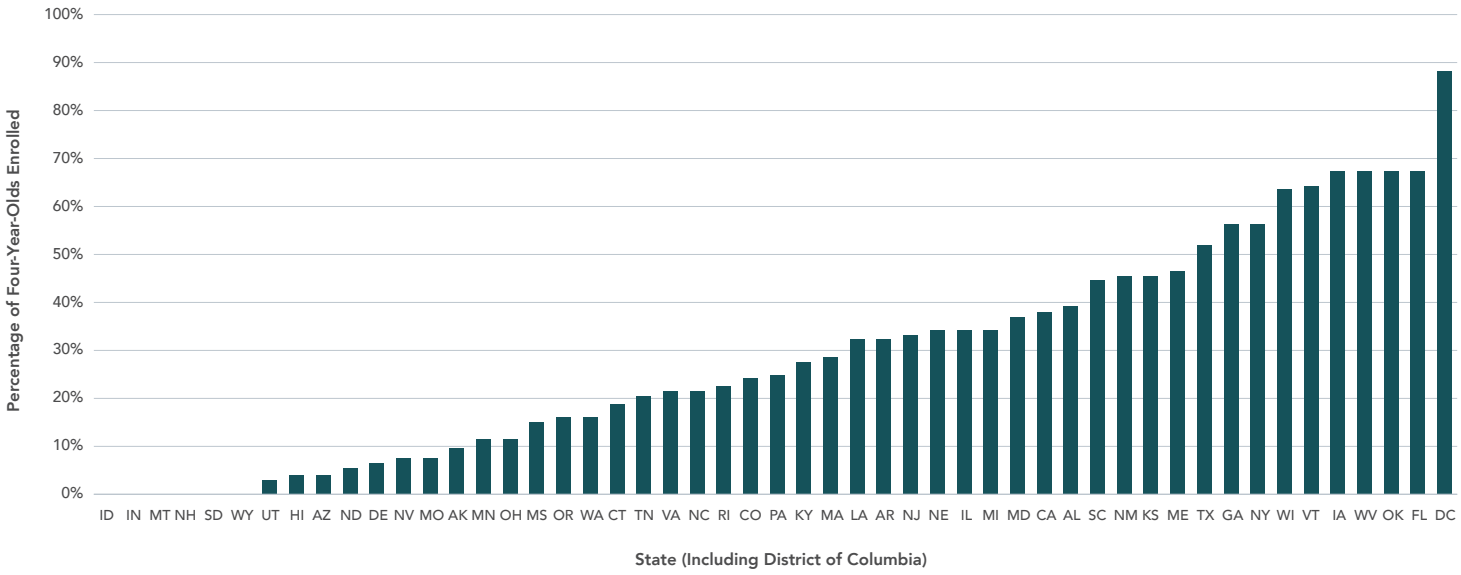
NOTABLE FEDERAL PRE-K PROGRAMS

Federal Program	Overview
Head Start (ages 3-5) and Early Head Start (ages 0-3)	Provide ECE and wraparound supports for children from low-income families, comprising nearly half of all federal ECE spending ($12.3 billion in fiscal year [FY] 2024).[24] Head Start and Early Head Start grants are distributed on a competitive basis directly to grantee providers, not states.
Child Care and Development Fund Block Grant	Issues funding to state, territory, and tribal governments to make ECE more affordable for low-income working families ($8.7 billion in FY24).[25] Much of this funding goes to subsidize the cost of ECE; states vary within federal guidelines in their specific eligibility, application, and provider payment policies.[26]
Individuals With Disabilities Education Act (IDEA)[27]	**Part B, Preschool Grants** fund supplemental preschool grants for facilities serving children ages 3-5 with developmental delays or disabilities ($420 million in FY24). **Part C, Early Learning and Early Childhood Grants** provide funding to states so that they can operate comprehensive statewide programs of early intervention services for infants and toddlers ages 0-3 with disabilities ($540 million in FY24).
Preschool Development Grants Birth Through Five	Provide competitive grants to states and territories to strengthen collaboration and communication among birth through age five programs and services ($315 million in FY24).[28] These grants are mostly aimed at state-level initiatives.
Child and Dependent Care Tax Credit	Allows taxpayers to claim a tax credit (up to $3,000 in tax year 2024) for the costs of care for a qualifying family member, who may be a dependent under age 13 or an adult dependent who is unable to care for themselves.[29] This can be used to offset ECE costs, after/before school care, summer camp, or other forms of child care.
Other Federal Grants	Other forms of federal funding for ECE are also in Title I of the Elementary and Secondary Education Act, the Social Services Block Grant, and the Temporary Assistance for Needy Families program. State and local governments can elect to devote portions of these funding streams toward pre-K and ECE.[30]

State Funding for Pre-K

During SY22-23, 44 states and the District of Columbia invested funding toward public pre-K programs. Six states provided no additional funding for pre-K but may have supported ECE in other ways, such as supplementary funding for child care subsidies that could be used for pre-K, or child care tax credits.[31] An estimated 35% of four-year-olds and 7% of three-year-olds enrolled in state-funded pre-K in 2023,[32] though the reach of these programs varies substantially by state.

STATE-FUNDED PRE-K COVERAGE
Percentage of Four-Year-Olds Enrolled in Public Pre-K, 2023



***Source**: Authors' own analysis using data from the National Institute for Early Education Research's (NIEER) 2023 State Preschool Spending and State Preschool Enrollment public access datasets.*[33]

When states expand funding for pre-K programs, there are several interdependent decisions to be made about revenue sources, child eligibility, provider eligibility, and funding structure.

As with K-12 funding, **revenue sources** for most states' pre-K programs include general fund appropriations, subject to each state's appropriations and budgeting processes.[34] Additionally, at least 21 states and the District of Columbia have designated revenue sources set aside for pre-K or ECE, usually achieved through voter ballot initiatives or court orders.[35]

In determining **child eligibility**, most states target funds toward specific categories of children and families, commonly economically disadvantaged families or children with developmental delays or disabilities. Proponents of **targeted eligibility** argue it is a more efficient use of limited state funds, as targeted populations of children and families are more likely to lack access to high-quality ECE without additional resources.[36] Proponents of **open or universal pre-K eligibility** point to the benefits of high-quality ECE for all children, potentially increased voter or taxpayer support for universal programs, and the benefits of more diverse ECE classrooms.[37] In addition, recent research suggests students from low-income families may achieve better outcomes in universal pre-K programs than in targeted ones.[38] As of 2021, 12 states and the District of Columbia had universal pre-K programs that were open to families regardless of income or family characteristics.[39] But, to achieve true universal access, states must provide sufficient funding for programs that meet families' needs, in addition to open eligibility.[40]

In terms of **provider eligibility**, most state-funded pre-K programs aim to continue a system of mixed delivery and parent choice, with schools, child care centers, and family child care homes eligible to offer public pre-K classrooms. A mixed delivery pre-K system leverages the expertise of existing ECE providers, supports community businesses and organizations, offers options to families, and maximizes facility space to expand seats.[41] But states vary in how well their funding policies align with this intent, and there are often barriers for non-school district providers to participate in public pre-K.[42]

The **funding structure** a state designs to distribute pre-K funding can help or hinder goals around student access, family choice, and mixed delivery settings. Structural options include a pre-K through grade 12 funding formula, an ECE or pre-K-specific funding formula, categorical grants, and indirect supports.

STATE APPROACHES TO FUNDING PRE-K PROGRAMS

Funding Structure	Definition	State Examples	Pros	Cons
Pre-K Through Grade 12 Funding Formula	States can incorporate pre-K students and/or pre-K programmatic costs into their existing K-12 funding formulas, which often have weights to provide supplemental funding to students with additional needs.[43] Although these formulas typically distribute resources to local education agencies (LEAs) directly, states may encourage or require LEAs to partner or contract with community-based ECE providers to expand pre-K access in multiple settings.[44]	The **District of Columbia** funds pre-K using its Uniform Per Student Funding Formula (UPSFF), an enrollment-based pre-K through grade 12 school funding formula that includes weights to provide supplemental funding to students with additional needs.[45] During SY24-25, the UPSFF included a weight for ECE, providing an additional $2,154 for each student, differentiated with weights for different students' needs.[46]	• Tends to result in higher, more consistent, and more transparent funding levels. • Well suited to the goal of universal pre-K access.[47] • Cements high-quality pre-K as a state priority and has the potential to differentiate resources within pre-K programs to better support needs among targeted student groups.	• May make state aid less accessible to community-based ECE providers by routing funding through LEAs and positioning pre-K as primarily school-based.[48] • May equate the costs of pre-K to the costs of K-12 education, without attending to the system-building or distinct staffing and fiscal needs of ECE settings.
Pre-K or ECE-Specific Funding Formula	Some states have created separate formulas to support pre-K programs or ECE more broadly based on student enrollment and/or input costs (versus attaching pre-K funding to existing K-12 formulas).	**Iowa** funds its Statewide Voluntary Preschool Program for four-year-olds using a dedicated preschool funding formula called the Preschool State Foundation Aid.[49] This enrollment-based formula distributed funding to 324 districts and 264 community partners during SY22-23.[50]	• May be more likely than a pre-K through grade 12 formula to be purpose-built to the unique staffing, facilities, and system-building considerations in ECE, and to support a mixed delivery system of providers.	• May necessitate changes in state governance, data systems, or revenue to launch a new formula. • More vulnerable to cuts or underfunding.

STATE APPROACHES TO FUNDING PRE-K PROGRAMS *(continued)*

Funding Structure	Definition	State Examples	Pros	Cons
Categorical Grants	States distribute categorical grants through a competitive process to support pre-K providers in implementing services aligned with particular state programs and standards.[51]	The Early Education Division of the **California** Department of Education allows LEAs to apply for funding to establish pre-K programs aligned with the California State Preschool Program's (one of California's two public preschool programs) standards.[52]	• Categorical grants are built with specifics of pre-K programs and ECE providers in mind. • If there are funding constraints, allows the states to target funding more precisely. • May be more likely than a pre-K through grade 12 formula to support a mixed delivery system of providers.	• More likely to be limited in scope; more vulnerable to cuts and underfunding.[53] • Can privilege providers with the administrative capacity to navigate competitive state processes.
Indirect Supports	States may provide indirect supports for ECE providers via individual families through tax credits or tuition subsidies that can help broaden access to pre-K programs, alongside other forms of ECE.	**Colorado** provides multiple tax credits (such as the Child Care Expenses Credit and the Low-Income Child Care Expenses Credit) to make ECE more affordable for low-income families.[54] The **Mississippi** Child Care Payment Program provides tuition assistance to eligible families and students to offset the cost of child care.[55]	• Encourages families to choose early childhood programs best suited to their unique needs and preferences. • Gives providers more flexibility in terms of the services they offer families.	• Offers fewer levers for quality standards or predictable funding for providers. • Places application burdens or upfront costs on families, and often has eligibility requirements that limit reach.

Often, states will use a combination of these funding approaches to provide multiple state revenue streams to providers, or to work in tandem with federal funding. This blending of public revenue streams can even happen within the same classroom.[56] For example, West Virginia's state pre-K program requires partnerships between Head Start and child care subsidies, which includes "collaborative classrooms" where eligible students receive Head Start wraparound services alongside peers who may qualify for other publicly funded programs.[57]

Local Funding for Pre-K

There is no consistent or complete data on local efforts to support pre-K. In general, local revenue for ECE is a much smaller piece of public programs' revenue share than in K-12. If states continue to build toward universal pre-K eligibility and access, drawing upon local tax revenue will likely need to be a piece of the revenue equation. In a few states, the state pre-K formula includes requirements for matching or equitable local effort, in an analogous way to most K-12 funding systems.[58] For example, Virginia's state preschool initiative requires local funding effort of up to half of the per-student funding amount, which parallels its local effort requirements in K-12.[59]

Some local governments have launched their own pre-K funding programs or dedicated voter-approved revenue streams.[60] Many of these initiatives have been concentrated in urban areas. For example, in Massachusetts, Boston Pre-K (previously known as UPK) offers tuition-free, full-day ECE with eligibility open to all three- and four-year-olds in the city, through a mixed delivery system that includes classrooms in Boston Public Schools, community-based ECE organizations, and home-based child care sites.[61] Funding for this initiative comes from a mix of state, federal, and local funds, with the City of Boston providing more than $6,500 for a child enrolled in the program in 2023.[62]

How Might States Advance Pre-K Funding?

The benefits of high-quality pre-K are clear, as is the necessity of greater public investment to reap the full potential benefits of ECE from birth through age five for children, families, and communities. States can play a pivotal role in accelerating student achievement, reducing educational inequality, and spurring economic growth by investing in pre-K and other ECE programs. Most states and the District of Columbia have already taken steps down this path, with substantial growth in public pre-K funding and parallel growth in enrollment in recent decades.[63]

However, the best or most equitable policy structures for funding pre-K and ECE more broadly are still up for debate. States and advocates seeking to support greater access to high-quality pre-K, especially those more familiar with K-12 systems, must collaborate with existing ECE providers and advocates to understand the unique landscape of ECE in their state and local communities, and work together to ensure public investment supports expanded access to high-quality ECE that aligns with families' needs. Doing so will help create a system of care and education from birth through high school graduation that is more successful, sustainable, and equitable.

Questions for Advocates

- *What state and local revenue sources support pre-K and other ECE programs in your state, and how do those compare with your state's K-12 funding system?*
- *How does your state currently provide funding for pre-K? Is funding distributed based on a formula, through stand-alone grants, or through indirect supports?*
- *How does your state invest simultaneously in pre-K and other parts of the ECE landscape, especially ECE for infants and toddlers?*
- *How many children have access to public pre-K programs in your state? Does your state support open pre-K eligibility, or is access to public pre-K limited based on characteristics such as disability and/or family income?*
- *Does your state's pre-K program support a mixed delivery system of providers? What kinds of organizations and sites can offer public pre-K in your state?*

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About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit **bellwether.org**.

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