

Growth Forecast For The Pre-K Market

Bob Stimolo



Mike Wilson, president and founder of Wilson Marketing Group, issued his annual forecast predicting continued growth in the pre-k market. Here is an excerpt from this report:

The pre-k movement is benefiting from increased support from voters, politicians, major company CEOs, teachers, and advocacy groups. Advocates, armed with new reports, are touting the economic and educational benefits of pre-k. More states are increasing the number of pre-k programs and placing greater emphasis on quality. This has driven state spending to a new high.

We project that state pre-k funding will increase 9.7 percent to \$4.564 billion in fiscal year 2007, again growing at a higher rate than spending for K-12 education which is budgeted to grow by 7.9 percent. For five of seven years, state pre-k spending has increased at a significantly higher rate than state K-12 spending, as shown in the State Education Spending chart.

State funding for pre-k increased 109 percent from 2000 to 2007, compared to an estimated 42 percent increase in state funding for K-12 education. In 2007, 29 states plus the District of Columbia will increase pre-k spending, while only two – Louisiana and Kansas – will decrease it. Two mega-states – California and New York – account for the largest portion of this year's \$404.4 million increase.

California and New York are each

investing an additional \$50 million in pre-k funding. This marks New York's first significant pre-k funding increase since 9/11 and California's largest increase since 2004. There will also be huge pre-k advances in several smaller states – notably New Mexico (up 237%), South Carolina (up 117%), Tennessee (up 57%), Kentucky (up 45%), Pennsylvania (up 31%), and Colorado (up 20%).

More Emphasis on Early Learning

A study conducted by the National Institute for Early Education Research (NIEER) in December of 2005 discovered that children attending state pre-k had improved vocabulary, math, and English skills when entering kindergarten. Because of this and similar studies, states now view pre-k programs as vital starting points for learning as they work to close the achievement gap and comply with the No Child Left Behind Act. This is contributing to a "push down" effect where subjects or skills formerly taught in kindergarten are being introduced in the preschool classroom.

More Attention to Quality

Many states are working toward adopting comprehensive early learning quality standards for publicly funded pre-k programs. Studies that analyze and compare the effects of low versus high quality preschool show that high quality programs dramatically increase benefits to children and society. Eleven states surveyed in FY 2006 identified quality improvement as a major trend when asked to identify any new trends,

initiatives, or legislative developments in their state. Only four mentioned quality when all states were asked the same question in 2005.

In 2007, New Jersey will require all Abbott preschool teachers to hold a BA and be currently working toward preschool certification. Florida is working on implementing a quality rating system, and in Arkansas quality standards are under development that "will meet the highest level of standards once implemented," said one source.

The push for high quality programs may result in more states requiring a BA and/or specialized training in child care and preschool education. This should result in increased teacher wages, lower teacher turnover, and increased demand for both Internet and college-based credentialing programs. Many states are also debating reduced pre-k class sizes and better teacher to child ratios that would ultimately create more job openings for teaching staffs. It may also increase demand for some types of classroom supplies, equipment, modular buildings, and partition products.

More Preschool Programs

Over the past year, the number of schools with pre-k increased from about 39,000 to 41,000. Most of these programs are in conventional elementary schools, but a growing number of school systems are allocating separate buildings for their early childhood programs. The number of these special preschool buildings has grown from 4,389 to 4,883 during the past year. School systems are also outsourcing their pre-k programs to private centers. The number of private child care centers receiving public pre-k funding has increased from 1,534 to 5,131 during the past year.

Public Use of Private Sector

Private centers are eligible for public pre-k funding in all of the top 10 spending states and in 18 smaller states. Use of the already abundant private center infrastructure eliminates the need to build new facilities, hire new staff, and buy new play equipment. The resulting reduced cost allows states to provide pre-k services to far more children than

would have been possible with conventional education funding. However, most private centers still rely mainly on parent-paid tuition money. We are projecting about 2 percent net growth in the number of private preschools in operation this year, mainly due to high employment.

Flat Federal Funding

Federal pre-k funding will increase only .3 percent in 2007 if Congress accepts the Bush administration's budget proposals. This does not come as a surprise, since between 2004 and 2006 the federal pre-k budget grew only 1.1%. Head Start, 21st Century Community Learning Centers, Reading First, and Early Reading First are level-funded under the President's budget request. Pre-k and Kindergarten Title I funding has had steady growth for five straight years but would receive only a 1.5 percent funding increase. The children under five portions of the Child Care and Development Fund would receive a 2.9 percent increase. Even Start could again be scrapped.

The Outlook For Pre-K

Pre-k in the United States is a work-in-progress. The patchwork of sometimes overlapping state and Federal initiatives seems destined to continue, despite inherent inefficiencies. However, we cannot entirely rule out the possibility of eventual evolution into a comprehensive national program similar to the centrally planned preschool programs of some European countries. This would require persuasive leadership from a national politician, probably a President.

Eventually we will have a resumption of Federal funding growth supporting pre-k. State funding will continue to grow, virtually without interruption. However, some states will increase their pre-k funding faster than others.

Presently only 25.3 percent of all three- and four-year-olds are affected by public funding. An ever-increasing number of three- and four-year-olds will be served in the future. The private child care market will continue to grow as more states make private centers eligible for public pre-k funding. However,

the rate of growth will not be nearly as dramatic as in the 1980's and 1990's.

Infant/toddler care will become increasingly common in private centers in response to employment needs. The level of professionalism will improve, due to a combination of public mandate and private competition for enrollments.

Less than half of the nation's twenty million children under the age five are currently served by centers and school-based pre-k. The market has a lot of growing left to do.

For more information, you can contact Mike Wilson by calling 800.445.2089 or by email at wilsonmg@earthlink.net

Bob Stimolo, NSSEA's Official School Market Consultant, is President of School Market Research Institute (SMRI) and an education marketing consultant. Reach him by phone: 800.838.3444, mail: PO Box 10, Haddam, CT 06438, email: info@smriinc.com, or visit: www.smriinc.com for more information.

State Education Spending

Year	Pre-K Increase	K-12* Increase
2001	21.8%	3.7%
2002	16.7%	3.4%
2003	2.5%	2.4%
2004	4.3%	6.4%
2005	12.1%	7.6%
2006	11.8%	6.9%
2007 <i>(projected)</i>	9.7%	7.9%

*K-12 data provided by the National Conference of State Legislatures

STATE FUNDING FOR PRE-K INCREASED 109 PERCENT FROM 2000 TO 2007, COMPARED TO AN ESTIMATED 42 PERCENT INCREASE IN STATE FUNDING FOR K-12 EDUCATION. IN 2007, TWENTY-NINE STATES PLUS THE DISTRICT OF COLUMBIA WILL INCREASE PRE-K SPENDING.