As families in Indiana and across the nation struggle to pay for high-quality pre-K, securing additional funding and leveraging existing federal, state and local financial resources are critical to extending this opportunity to future generations of Hoosiers.

In Indiana, federal, state and local sources account for an estimated $263 million in public funding used to support preschool each year (Indiana Early Learning Advisory Committee, 2016). Even with this support, most families still spend a much larger percentage of family income on preschool than the 10 percent recommended by the U.S. Department of Health and Human Services (Indiana Early Learning Advisory Committee, 2017). In fact, for a Hoosier family living in poverty, spending on preschool amounts to 42 percent of their income. For low-income families this figure is 21 percent.

Despite contributions by families, the public sector and various philanthropic organizations, too many children remain without high-quality, subsidized pre-K. Approximately half of the estimated 84,333 four-year-old children in Indiana live in low-income households. There are 27,095 unserved low-income (185% of the Federal Poverty Level) four-year-old children not in a high-quality subsidized pre-K program (Indiana Early Learning Advisory Committee, 2017).

Families require additional financial assistance to afford and access high-quality pre-K; however, this brief does not examine potential sources of additional funding. Much of that work is being conducted by others. Instead, this brief reviews the various public and private funding sources that are currently available in Indiana. It explores the need for mixing or “layering” these supports to help programs improve quality and make early education more affordable, especially for low-income preschool-aged children.

SUMMARY

Hoosier families require financial assistance to afford high-quality pre-K, yet no single funding source adequately meets the need.

By layering various public, private and philanthropic supports, high-quality pre-K providers can improve program quality and make early education more affordable, especially for low-income preschool-aged children.

By layering funds at the state level, more communities would be able to maximize existing funding streams and increase access to high-quality pre-K.

by: Early Learning Indiana

EARLY LEARNING INDIANA
Federal, state and local sources account for $263m in public funding used to support preschool.

- $93.7m Head Start
- $92.8m Child Care Development Fund (CCDF) Vouchers
- $20.4m Public School Pre-K (Title I)
- $13.6m Pre-K Pilot Programs (EEMG and OMWPK)
- $43.1m Special Education Preschool (SPED)
- $136k Education of Preschool Migratory Children, Preschool ELL

Layering funding expands early childhood opportunities.

No single funding source adequately addresses the needs of families with young children. The amount of public pre-K financial assistance provided to organizations and ultimately to families varies tremendously. Each funding source has a different set of eligibility criteria, income guidelines and specifications on how the funds can be used. Those diverse source requirements mean that some families are eligible for one program while they may not be eligible for another program.

By using more than one funding source together, policy makers and state administrative officials can accomplish financial and programmatic goals more efficiently and effectively. Some top financial goals might be to:

- increase accessibility of high-quality pre-K,
- improve affordability of high-quality pre-K, or
- improve quality of pre-K.

Increasing accessibility could include enrolling more children in high-quality pre-K and/or increasing the hours of operation of a pre-K program. According to the 2017 Indiana Early Learning Advisory Committee Annual Report, approximately one-third of preschool-aged children are enrolled in high-quality preschool. In addition, two-thirds of families with young children work and may need a pre-K program with more accessible hours to support working families. By layering Head Start funding with state-funded pre-K or Child Care Development Fund dollars, a state could increase accessibility of pre-K.

Improving the affordability of pre-K could help more families, especially low-income families, access high-quality pre-K. Currently, the average cost is unaffordable for most families at $7,824 for one child per year. This is almost the same cost as one year of tuition at an Indiana public university (Indiana Early Learning Advisory Committee, 2017). In addition, most families with young children are just beginning their careers – earning their lowest wages and being asked to shoulder most of the costs for pre-K. By layering different state funding sources – Head Start, Child Care Development Fund, Title 1, and On My Way Pre-K – more low-income families could receive scholarships or use a sliding scale to make pre-K affordable and attainable (Indiana Early Learning Advisory Committee, 2017).

BENEFITS OF LAYERING FUNDING

- Improve program sustainability
- Expand the number of children enrolled
- Meet diverse family needs
Layering occurs at two levels and in two ways.

Programs layer funding in two primary approaches: braiding and blending. The most common approach for programs, braiding, is the coordination of funding sources to support multiple services from disparate funding sources with categorical financial tracking. In essence, children and families receive multiple services that programs have to track separately. Because different government agencies administer the various funding sources, programs and states must deal with a wide range of tracking systems. Additionally, they each need to be accounted for separately. This requires staff with good record keeping skills and a strong accounting system to track expenditures by funding source, often at the individual child level. As a result, most small programs do not have the expertise or capacity to manage the requirements of multiple funding sources.

The less common approach, but the one that minimizes program paperwork, is blending. Blending frequently involves government entities pooling or encouraging the mixing of funds from several different program sources. This approach allows local programs greater discretion in the use of the combined funds. The impact of this blending is that families experience more comprehensive, continuous services and that programs do not bear the administrative brunt of managing complex accounting and tracking systems.

**BLENDING & BRAIDING**

**Blending**

Two or more funding sources are coordinated to support the total cost of services to individual children, but revenues are allocated and expenditures tracked by categorical funding source.

**Braiding**

Funds from two or more separate funding sources are used together to pay for a unified set of program services to a group of children.
Programs utilize diverse funding streams.

In Indiana, family tuition fees make up most of early childhood funding. A mix of taxpayer-funded sources follows program fees. Within this mix, Child Care Development Fund vouchers, which fund children from low-income families whose parents work or go to school, is the largest amount. The next is Head Start, which is for low-income families, foster families or families of children with developmental needs. Depending on program ZIP code, the next largest funding source could be state-funded pre-K or Title 1. If the pre-K program is in an On My Way Pre-K county, then it could be eligible to access state funding. In the 2016-2017 school year, 30 counties had school districts using Title 1 funding to support preschool. In addition, some schools use general funds to pay for preschool. However, that information is not reported to the Indiana Department of Education as preschool funding.

In addition to tuition payments and government voucher sources, other common sources of funding to layer include the Child and Adult Care Food Program, which can cover food costs. Some pre-K programs are also able to leverage partnerships with local employers to provide subsidies for their employees and may also receive additional support through their philanthropic partners.

Indiana has a growing number of programs that layer funding sources to help more children get ready for elementary school success. While these pre-K programs are successfully layering funds, there is more that the state could do to foster this strategy. State administrators who manage the funding sources can help. In 2014, with the anticipated rollout of the first state-funded pre-K program, Indiana Department of Education issued guidance on the use of Title 1 funds to support preschool. This was critical to help schools interested in using their Title 1 funds for preschool-aged children. Indiana Department of Education provided webinars and issued several guidance documents (available here: https://www.doe.in.gov/grants/titlei/preschool).

Layering in action

Brightpoint Head Start

Brightpoint Head Start serves children in Allen, Noble and Whitley counties. When On My Way Pre-K launched in Allen County, Brightpoint enrolled as an On My Way Pre-K provider. The additional funding source provided a way to enroll their Head Start children in a full-day program since their Head Start only covered half-day programming. Brightpoint also accepts Child Care Development Fund vouchers for families that need full-day care while they work or go to school. Additionally, they use Child and Adult Care Food Program to help cover their food costs.

Little Giants Preschool

Little Giants Preschool is administered by Marion Community Schools in Grant County. They use several funding sources to enroll children: Head Start, Title 1, Early Education Matching Grant and general school funds. When the new Early Education Matching Grant funding became available, they saw it as an opportunity to expand the number of low-income children who had access to a high-quality pre-K experience. An additional 100 students attended the program through this new state funding source and philanthropic support in the community.
Layering boosts access, but its use is not consistent.

Layering offers a range of benefits, however, it is not easy to layer funds and often inefficient for programs to manage. Most directors at preschool programs are experts in early childhood education and not savvy business executives or accounting professionals with the financial skills that braiding funds requires. On top of selecting a research-based curriculum, recruiting and retaining a high-quality workforce and enrolling families in their program, pre-K programs must also figure out the complexities of each of these funding sources, their accounting requirements and enrollment guidelines to layer them.

Several challenges limit the ability to layer funding:

- **Lack of knowledge**: Programs must know that these different funding sources are available.
- **Eligibility guidelines**: They must understand and follow varying guidelines on eligibility.
- **Application process**: Each funding source has its own set of paperwork, reporting and monitoring. The pre-K program must become approved to access the funding source.
- **Accounting practices**: The program must be able to manage complex financial systems and policies to receive and track the funds, especially government funds.

As a result, for some programs the incentives to layer funding may not be apparent. In Indiana, for example:

- Some Head Start programs are funded solely through Head Start and do not accept Child Care Development Fund or On My Way Pre-K vouchers.
- Only 10 percent of school districts - just 38 systems - use Title 1 funds to support preschool.
- While the number of schools registered with Paths to QUALITY™ and Child Care Development Fund continues to increase, most schools are not registered and accessing this funding stream.
- Not all licensed or registered programs choose to accept Child Care Development Fund vouchers, and therefore cannot use this funding stream to layer resources.

In a system that relies on program competency and flexibility to braid funds, smaller programs and the families served by them, will often be left behind. Blending funds may offer a solution to this challenge, but requires state- or federal-level efforts to effectively pool those funds or to make it easier for programs to use them.
What are other states doing?

Fortunately, Indiana can learn from other states that have worked proactively to layer funding. The following section highlights various state strategies.

Pennsylvania
Officials increased access to full-day, high-quality pre-K to support those who want and need to work. Pennsylvania braided federal Head Start, Early Head Start and state pre-K funds with child care assistance funds to provide full-workday, full-year, high-quality services to low-income infants, toddlers and preschoolers using a cost allocation model. When the federal government issued a new competitive grant opportunity combining Early Head Start and Child Care funding through the EHS-CC Partnership, Pennsylvania applied to receive and administer the grant program. Pennsylvania was selected and leveraged this new funding source to further expand the capacity of high-quality infant and toddler care in communities with the greatest need. They were the only state to receive the EHS-CC Partnership grant to administer at the state level.

Illinois
Illinois created a child care collaboration program to layer child care subsidy funds or programs with other early childhood funds or programs (e.g., Early Head Start, Head Start and state pre-K) to create higher-quality, full-workday, full-year services for eligible families with young children. While no funding is provided through this initiative, participating programs may take advantage of several child care rule exceptions to make it easier to access multiple funding streams.

Missouri
A goal of the Missouri Department of Elementary and Secondary Education is that all Missouri children enter kindergarten prepared to be successful in school. As they began to explore the need for an early learning program within their community, the state developed guidance for schools to layer early learning programs and funding sources.

Michigan
As Michigan expanded its enrollment of children in high-quality preschool, the state created a crosswalk guide of the different early learning funding streams currently available and how they could support various goals. For example, if the goal is to increase the preschool day or calendar year to accommodate working families' needs, the guide identifies the early learning funding sources to support that goal. If the goal is to increase more high-quality preschool classrooms, then the guide identifies the funding sources to support that goal. This allows programs to explore how funding streams can help them meet their individual goals.
Key recommendations on layering funding in Indiana.

With Indiana’s state-funded pre-K program expanding to 15 new counties, one benefit already being realized by layering funds from On My Way and the Child Care Development Fund is the ability of the state to reimburse providers at a greater rate. With the additional funds, providers in these counties are, in turn, better able to attract and retain high-quality, trained staff as well as increase family engagement activities.

In addition, there are also other, proactive steps that policy makers, state administrative officials, philanthropic partners and stakeholders can and should take to increase access to high-quality pre-K through layering funding. While most layering today occurs at the program level, additional work at the state level would allow Indiana communities to maximize these funding streams. With some intentional coordination, collaboration and planning, more Hoosier families can afford a high-quality pre-K and more children can get a solid educational start. This will help today’s and tomorrow’s future workforce.

The following are recommendations to pursue a layering strategy in Indiana.

Improve collaboration and coordination across state and local partners to fully leverage and maximize funding.

- Develop a plan that facilitates coordination and collaboration across early care and education programs receiving federal and state funds, including Head Start, child care and education programs.
- Support state agencies in applying for waivers of regulatory relief or policy change to implement the coordination identified in the Indiana Early Learning Advisory Committee’s state plan.
- Improve state agency partnerships between the Family and Social Services Agency, the Indiana Department of Education and the Office of Community and Rural Affairs. The Office of Community and Rural Affairs administers Child Care Development Block Grant funding to small and mid-size communities that could be used to support capacity building such as child care centers. Better alignment of programs could result in more high-quality pre-K and early childhood education available for local communities.
- At the local level, provide better coordination and identification as to who should best access and receive the different funding sources. For example, Head Start is a large pre-K funding source in Indiana that does not require parents to work. Therefore, if a family is ineligible to enroll in On My Way Pre-K in one of the 20 counties then they should be directed to Head Start. Communities should also look at ensuring low-income, at-risk children are accessing the subsidized pre-K programs first and then expand enrollment beyond that targeted population.
Increase awareness and knowledge of key stakeholder groups to promote layering of early learning funding.

- Encourage schools to use education funding (formula funding, Title 1 and other sources) for early education. When schools invest in high-quality preschool, they see a return on the investment of at least $4 to $1 in lower student remediation and special education spending (Nelson, A., Brodnax, N., & Fischer, L. 2016).

- Encourage more municipalities to support early learning opportunities. Indiana currently has one local municipality, the city of Indianapolis, that supports preschool financially - Indy Preschool Scholarship Program. Across the country, local municipalities are investing in pre-K beyond the federal and state government as they see the tremendous return on investment in their community through workforce development, economic development as well as positive health and crime outcomes. There are other communities in Indiana that have voiced interest in expansion, so information targeted to them would be helpful.

- Provide training for Paths to QUALITY™ coaches and child care resource and referral staff on how to layer funding, so that they can support pre-K program sustainability. Some pre-K programs need to better understand the funding available to support their program currently and as they improve quality. Indiana can strengthen and equip its coaches and child care resource and referral staff to not only support the pre-K programs’ classroom needs but their organizational financial needs. Another option is to secure partnerships with local small business development centers, Chambers of Commerce and other community business supports.

Develop tools and resources for key stakeholders to encourage the layering of funding.

- Create a blending and braiding guidebook for pre-K programs on how and why to layer funding, customized for different program types.

- Create a guide similar to Michigan’s that identifies the current early learning funding streams in Indiana and how they could be used to support different financial goals.

- Provide a guidebook for philanthropists on of how to support pre-K programs. In Indiana, more than $13.7 million is donated by philanthropic sources to support early learning. Unifying efforts in Indiana’s philanthropic community could lead to broader pre-K access. This could help address some of the gaps at the state and local level.
References


