

Pre-K 101



ILLUSTRATION / MARTY BLAKE

Who should control a four-year-old's education—the government or parents?

BY STEPHEN GOLDSMITH AND NINA S. REES

A vivid illustration of good intentions poised to go awry is the public policy debate now raging over the education of pre-schoolers. This year legislators in more than a dozen state capitals will decide how to spend hundreds of millions of new education dollars slated for preschool. The funding mechanisms they create will either support existing pre-K programs or supplant the largest segment of the pre-K through 12 education system offering parental choice.

The childcare industry nationwide consists of for-profit and nonprofit organizations that provide paid care or preschool education or both, along with family childcare providers who furnish services in their homes and school districts that offer preschool. Many private providers offer care and education starting with two-year-olds, using well-planned and well-developed curricula. However, the National Center for Education Statistics



(NCES) reported that in 2005, children from low-income families were more likely to be placed with family care providers who frequently render care with little or no educational content.

Proponents of greater public funding for early childhood education (ECE) argue that too many children, often those from challenged communities and homes, arrive for kindergarten with insurmountable development gaps and that low-income and disadvantaged children who are exposed to high-quality pre-K programs gain lifelong benefits. ECE advocates cite Nobel Prize winner James Heckman's work on the importance to society and the economy of fostering both cognitive and noncognitive skills in early childhood. In their 2005 RAND study, Lynn Karoly and James Bigelow found a significant return on investment when comparing the potential costs and benefits of a broad-based pre-K program in California. Assuming a part-day program with a 70 percent enrollment rate among four-year-olds, they extrapolated teacher salaries and other expenses to calculate costs. Using "scientific evidence of the effects of high-quality preschool on disadvantaged children," they estimated benefits from reduced remedial

education services to increased wage and salary compensation. Karoly and Bigelow calculated that every dollar invested in ECE would lead to a future return of \$2.62, as well as additional benefits to the state such as reduced crime and greater international competitiveness.

Other research has focused on childcare (see sidebar) and programs offered by public schools. A study by Matthew Ladner of the Goldwater Institute compared test scores in Arizona schools with and without their own preschool or all-day kindergarten programs. Ladner found that the reading and math test scores of 3rd graders were higher in schools that offered all-day kindergarten or pre-K, but by 5th grade the differences had disappeared.

States Jump In

Many policymakers view publicly funded preschool as a silver bullet, the answer to a wide range of societal problems (see Figure 1). Last November, Arizona voters passed a statewide cigarette tax that will provide greater access to pre-K for four-year-olds (implementation details are currently being crafted). Also in 2006, California legislators approved a governor-proposed initiative to expand annual pre-K spending (\$345 million spent in 2006) on the state's low-income children by \$50 million for the next three years. According to the national advocacy organization Pre-K Now, total state pre-K investments—a funding stream separate from federal childcare funds—rose from \$2.9 billion in FY05 to \$4.2 billion in FY07, an increase of more than \$1 billion in just two years.

A number of governors are touting universal pre-K (UPK), which offers publicly funded educational services to all four-year-olds, regardless of family income. Though offered to all, attendance is still voluntary. Virginia's governor, Tim Kaine, for example, hopes to convince his legislature to create a new UPK program to replace the Virginia Preschool Initiative, a small program that targets children from low-income families. Oklahoma governor Brad Henry would expand the UPK program in that state, where 70 percent of four-year-olds attend publicly funded preschool, to serve three-year-olds as well. Pre-K Now reports that one in three recently elected governors supports providing universal access to pre-K services in their states.

Whether states choose to offer UPK or target specific populations, they still must decide *how* to deliver these hundreds of millions of ECE dollars. States can provide funds directly to parents through tax credits or through vouchers parents can redeem at the provider of their choice. They can distribute funds directly to providers deemed eligible by a dedicated

Childcare: Beyond the Immediate Impact

Decades of research have identified numerous factors that are likely to influence children's success in school, including the type and quality of early childhood care. A new study by the National Institute for Child Health and Human Development (NICHD) finds that children who were cared for in high-quality childcare settings outside the home have better vocabulary skills at fifth grade than children who received early care in lower-quality settings. The research team, whose 15 members have held widely divergent views on childcare in the past, also found a link between spending time in childcare centers and more behavioral issues, such as disobedience and aggression, that persist through the sixth grade. Parenting quality was identified as the most important factor in children's development.

Jay Belsky, lead author of the federally financed NICHD study, expressed concern that there may be broad societal consequences from large numbers of young children spending many hours in center-based care. Census data from 2002 show that 23 percent of all children under five regularly attended an organized childcare facility, such as a day care center or preschool. The question for education policymakers is, How can states improve access to high-quality early childhood education while supporting the wide variety of childcare options available to parents?

The landmark NICHD study, which has followed 1,364 children from birth through age 12, appears in the March-April 2007 issue of *Child Development*.

third party, such as an independent state agency or community board or consortium, or by the existing state childcare bureaucracy. States can also feed the money directly into public school systems to create an additional grade (pre-K).

Many of the 38 states that fund pre-K programs are taking a fresh look at their options. The major differences between approaches can be understood by asking, Does the delivery model allow families more or less freedom of choice when picking a childcare provider? Does the model promote or limit competition among providers?

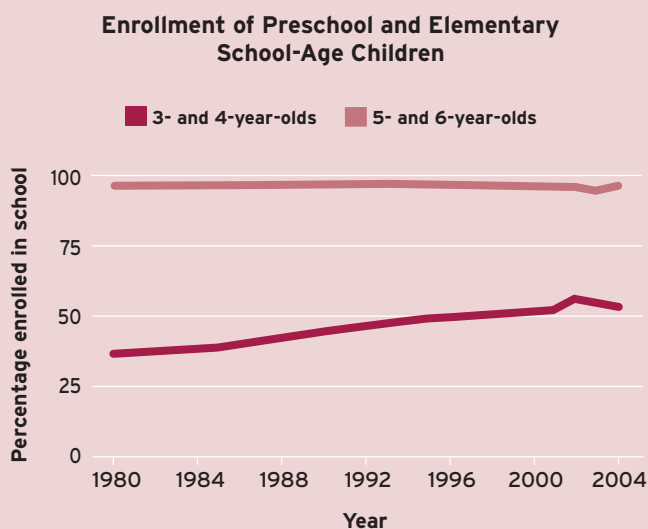
Parental Choice

The federal government currently subsidizes ECE through programs that enable parents to select the public or private provider that best fits their needs. Every state, in large part with federal money, provides struggling families with vouchers that can be redeemed by the ECE provider parents choose, whether for-profit, nonprofit, religious, community-based, or public. According to data from the Child Care and Census Bureaus, in 2005 approximately 4 percent of all families with children age 12 and under benefited from \$9 billion in vouchers through the Child Care and Development Fund and \$3 billion in subsidies provided by the federal Temporary Aid to Needy Families program. The federal government also provided almost \$7 billion in grants annually to the 2,700 public and private Head Start programs across the country, which offer one million low-income children and their families education, health, and nutrition services. Middle-class parents received \$3 billion in tax credits through the Child and Dependent Care Tax Credit provision.

The structure of the Florida program serves to maximize parental choice. In 2002, a successful grassroots initiative led to 60 percent of Florida voters approving the country's largest UPK (known as voluntary Pre-K, or VPK) program. Launched in 2005, the state offers every child \$2,500 toward a pre-K program of their parents' choosing, which typically covers three hours of care per day. The state's Agency for Workforce Innovation administers the program through local "early learning coalitions." The state licenses providers and holds them accountable for student performance by testing children within their first month of kindergarten. To measure their "kindergarten readiness," kindergarten teachers evaluate children's early literacy skills as well as a combination of social, emotional, and cognitive indicators. The choice of provider belongs to parents, who control the funds. More families can now better afford the full-day ECE services that working parents often need.

The Next Frontier (Figure 1)

Now that near-universal enrollment for kindergarten-aged children has been achieved, many say preschool is the best way to eliminate disparities in educational outcomes.



SOURCE: National Center for Education Statistics, "Digest of Education Statistics, 2005"

Georgia Pre-K, launched in 1993, also ensures a wide array of choices for parents. Georgia was the first state to implement a UPK program open to all four-year-olds; 56 percent participated in the program in 2003. Parents can choose from among public and private providers (including Head Start programs, public centers run by school districts and municipalities, for-profit providers, and nonprofit providers). But rather than awarding a voucher to each family, the state pays the provider directly. Today, experts and most high-quality providers agree that the voucher amount is insufficient to enable providers to meet the state's program quality standards.

A study of Georgia's pre-K program provides evidence in support of a market-based delivery model. Henry Levin and Heather Schwartz, in a paper published in 2006 by Columbia University's National Center for the Study of Privatization, walk through a comparison of Georgia's voucher-like UPK and the government-sponsored Head Start. Using data from previous studies, they rely on four criteria in their analysis of outcomes: freedom of choice; productive efficiency (costs plus cognition and language test results from kindergarten); equity; and social cohesion. Georgia Pre-K, which is heavily regulated, allowed for greater freedom of choice for families, higher quality of services for lower costs, and some gains in equity when compared to public sector pre-K.

Many of the 38 states that fund pre-K programs are taking a fresh look at their options. One major difference between approaches can be understood by asking, Does the delivery model allow families more or less freedom of choice when picking a childcare provider?



Independent Agents Choose

In some states, an independent state agency or a consortium of community members administers state pre-K funds and sets policies related to provider eligibility and quality. Massachusetts is piloting a UPK program under this model through its Department of Early Education and Care. Parents can choose from among the public and private providers that, based on the population they serve, qualify for the state funds. As reported by the Center for Law and Social Policy (CLASP), Community Partnerships for Children “administer funds and set policy to determine whether and how local providers participate.” Similarly, in North Carolina, local “More at Four Committees” choose providers of state-funded pre-K to at-risk children, according to the state’s eligibility guidelines, from among public schools, Head Start programs, community groups, and private providers. Beginning in 2008, with its new cigarette tax funding, Arizona will have the opportunity to demonstrate further how independent

community consortia can administer state pre-K funds to encourage parental choice, competition among providers, and affordable quality.

Local board control of funds can be detrimental to the private market if they are influenced by school districts or other vested interests and limit competition or misuse eligibility guidelines to favor some providers over others. Some states delegate the task of selecting providers to a cumbersome state agency or to a community board with strong political ties. The state agency or board allocates funds according to its view of public and private providers. States often find the process difficult to manage as they substitute bureaucratic systems—often involved with the K–12 system—for parental choice and the competition of the marketplace. The Illinois state legislature appropriated \$283 million in fiscal year 2007 to expand pre-K to 10,000 additional children, part of Governor Rod Blagojevich’s UPK initiative Preschool for All. Predictably, the Illinois State Board of Education awarded two-thirds of the 2007 grants to school districts.

Public School Pre-K

States can also distribute pre-K funds directly to local school districts, which establish their own decisionmaking processes and standards, often with little oversight. School districts decide which other providers can participate. Not surprisingly, school districts often choose to offer ECE services by themselves. Accord-

ing to CLASP, about one-quarter of states offering some form of pre-K program in 2004 distributed funds primarily through public schools, allowing for little or no competition from other providers.

Colorado utilizes local boards to administer pre-K block grants, but board members are appointed by school district superintendents. As a result, school districts are the primary participants and funding is allocated based on the needs of the school district rather than the needs of individual families. Oklahoma created a pilot pre-K program in 1980, also with school districts as gatekeepers. Oklahoma has one of the nation’s highest percentages of pre-K enrollment, and both public and private providers are eligible, yet parents do not have much by way of choice.

Public school districts that administer pre-K funds have few incentives to contract with qualified competitors. Any observer of public contracting can appreciate the difficulty: a government agency involved in the delivery of a public

service, except in unusual situations, cannot fairly administer a system where it decides whether to let others have some of “its” money.

According to a 2004 study by Marketdata Enterprises, more than 80 percent of early-childhood care and education, which includes services for toddlers and infants, is managed and operated by the private sector. When government only funds or encourages attendance at government-run preschools, it essentially pays parents to move their children out of private childcare centers. This creates a number of problems. For one, private programs tend to enroll children at an earlier age (when student-teacher ratios are low) than public programs. Since student-teacher ratios are higher for older children, the presence of older children helps keep overall costs down. If state-funded programs draw out the older children, small private providers will experience financial stress, leading to higher costs for the remaining families and forcing some providers to close their doors. Further, these higher costs may both increase demand on public childcare funding and force a number of families out of the private market into Head Start programs. Thus, the more government spends on pre-K under this model, the more it drives up its own costs.

Public school systems often argue that control over pre-K funds will help them respond to current demands to improve their performance. This line of reasoning acknowledges that K–12 schools struggle to improve student outcomes, yet advocates for their expansion into a new and different line of business, one that is working reasonably well now without their involvement. Studies of achievement gaps between different groups of students offer little support for expanding the K–12 public school system into the pre-K sector. Professors Roland Fryer of Harvard University and Steven Levitt of the University of Chicago used the U.S. Department of Education Early Childhood Longitudinal Study to compare more than 20,000 children entering kindergarten in 1998 in more than 1,000 schools (see “Falling Behind,” *research*, Fall 2004). They found that the achievement gap between black and white students with similar background characteristics is small or nonexistent at the time children enter kindergarten and grows steadily and significantly each year they attend public school. Participation in preschool had no significant effect on their results.

What States Should Do

States that decide to expand funding for public preschool should ensure access to high-quality programs by delivering funds in a way that targets the needy, strengthens the

Leverage Resources, Reward Performance

Texas and Pennsylvania are building on their existing childcare and pre-K systems. Texas’s pre-K pilot program combines a mixed delivery system comprised of public and private providers and consultant services from a third-party expert, the Center for Improving the Readiness of Children for Learning and Education (CIRCLE) at the University of Texas. Beginning in the 2006–07 school year, school districts are required to show how they are collaborating with community-based providers in order to receive expansion grant funds. CIRCLE sets out quality standards, and providers meeting these standards receive a supplement to their childcare funds, thus raising quality across the marketplace.

The Pennsylvania initiative aims to build pre-K partnerships to leverage community resources. Pre-K Counts will focus on low-income families and underperforming school districts. Each school district must establish leadership teams representing private childcare providers, Head Start, early intervention, and early childhood community engagement groups. These new partnerships will align early-learning standards across all providers while sharing professional development opportunities and engaging parents in their child’s development. Further, Pennsylvania’s childcare quality rating program, Keystone Stars, will provide a premium on top of the per-child reimbursement providers receive from state and federal childcare subsidies.

existing market, and maintains parental choice; by setting standards and promoting competition among providers; and by disseminating information.

1 Help those in need first. Many children from low-income households already receive support from the CCDF Grant. Unfortunately, the value of the voucher is almost always below market rates, even for basic care. States that want to be certain low-income parents can afford high-quality programs should build on the CCDF base. States can supplement the federal government’s voucher expenditure by paying an “education premium” to providers who educate four-year-olds according to state standards.

2 Leverage the existing system. Building on the infrastructure already in place not only guarantees that diverse and flexible solutions remain available, but also allows the state to leverage any new investment (see sidebar).

3 Maintain parental choice. Children and their families vary greatly and, therefore, a diverse set of solutions is preferable to a single solution. Surveys show



In a market-based system that ties funding to children, everyone benefits. Parents exercise control over and participate in the education of their children, children receive optimal and equitable care, high-quality private providers remain in business, and states optimize their pre-K expenditures.

consistent public support for parents to have options when choosing a provider to care for and educate their young children. Government policies that support a market-based approach create a level playing field for providers, which in turn enables a wide variety of organizations to operate, leading to more choices.

4 Set high standards and promote competition among providers. All qualified providers should have the opportunity to compete to educate preschoolers. Program standards should be set by the state and tied to funding. This arrangement creates incentives for providers to perform at the prescribed level and compete on quality.

5 Collect and disseminate information. Parents need reliable information about providers to make good decisions for their children. States should collect data, recognize and rate provider quality, and make that information widely available to the “shopper.” Smart shopping by involved parents produces benefits across the system, even for many less-discerning parents.

In sum, state officials committed to funding increased access to pre-K face a choice between competing philosophies: 1) adapt the model of the U.S. higher education system, which includes private, public, and religious colleges and universities, and government funding, which a student may use at any accredited institution or 2) expand the supply by funding the K–12 system to include pre-K.

States that choose to direct funds primarily toward public schools risk eliminating today’s diverse ECE provider market and replacing it with a one-size-fits-all model like the one that ails the K–12 system. As Louise Stoney, Ann Mitchell, and Mildred Warner of the Alliance for Early Childhood Finance note in the Summer 2006 issue of *Community Development*, “The misconceived assumption that new initiatives must be created means that reformers tend not to build on the many successful programs that already exist.” Expanding and improving the existing ECE system will produce higher-quality outcomes than a monopolistic approach to pre-K education. In a market-based system that ties funding to children, everyone benefits. Parents exercise control over and participate in the education of their children, children receive optimal and equitable care, high-quality private providers remain in business, and states optimize their pre-K expenditures.

Parents exercise control over and participate in the education of their children, children receive optimal and equitable care, high-quality private providers remain in business, and states optimize their pre-K expenditures.

Stephen Goldsmith is professor of government and director of the Ash Institute’s Innovations in American Government Program at Harvard University’s Kennedy School. Nina S. Rees is the former assistant deputy secretary for innovation and improvement at the U.S. Department of Education. Rees is affiliated with Knowledge Universe, a company with investments in early-childhood education. The authors thank Tim Burke for his research contributions.

New Books from the

CATO
INSTITUTE

Liberty and Learning: Milton Friedman's Voucher Idea at Fifty

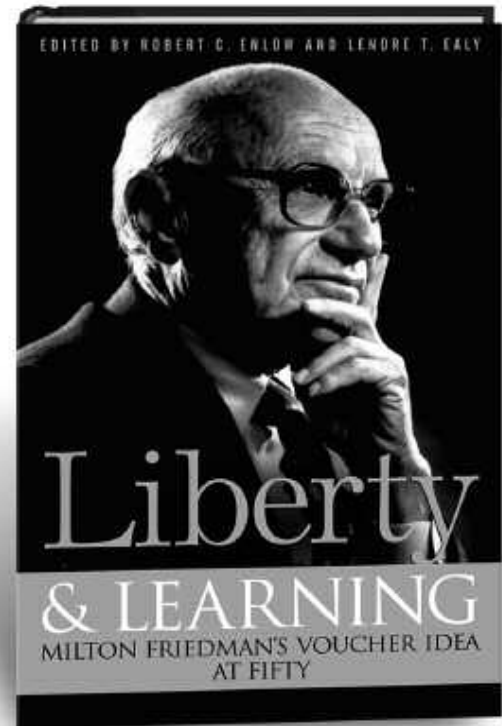
EDITED BY ROBERT C. ENLOW AND LENORE T. EALY

Milton Friedman's groundbreaking essay, "The Role of Government in Education," launched the modern school choice movement. He made a case for government policies that ensure universal access to education, but could not find justification for the government's operation of schools. This volume reassesses the merit and relevance of that argument for the 21st century.

“The contributors offer a thoughtful look at the movement for school choice. Readers interested in education will appreciate the well-considered arguments presented in this thought-provoking book.”

—BOOKLIST, AMERICAN LIBRARY ASSOCIATION

\$11.95 • PAPERBACK • 1-930865-86-4
\$19.95 • PAPERBACK • 1-930865-93-7



Feds in the Classroom: How Big Government Corrupts, Cripples, and Compromises American Education

BY NEAL MCCLUSKEY

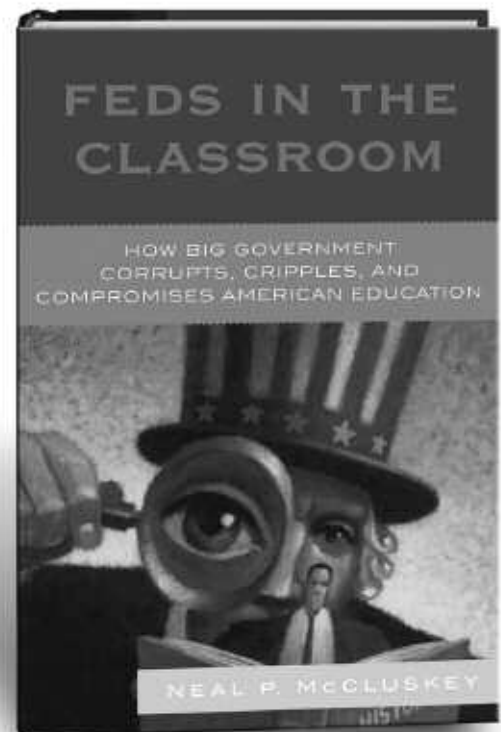
The federal government is deeply entrenched in American public education and virtually dictates what can be taught to students. Why? At what cost? And what are the benefits to public school students? The author challenges the constitutionality of the feds in the classroom and reminds readers that public education has, until recently, been the function of state and local governments.

Published by Rowman & Littlefield

“The over-riding value of McCluskey's work is that it shows that most federal educational programs are overwhelmingly useless, if not counter-productive.”

—MYRON LIEBERMAN, CHAIRMAN, EDUCATION POLICY INSTITUTE

\$22.95 • PAPERBACK • 978-0742548596



Buy your copy at bookstores nationwide, by calling 800-767-1241 or visiting www.cato.org

Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, DC 20001