



## EARLY EDUCATION IN THE GOVERNOR'S FY 2014 BUDGET

Early education and care is an essential resource for parents with young children who hope to work and plays a critical role in preparing young children for success in school, and in life.<sup>1</sup> Children from economically disadvantaged households who participate in high quality care have better outcomes across the life cycle than children from similar backgrounds who do not. These children are more likely to start kindergarten ready to learn. Being ready to learn in turn prepares children to read by the third grade, a critical benchmark for determining later success in school and beyond.<sup>2</sup> They have higher graduation rates and college attendance rates, they work more and in higher paying jobs, and access other public benefits at a lower rate than children from similar circumstances who are not able to participate in high quality early education before kindergarten.

The Governor's proposal invests in early education in two broad ways: by expanding access to early education options and by seeking to improve the quality of programs offered. This brief organizes discussion of the Governor's proposals into these two buckets, starting with expanding access.

### EXPANDING ACCESS

In Massachusetts, gaining access to early education and care has been increasingly difficult for children and families due to budget cuts.<sup>3</sup> Without access, parents can struggle to gain and keep employment and children potentially miss out on the benefits of early education. In fact, in recent years many families who meet eligibility requirements have not received a subsidy and instead are placed on a growing waiting list that includes around 30,000 infants, toddlers and pre-school children.

In his FY 2014 budget, the Governor proposes significant new investments targeted to reduce the number of children waiting for early education and care through the **Income Eligible Child Care** subsidy. Income Eligible provides care for children of low-income parents who are working, disabled or in an education or job training program. The new investment proposed by the Governor is split between two new, related, line items which would provide access to care for children currently on this wait list. In FY 2014:

- \$25.2 million funds the **Pre-school Initiative** which would provide access to pre-school age children currently on the wait list.

<sup>1</sup> For more information about the economic gains of high quality early education and care on both parents and children, see [Economic Gains from Early Education and Care](#)

<sup>2</sup> For the role high quality early education plays in preparing children for school and for reading by the third grade, see Haskins and Rouse, 2005. "Closing Achievement Gaps." To see how third grade reading leads to later success in school, see Hernandez, 2012. "How Third-Grade Reading Skills and Poverty Influence High School Graduation." The [Annie E. Casey Kids Count Data Center](#) tracks this critical benchmark by city and town as well as tracking other data which highlights how children are doing in Massachusetts.

<sup>3</sup> For more information about cuts, see [Declines in Spending on Early Education and Care in Massachusetts](#)

- \$31.6 million funds the **Infant & Toddler Initiative** which would provide access to infants and toddlers currently on the wait list.

Overall funding for access to care would increase \$51.6 million (22.2 percent) over FY 2013 spending with the goal of clearing the wait list for all eligible infants, toddlers and pre-school age children by the end of FY 2017.<sup>4</sup>

### The Governor's FY 2014 proposal begins to clear the wait list

As of January 2012, there were 4,882 infants, 9,800 toddlers and 14,924 pre-school age children (29,606 combined) on the wait list. However, families sometimes find other care arrangements for their children without taking their children off the list. Further, eligibility is not determined until after a family is offered care meaning not all of the children on the wait list are eligible or still waiting when they are offered a subsidy.

FY 2013 EEC average cost estimates to provide a subsidy:

- \$14,069 for each infant
- \$12,653 for each toddler
- \$9,102 for each pre-school age child

Total cost to clear the waitlist for these children under 3 scenarios

- All children – \$328.5 million
- 66% of children - \$216.8 million
- 33% of children - \$108.4 million

The Governor's proposal dedicates \$56.8 million to provide access for children currently on the wait list in FY 2014.

## **Including All Pre-Kindergarten Students in District Foundation Budgets**

In addition to expanding access to early education by serving children currently on the wait list, the Governor also proposes expanding access through the traditional K-12 school system. Under the Governor's FY 2014 budget, all pre-kindergarten students currently attending public schools (and not paying tuition) would for the first time be counted towards district foundation budgets. Because the state funds a significant portion of district efforts to meet foundation budget spending requirements, this policy change would increase state Chapter 70 aid for many districts offering pre-kindergarten education.<sup>5</sup>

Currently, districts can only count towards their foundation budgets up to two times as many regular education pre-kindergarten students as they have special education pre-kindergarten students. Further, these regular education students must be learning alongside special education students in an inclusive setting. The Governor's proposal would lift the cap for FY 2014 and allow districts to count towards foundation pre-kindergarten students in non-inclusive settings. As with kindergarten, students can only count towards foundation if they are not charged tuition for attending.

<sup>4</sup> This proposal does not address the approximately 20,000 children currently on the wait list who are waiting for after school care.

<sup>5</sup> For more information on how the Chapter 70 formula works, please see MassBudget's *Demystifying the Chapter 70 Formula* available online at: [http://www.massbudget.org/report\\_window.php?loc=FACTS\\_10\\_22\\_10.html](http://www.massbudget.org/report_window.php?loc=FACTS_10_22_10.html)

## FY 2014 Impact

Since enrollment counts are set for calculating FY 2014 foundation budgets, districts cannot respond to this new incentive by increasing pre-kindergarten offerings in FY 2014 and have the state contribute a portion of the cost. Therefore, this policy change has modest funding implications in its first year, only affecting those districts that were providing pre-kindergarten to regular education students above the cap and opting to pay the full cost without any state support.

The Department of Elementary and Secondary Education (DESE) estimates that uncapping pre-kindergarten student enrollment counts in the Governor's budget increases the statewide foundation budget by about \$17.5 million. This \$17.5 million increase is the result of including 4,810 additional pre-kindergarten students towards foundation budgets (see table to the right).

Since the state and local communities share the responsibility of funding foundation budget minimums, only about \$8-\$10 million of the \$17.5 million increase to the foundation budget is reflected in increased state Chapter 70 aid for FY 2014.

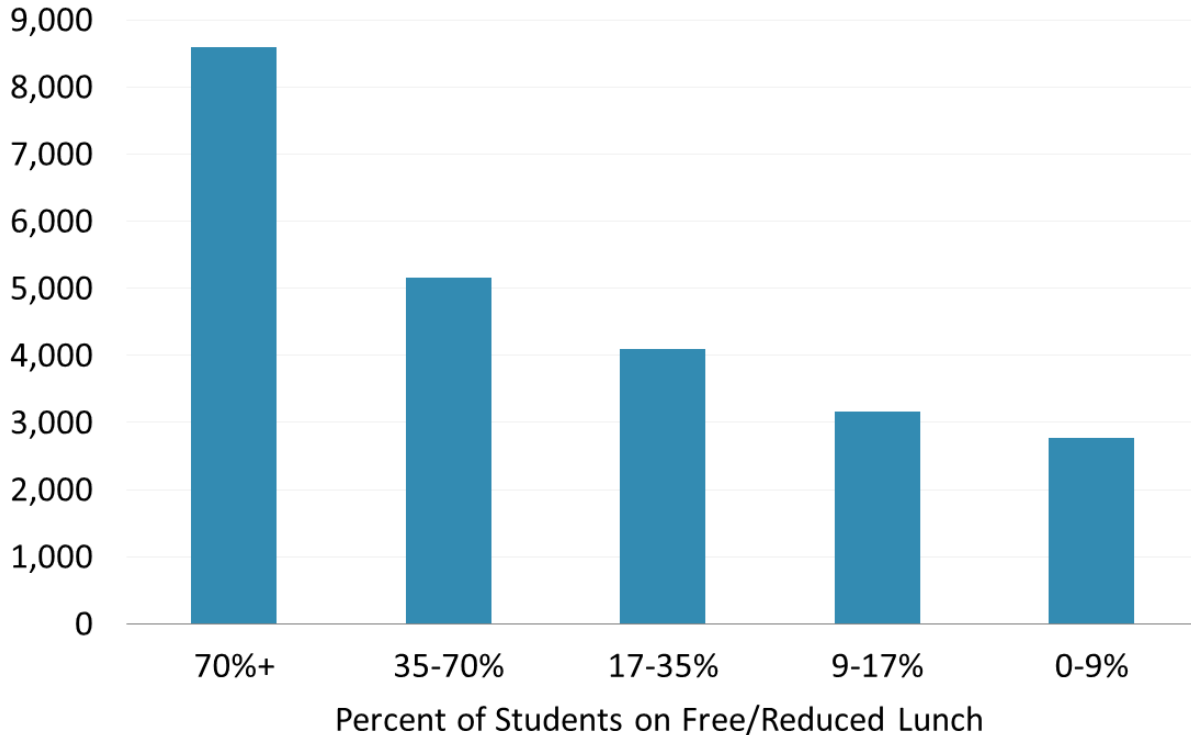
	Capped	Uncapped (FY14 Gov's Proposal)	Increase
<b>Pre-K Regular Ed</b>	9,724	14,534	4,810
<b>Pre-K Special Ed</b>	7,158	7,158	0
<b>Pre-K Limited English</b>	2,144	2,144	0
<b>TOTAL</b>	<b>19,026</b>	<b>23,836</b>	<b>4,810</b>

Most of the 4,810 pre-kindergarten students newly counted in foundation budgets for FY 2014 attend high-poverty schools. Specifically, 39% of these students attend schools in the 20% highest-poverty districts. High-poverty districts typically receive a greater share of their school funding from the state, helping them support these programs. Further, early education provides an important support for parents, helping them remain in the workforce, and high-income parents tend to pay for private early education programs more than low-income parents do. The graph below shows that most students currently enrolled in public pre-kindergarten classes attend districts with moderate to high percentages of low-income students (as measured by the percent of students enrolled in the federal free or reduced lunch programs).

## Low-Income Districts Serve More Pre-Kindergarten Students

Pre-kindergarten enrollment, FY 2013

Districts clustered by percent of free or reduced lunch students. Equal number of total students in each bar.



### FY 2015 and Beyond

If all pre-kindergarten students continue to be counted towards district foundation budgets beyond FY 2014, the provision of public early education could increase steadily. It is important to note, however, that the decision to expand pre-kindergarten would be made on a case-by-case basis, with many factors affecting local decisions. These factors include: what proportion of a district's increased foundation budget would come in the form of Chapter 70 aid; parent demand for pre-kindergarten and how its quality compares to private alternatives in the same community; and district capacity either to add classrooms within existing schools or expand into new buildings.

Because so many factors are at play, and because decisions would be so localized, it's challenging to predict the extent to which pre-kindergarten would expand in these future years. It does seem likely, however, that over time many districts would add classes, gradually ramping up over several years.

Finally, it's worth considering how, over the long term, expanding early education through the public school system could affect publicly-funded early education delivered by private providers. In addition to accessing pre-kindergarten options in some public school systems, eligible low-income families can access public support for early education through state-funded slots at private childcare centers or through the federal Head Start program. Since the Governor's plan would increase access to early education both in public and private settings, it will be important to think through carefully how best to coordinate across provider types in the state's complex early education network.

## IMPROVING QUALITY

The Governor also proposes several new line items devoted to improving the quality of early education and care received by children in Massachusetts. These line items include:

- \$30.6 million for **Early Education Provider Quality Investments**. For providers, the main driver of quality is also the primary cost driver – teacher salaries. The revenue used to pay teacher salaries primarily comes from rates charged to families or subsidized payments by the state. When the state reimburses providers below market rates, it can be difficult for providers to employ highly trained teachers in early childhood education. Currently, in Massachusetts reimbursement rates paid to early education and care providers are well below market rates and federal recommendations.<sup>6</sup> This investment would support an increase in reimbursement rates for providers to increase salaries, benefits and professional development opportunities for early education teachers – raising the quality of care children receive. This investment also includes an earmark of up to \$17.6 million for the transportation of children to and from care which could increase the round trip rate paid to providers by around 50 percent compared to 2006 (the last time rates were increased). The increase would go towards driver salaries and training; gas, maintenance, equipment and insurance costs; and would also provide funding to add an adult monitor to increase safety.
- \$30.0 million for **Quality Efforts**. One piece of the funding would be devoted to raising the quality of care provided to children by providing early education scholarships for teachers, professional development and class room grants to improve quality. Funding is tied to the Quality Rating and Improvement System (QRIS) which assesses the current level of early education and care delivered by providers and supports initiatives that raise quality for children in Massachusetts.<sup>7</sup> Funding would also support a voluntary K1 pilot program for some gateway city schools or other cities and towns with achievement gaps to offer education to children who are age four. Funds from this line item would also be used to align birth – grade three services offered by both EEC and DESE. The two departments along with the Department of Higher Education would plan and evaluate a system aimed at improving school readiness and early primary school success.
- \$3.2 million for a **Kindergarten Entry Assessment System**. The system assesses children's progress towards school readiness. Required in General Law Chapter 15D since EEC's inception, implementation began with a 2012 pilot in 24 districts including roughly 17,500 students and funded with federal "Race to the Top" funding.<sup>8</sup> The system supports tools and training for teachers, data collection and assessments which are developed to align with the K-12 Massachusetts Comprehensive Assessment System (MCAS).
- \$3.0 million for **Family Engagement to Support Reading Proficiency by Grade 3**. This program would fund the Reading Proficient by Grade Three Grant which supports programming devoted to increasing the reading proficiency of children by third grade: parenting classes,

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<sup>6</sup> For a detailed discussion of center based rates, see [Declines in Spending on Early Education and Care in Massachusetts. For information on all rates paid by the state, see the Massachusetts Market Price Survey.](#)

<sup>7</sup> See <http://www.mass.gov/edu/birth-grade-12/early-education-and-care/provider-and-program-administration/quality-rating-and-improvement-system-qris.html>

<sup>8</sup> Race to the Top is a U.S. Department of Education contest which awarded funding to states for education reform. Massachusetts was awarded \$250 million over 4 years. For more information about Race to the Top in Massachusetts, see <http://www.doe.mass.edu/rttt/>

professional development for private early education and public K-12 providers, home visiting, parent-child playgroups, and adult literacy programming. Eligible grantees must align literacy goals with school district strategies and show how the program will improve reading proficiency.

- \$5.0 million for **Comprehensive Support Services** – a competitive grant program to provide school readiness support for families with infants, toddlers and pre-school age children in communities with low-performing schools. Increasing the number of children reading proficiently by third grade is the main benchmark. Grantees would establish a network of community services and align supports with strategies currently employed by state agencies which serve children. These state agencies would be encouraged to increase cooperation through the grant process.