



## Increasing Pre-K Enrollment: Small Investment, Big Benefits

by Jack Hoffman

Vermont has long supported preschool. For 40 years, the federally funded Head Start program has served disadvantaged children whose families meet income-eligibility requirements. Since 1991, Vermont has required local school districts to offer Essential Early Education (EEE) services to young children with disabilities whose families seek assistance. And since the passage of Act 60 in 1997, local districts have had the option to provide pre-kindergarten (pre-K) education and include three- and four-year-olds as part of the student population eligible for state funding.

In 2007, the Legislature passed Act 62, which strengthened some of the requirements for school districts operating pre-kindergarten programs. However, the new law also set limits intended to slow the growth of pre-K enrollment.

Investment in pre-kindergarten is good for the economy in both the short and long term. Expanding early education creates jobs right away, and investment in education can increase a region's income and employment over time. Research shows, for example, that money invested in pre-kindergarten education produces many more jobs than spending the same amount on business tax incentives.<sup>1</sup>

Questions about whether and how to expand voluntary access of pre-kindergarten to more Vermont children revolve, at least in part, around the cost and tax implications of doing so. This report offers a preliminary estimate of the cost of increased pre-K education enrollment in Vermont.

### Enrollment

In fiscal 2010, almost 4,900 children—about 37 percent of the state's three- and four-year-old population—were enrolled in publicly funded pre-K education.<sup>2</sup> Because Vermont's policy is to continue to

offer voluntary pre-kindergarten, there will always be some families who choose not to participate.

It is beyond the scope of this report to try to estimate the level of enrollment Vermont might ultimately achieve or to suggest how quickly it should strive to increase enrollment. However, in order to project the cost of expanding access to pre-K services, it was necessary to make some assumptions.

Looking to a state with long experience in publicly funded pre-K education can help to inform the development of this estimate for Vermont. Oklahoma—which has been providing state funding since 1998—achieved 71 percent enrollment of four-year-olds by 2009.<sup>3</sup> Oklahoma does not have a program yet for three-year-olds, and nationally the three-year-old enrollment rate is considerably lower than the rate for four-year-olds.

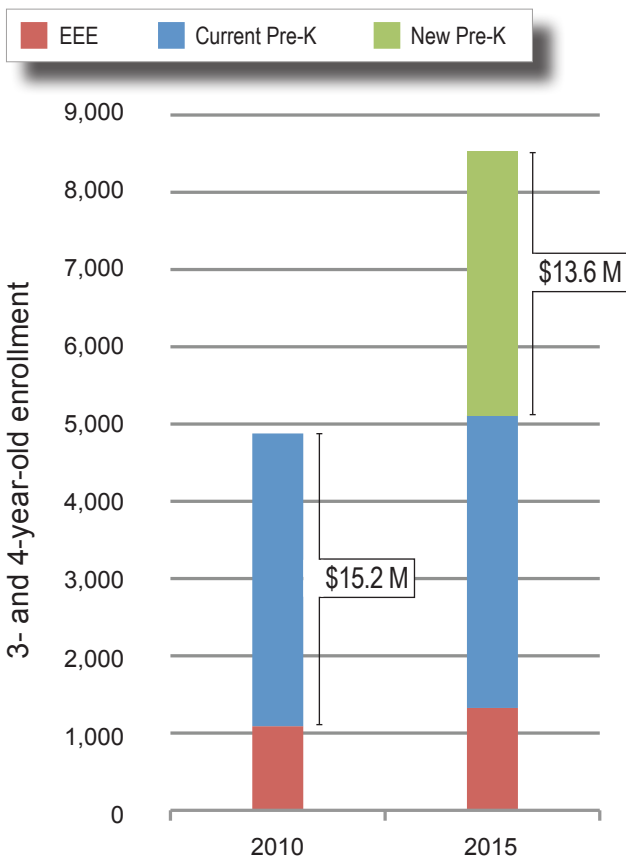
If Vermont increased its pre-K enrollment at 15 percent a year, approximately 65 percent of the state's three- and four-year-olds could be receiving pre-K education by 2015. Fifteen percent a year would be a faster growth rate than Vermont has seen over the last few years, but enrollments did increase at that rate earlier this decade. At that rate, Vermont would have an additional 3,400 pre-K students by 2015. A 15 percent annual growth rate is a reasonable assumption, if somewhat ambitious. Using that assumption, we looked at the increased cost for a five-year period.

### Cost

Accurate figures on the cost of Vermont's existing pre-K programs are difficult to find. In the past, school districts did not separate expenditures for EEE programs from other pre-kindergarten expenditures. Because districts are required to provide EEE, these children will continue to be served regardless of the extent of other pre-kindergarten programs. The Depart-

FIGURE 1

### 3,400 more students put pre-K enrollment at 65% by 2015



Data source: Vermont Department of Education, U.S. Census

ment of Education has begun to collect segregated data from the school districts in their annual expenditure reports, but the reports are not yet consistent, and the department acknowledges more work is needed to produce more accurate cost estimates.<sup>4</sup>

School districts are using three basic models for providing pre-K education: school-based programs, partnerships with Head Start, and partnerships with local, qualified child care providers that receive tuition payments or some other form of compensation from the district or supervisory union.

In fiscal 2010, 4,878 children were enrolled in pre-K and receiving EEE services. About 22 percent of them received services through private child-care providers, and the rest were in school-based programs or in Head Start partnerships. Of this total enrollment, 1,089 children were receiving EEE services.

Based on figures currently available from the Vermont Department of Education and the National Institute for Early Education Research (NIEER), Vermont spent about \$4,000 per student for pre-K education in fiscal 2009. That figure was supposed to exclude EEE expenditures. But it appears that not all school districts segregated costs the same way.

Vermont's per-pupil cost is about average for the 38 states that now provide publicly funded pre-kindergarten programs.<sup>5</sup> However, Vermont's programs are typically open 10 hours a week, fewer than in many other states. NIEER estimates the per-pupil cost of half-time pre-K programs (15 hours per week during the school year) to be about \$4,400 a year. That would suggest that Vermont's average cost is somewhat high, but the Institute also has found that per-pupil costs decline as enrollment increases and efficiency improves. Based on available information, \$4,000 per pupil is a reasonable assumption for projecting the future cost of expanding Vermont's pre-kindergarten programs.<sup>6</sup>

#### Cost Analysis

As noted above, at 15 percent annual growth, pre-K enrollment would increase by about 3,400. Assuming Essential Early Education continues at its current rate of about 4 percent per year, total pre-K enrollment, including children receiving EEE services, would reach about 8,400 by 2015, or about 65 percent of the projected population of three- and four-year-olds. At \$4,000 per student, projected education spending for the additional 3,400 pre-K student would increase by about \$13.6 million (**Figure 1**) over five years, or about 1 percent of Vermont's total K-12 education expense.

Assuming this growth were to occur evenly over the five years, to cover the additional spending Education Fund revenues would need to rise about 0.2 percent each year. For the average Vermont resident with a \$200,000 home, homestead taxes would go up a little more than \$5 each successive year for five years. By the fifth year, the additional tax would be \$27 (**Figure 2**). For an average family paying income-based homestead taxes on an annual household income of \$60,000, expanding pre-kindergarten education would mean an increase of just over \$3 each successive year for five years.

Vermont businesses, which also have a stake in improving education in Vermont, would see their

school taxes increase about \$2.65 each year on every \$100,000 of assessed property value. At the end of five years, business school taxes would be about \$13 higher on each \$100,000 of property value.

### Conclusion

Many Vermont organizations and members of the business community recognize the long-term educational and social benefits of early education.<sup>7</sup> The economic benefits also are well documented.<sup>8</sup> In these difficult economic times, the good news is that expanding pre-K education in Vermont can be achieved for a relatively small investment.

### ENDNOTES

1. Jeffrey Thompson, "Prioritizing Approaches to Economic Development in New England: Skills, Infrastructure and Tax Incentives," August 2010.

2. Vermont Dept. of Education, "Report to the Legislature: Implementation of Prekindergarten Education in Accordance with Vermont's Act 62," January 2010, p. 10. (The enrollment figures include some, but not all, children receiving Head Start services.) According to latest U.S. Census estimates, Vermont's three- and four-year-old population averaged 13,100 for the period 2005-09.

3. National Institute for Early Education Research, [http://narrowing/yearbook/pdf/yearbook\\_OK.pdf](http://narrowing/yearbook/pdf/yearbook_OK.pdf)

4. Op. cit., Vermont Dept. of Education, p. 20.

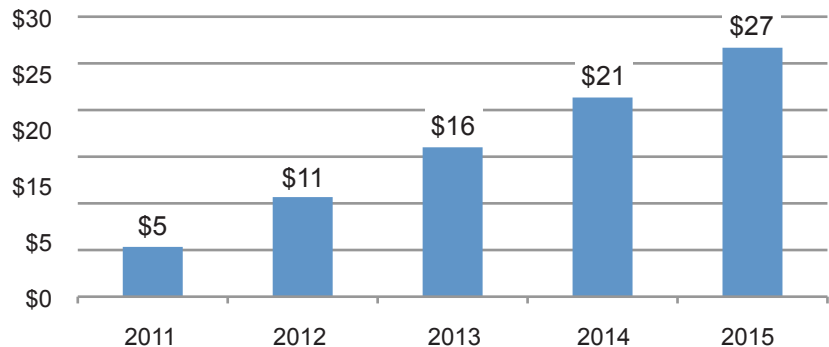
5. Op cit, National Institute for Early Education Research.

6. This analysis does not adjust the per-pupil cost for inflation over the next five years. The National Institute for Early Education Research estimates that per-pupil cost will decline 10 percent to 30 percent if enrollments can be increased to 70 percent of the three- and four-year-old popula-

FIGURE 2

### Expanding pre-K would have minimal tax impact

Additional taxes on a \$200,000 home from increasing pre-K enrollment to 65% by 2015



Data source: Joint Fiscal Office

tion. And the Institute's data show that per-pupil costs have dropped 8 percent in the last five years. Finally, Vermont's per-pupil expenditures include some fixed costs that schools would be paying if they had no pre-kindergarten programs. The \$4,000 figure, therefore, is likely to be an overestimate.

7. <http://www.prekvt.blogspot.com/>

8. Op. cit., Thompson; Vermont Business Roundtable, <http://vtroundtable.org/filemanager/download/8756/>

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