

# Preschool Finance Toolkit

Using Funds to Support IDEA Services and Inclusive Opportunities

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Project Officer: Julia Martin Eile



The University  
of North Carolina  
at Chapel Hill

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# Introduction

This toolkit provides strategies and guidance for states, community teams, and individuals to take actions that increase inclusive opportunities for preschool children and their families. Collaborative funding strategies are springboards to creating and sustaining high-quality and inclusive regular early childhood settings. These settings provide preschool children with disabilities opportunities for access, participation, and supports.

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## Purpose and Intended Audience

This document is intended to support the exploration of how IDEA services for preschool children might be provided in coordination with community early childhood programs. Funding of early childhood programs and services across early childhood programs at the federal, state and local level is complex. This document supports fiscal collaboration and coordination across early childhood programs to increase the availability and quality of inclusive placement options for all children, particularly those with disabilities.

To do this, partners must understand the allowable use of federal funds for preschool supports and services under the Individuals with Disabilities Education Act (IDEA) and the funding rules for other early childhood programs. It is important for each organization to understand the funding opportunities and rules that govern their programs to be able to effectively support a coordinated early childhood system.

Under IDEA, State Education Agencies are responsible for oversight of services to children with disabilities aged three to twenty-one as part of their responsibility for the education of all children according to the rules and funding sources within their state. In some states this may include state funded pre-kindergarten opportunities.

Education leadership in each state provides guidance on how funds may be accessed and used. Information in this document is presented at a high level, and users are encouraged to work with their respective state and community program leaders to better understand the applicable and allowable opportunities.

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## Uses of the Toolkit

This resource includes strategies and guidance on collaborative funding mechanisms. These include braiding funds to access, create, and sustain high-quality inclusive early childhood settings. Regular early childhood settings are those early care and education programs and environments such as Head Start, state pre-kindergarten, Title I, childcare, public and private programs and others. These settings respond to the needs and foster belonging for each and every preschool child, including those with disabilities.

State and local funds are subject to the rules of the state or local agency and are not addressed in detail within this document. However, it is critical for state and local leaders to understand the context of available funds, their use, and how they can be braided with and across other early childhood programs.

This toolkit may be used at the state, regional, and local levels to support leaders in considering finance opportunities and decisions to promote preschool inclusion, to provide technical assistance, and to guide community collaboration. This document is useful for all state and local administrators of early childhood programs, finance staff, program personnel, higher education, families, and support services.

The toolkit encourages a “start anywhere, follow it everywhere” approach. Toolkit elements are equally important and support each other. While topics are presented sequentially, the sections of guidance in this document are intended to be used as needed.

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## Research and Legal Basis for Inclusion

The U.S. Department of Health and Human Services and the U.S. Department of Education joint [Policy Statement: Inclusion of Children with Disabilities in Early Childhood Programs](#) states that all young children with disabilities should have access to high-quality inclusive early childhood programs that provide individualized and appropriate support so they can fully participate alongside their peers without disabilities, meet high expectations, and achieve their full potential.

The statement outlines actions for states and local communities to build partnerships for collaboration and administrative support for high-quality inclusion. This policy statement builds upon an earlier joint [Policy Statement on Inclusion with Disabilities in Early Childhood Programs](#) (2015) with renewed commitment and urgency as children with disabilities continue to face significant barriers accessing and participating in inclusive early childhood programs.

The responsibility to ensure that young children with disabilities and their families are included in high-quality early childhood programs is shared by federal, state, and local governments, early childhood systems, early childhood programs and providers, local educational agencies (LEAs), and schools. Administrative system-level supports and partnerships (including policies, procedures, practices, and attitudes) build the infrastructure for inclusion.

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## Research Basis

The benefit for children who attend high-quality preschool programs has been repeatedly demonstrated. Research from the High/Scope Perry Preschool Project, the Chicago Parent Centers, and the Abecedarian Project are just a few of the studies that have shown the positive long-term outcomes for these children. Children who attend high-quality preschool programs are more likely to:

- Have higher academic achievement
- Graduate from high school
- Be employed
- Earn higher wages
- Own their own homes

They were less likely to repeat grades or need special education which provides a substantial cost savings for school districts. In [Impact of North Carolina's Early Childhood Initiatives on Special Education Placements in Third Grade](#) (Muschkin, Ladd, & Dodge, K.A., 2015), a study showed that participation in *Smart Start* or the *More at Four* state preschool program reduced the odds of children receiving special education services by 39%.

Two early childhood professional organizations, the Division for Early Childhood (DEC) and the National Association for Early Childhood (NAEYC) developed a joint position statement on [Early Childhood Inclusion](#) (2009). It has been widely referenced and was pivotal in the development of recent federal guidance documents.

Early childhood inclusion embodies the values, policies, and practices that support the right of every infant and young child and his or her family, regardless of ability, to participate in a broad range of activities and contexts as full members of families, communities, and society.

The desired results of inclusive experiences for children with and without disabilities and their families include a sense of belonging and membership, positive social relationships and friendships, and development and learning to reach their full potential.

The defining features of inclusion that can be used to identify high quality early childhood programs and services are access, participation, and supports.

### DEC Recommended Practices

In addition, DEC developed [Recommended Practices in Early Intervention/Early Childhood Special Education](#) (2014). They provide evidence-based practices for professionals and families who support young children with disabilities.

## Indicators of High-Quality Inclusion

The Early Childhood Technical Assistance Center (ECTA) with national partners developed evidence-based [Indicators of High-Quality Inclusion](#) to respond to the evolving needs of a state's early childhood system. The Inclusion Indicators help teams implement inclusive practices at all system levels where children receive care: state, community, local program, and environments. They also help teams discuss barriers to inclusion and develop effective solutions.

The Inclusion Indicators are written broadly to allow state, community, and local program teams to implement inclusion in various settings. Yet they are specific enough to be used as a coaching tool during implementation. The Inclusion Indicators should be used as a capacity-building tool rather than a performance checklist or assessment.

## System Framework

As states and communities work to build and sustain high-quality early intervention and early childhood special education programs and efforts related to expanding inclusive opportunities, another resource to review is, [A System Framework for Building High-Quality Early Intervention and Preschool Special Education Programs](#) developed by the Early Childhood Technical Assistance (ECTA) Center.

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## Legal Basis

[The Individuals with Disabilities Education Act \(IDEA\)](#) guarantees a free appropriate public education (FAPE) in the least restrictive environment (LRE) for children identified with disabilities. FAPE ensures children with disabilities receive the special education and related services tailored to their unique needs at no cost to their families. LRE means educating children with disabilities in regular classes alongside their peers without disabilities to the greatest extent possible. For preschool children with disabilities, a "regular class" is a setting in regular early childhood programs with children without disabilities. These regular early childhood programs may include Head Start, state pre-kindergarten, Title 1, childcare, and other public and private programs.

In addition, the [Americans with Disabilities Act](#) (ADA) prohibits discrimination based on disability. It covers any early childhood program operated or administered by a state or local government, including a public school district. [Section 504 of the Rehabilitation Act of 1973](#) (Section 504) prohibits discrimination based on disability by public or private entities that receive federal financial assistance (FFA). The [Head Start Act](#) and the [Child Care and Development Block Grant Act](#) (CCDBG) have specific provisions and requirements that support high-quality inclusive opportunities for children with disabilities.

## Early Childhood Special Education

Preschool children with disabilities are entitled to a free appropriate public education (FAPE) in placements individually determined by each child's IEP team following the Least Restrictive Environments

(LRE) provisions of the IDEA Act ([34 CFR §300.114](#)). The responsibility of each child’s Individualized Education Program (IEP) team is to follow the process outlined in IDEA beginning with the documentation of the strengths and needs of the child, followed by the development of the child’s goals. Each child’s IEP team must consider special factors and the use of supplemental aids and services that might be necessary for a child to participate in a regular early childhood setting. More restrictive settings may be considered only after the IEP team has:

- Discussed and documented the use of individualized supplementary aids and services provided in the regular early childhood program.
- Determined that even with supports, the IEP cannot be successfully implemented in that setting.

ECTA provides the following related resources:

- [Tools on Inclusion](#) includes guidance, principles, practices, and reporting tool.
- [Making Sound Preschool LRE Decisions](#) details requirements and actions that ensure IEP teams have information needed to discuss and determine IEP placement.
- [Preschool LRE Reference Points and Discussion Prompts](#) summarizes the LRE provisions of IDEA, regulations, Federal Register comments, and federal guidance.

## Use of Federal IDEA Funds

IDEA authorizes annual formula grants to states and entities to support services for children with disabilities. Congress committed to funding up to 40% of the excess cost for special education and related services when the IDEA first passed in 1975. Part B, Section 611 of the IDEA provides funds for children ages 3–21, with Part B, Section 619 authorizing supplemental funds for preschool children ages 3–5.

In [Individual with Disabilities Education Act \(IDEA\) Funding Gaps by School District](#) (2025), the National Education Association estimates that federal IDEA funds cover less than 12% of this cost, which means state and local funds are also required to implement IDEA. In general, IDEA funds should only be used to pay for the excess or additional costs of providing special education and related services to children with disabilities. IDEA funds must be used to supplement state, local, and other federal education funding and not to replace or supplant these funds.

An [Updated Dear Colleague Letter on Preschool Least Restrictive Environments](#) (2017) provides detailed information on the use of IDEA Part B funds for preschool children with disabilities:

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*“LEAs must ensure that Part B funds are used in conformity with IDEA Part B requirements, including the requirements in [34 CFR §300.202](#). In general, LEAs must use IDEA Part B section 619 funds, and as applicable IDEA Part B section 611 funds, only to pay the excess costs of providing special education and related services to children with disabilities ages three through five and, at a State’s discretion, to two-year-old children with disabilities who will reach age three during the school year, such as costs for special education teachers and administrators; related services providers; materials and supplies for use with preschool children with disabilities; professional development for special education personnel;*

*professional development for general education teachers who teach preschool children with disabilities; and specialized equipment or devices to assist preschool children with disabilities ([34 CFR §§300.202 and 300.800](#)).*

*Because the availability of regular public preschool programs varies across States, we understand that the use of State and local funds will also differ across States and LEAs. Consequently, how States and LEAs use IDEA Part B funds to provide special education and related services to preschool children with disabilities also will differ based on the specific circumstances in each State and LEA. For example, if an LEA provides universal preschool to all children ages three, four, and five, using State and local funds, the LEA must use IDEA Part B funds only to pay the excess costs of providing special education and related services to children with disabilities in those preschool programs. The excess cost requirement, however, does not prevent an LEA from using Part B funds to pay for all of the costs directly attributable to the education of a child with a disability in any of the ages three, four, or five if no local or State funds are available for nondisabled children of these ages. For example, if an LEA offers no regular public preschool programs for children without disabilities, and a preschool child with a disability is already participating in a private preschool program that is being paid for by the child's parents, the child's placement team may determine that, based on the child's IEP and the LRE provisions, placement in a private preschool program is necessary for the child to receive FAPE in the LRE. In such situations, the LEA responsible for providing FAPE to the child must pay for all of the costs associated with the provision of special education and related services in the LRE, as stated in the child's IEP ([34 CFR §§300.145 through 300.147](#)). Specifically, if the placement team determines, based on the child's IEP, that placement in an inclusive private preschool program is necessary to provide FAPE to a child who needs interaction with nondisabled peers, the LEA is responsible for making available an appropriate program in the LRE and ensuring that tuition costs associated with that placement for the period of time necessary to implement the IEP are at no cost to the parents."*

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For more information on cost principles and reporting requirements that are reasonable, allocable, and necessary, see [The Uniform Administrative Requirements Cost Principles \(Subpart E\) and Audit Requirements for Federal Awards](#).

## **State Administration of IDEA Funds**

IDEA provides grants to states, the District of Columbia, and entities serving children aged 3 to 21. States are allocated funds based on a funding formula described in section 611 of the act to provide special education and related services for children ages 3–21. The U.S. Department of Education's [IDEA Grants to States](#) includes a program description of these formula grants, how they are allocated and how they may be used. Most of these funds must be passed on to local education agencies, though a portion of the funds may be set aside and used for specified state-level activities.

In addition, Part B, Section 619 of the IDEA provides funds to states specifically for services to children ages 3–5. A description of these formula grants, how they are allocated and how they may be used are

included on the U.S. Department of Education's page on [IDEA Grants to States](#). Most of these funds must be passed on to local education agencies, though a portion of the funds may be set aside and used for specified state-level activities.

The [Part B preschool regulations](#) related to funding provide detailed information, including funding formulas, policies, and assurances can be found on ECTA Center's page on [Part B, Section 619 Finance](#).

Preschool children with disabilities have the right to a free appropriate public education in the LRE. States are responsible for monitoring districts to ensure that preschool children with disabilities receive their IDEA services in their individually determined least restrictive environment.

The child's IEP team determines the LRE after services in regular early care and education programs have been meaningfully discussed. IDEA regulations [34 CFR §300.114 \(b\)](#) require that a state's funding mechanism must not result in placements that violate LRE requirements or fail to provide FAPE for each child with a disability. Federal IDEA funds must be used as intended and described in IDEA. They may not be commingled with other funds, which means there must be specific bookkeeping and audit practices for using IDEA funds.

States and districts should examine child outcomes data, accountability of IDEA requirements, and other factors as part of continuous improvement efforts. This information should be triangulated with information on resources and funding to ensure the equitable provision of IDEA services. Finance mapping is an ongoing evaluation process on the use and effectiveness of available funds. It may help determine how to better leverage or reallocate funds to ensure high-quality, equitable, and inclusive opportunities for each preschool child.

To support states in administering their IDEA federal funds OSEP has funded [The Center for IDEA Fiscal Reporting \(CIFR\)](#). CIFR helps states to improve the quality and use of their IDEA Part C and Part B fiscal data and implement the IDEA fiscal requirements.

Under IDEA Section 611, every eligible state, the District of Columbia and entities receive an annual grant to support special education and related services for children ages 3–21. Additionally, all states, including the District of Columbia and Puerto Rico, receive IDEA Section 619 grants to support special education and related services for children ages 3–5.

Each state may reserve a limited amount of its Section 611 and Section 619 grants for state administration of the IDEA Part B program and for other state-level activities. These are commonly referred to as “state set-aside funds.” States must allocate any remaining funds as subgrants to local educational agencies (LEAs), including charter school LEAs.

For more detail on the formula for allocating LEA subgrants, see [At A Glance: IDEA Part B Grants to States and Subgrants to Local Educational Agencies](#) (Center for IDEA Fiscal Reporting, 2023).

## Local Use of IDEA Funds

IDEA Part B regulations for special education funds (Section 611) and preschool special education funds (Section 619) are vital to understanding permissible use of funds for providing IDEA services and supporting young children with IEPs in inclusive settings.

The permissive use of funds regulations ([34 CFR §300.208](#)) details how IDEA funds may be used at the local level. Funds may be used for:

- Special education teachers
- Administrators
- Related services providers
- Specialized equipment or devices
- Materials and supplies
- Professional Development
- Technology for recordkeeping, data collection
- Case management activities for providing services described in a child’s IEP
- Transportation as a related service

More detailed information may be found in a number of resources, including:

- [The Individuals with Disabilities Education Act \(IDEA\), Part B: Key Statutory and Regulatory Provisions](#) (U.S. Congress)
- [Fact Sheet: IDEA and Federal Funding](#) (Council for Exceptional Children, 2025)
- [IDEA Part B: Uses of Special Education Funds](#) (American Speech-Language-Hearing Association)
- [Allowable Use of IDEA Part B Funds: Decision Tree](#) (National Center for Systemic Improvement, 2025)

All children with disabilities have the right to a free appropriate public education in the least restrictive environment. State education agencies (SEAs) or local educational agencies (LEAs) are required to pay for

special education and related services, modifications, and supports deemed necessary and outlined in each child's IEP. The following are examples of supports:

- When the IEP team agrees that transportation, a related service, is necessary for an individual child to benefit from special education, and the service is not provided to all children, the state or LEA is responsible for transportation costs.
- Personnel development may be listed as a provision of a child's IEP when a teacher or teaching assistant requires training to implement the IEP. This training can be provided for LEA-based educators, as well as teachers in the community. The cost of the training is the responsibility of the school district.
- Initiatives to help special education and general education programs understand the IDEA provisions and supports may include pyramid model, embedded instruction, and universal design for learning. Specialized equipment and devices are also allowable IDEA costs.

### **Other Funds Supporting Early Childhood Special Education Services**

In [Individual with Disabilities Education Act \(IDEA\) Funding Gaps by School District](#) (2025), the National Education Association estimates that federal IDEA funds cover less than 12% of the cost of special education services, requiring additional federal, state and/or local funds to be used. States provide special education funds in varying ways. In addition to IDEA Part B, 611 and 619, some states provide specific funds for children with disabilities or include weighted or extra funds in their general education funding mechanisms. State and other funds that support special education services depend on interrelated factors and specific state context. These factors may include state and community culture, population density and geography, entrance requirements and availability of state pre-kindergarten, and other public early childhood programs, and personnel.

Understanding how states fund special education is crucial to the effective and efficient planning and provision of inclusive services. State policy guidance on LRE, inclusion, and the use of funding based on state context and federal requirements is essential for local programs to understand how they can successfully leverage resources. When specific policy guidance is provided, mixed delivery systems are much more likely to be created, supporting all children within the context of the specific state.

In ECTA Center's [Part B, Section 619 Survey](#) (2023), states shared their funding sources for preschool special education services in addition to their IDEA funds.

### Funding Sources in Addition to IDEA Funds

Funding sources for provision of preschool special education services in addition to federal Part B 611 and 619 funds:

- **State-specific funds:** State special education funds may be appropriated for preschoolers with disabilities. These may be special education funds designated for children aged 3 through 21 and/or specific funds for children aged 3 through 5.
- **General education per pupil funds:** States use different allocation methods to distribute general K-12 funds to school districts. Some states include preschool children with disabilities in these funding mechanisms. The Education Commission of the States developed a [50-State Comparison: K-12 Funding resource](#) that summarizes funding approaches for state general and special education funding.
- **Local school district funds:** Some LEAs use local funds.
- **Medicaid funds:** Many states access Medicaid funds to support services for children with disabilities. State Medicaid agencies have the responsibility to determine the school-based services covered and how providers are paid within their state. State and local education agencies are key partners in making these decisions. [The Policy Statement on Inclusion of Children with Disabilities in Early Childhood Programs](#) (2023) spotlights helpful Medicaid resources.
- **Other:** A few states use other public and private funds such as corporate or philanthropic funding sources.

| Funding Source                                   | %   | #  |
|--------------------------------------------------|-----|----|
| State-specific funds                             | 69% | 37 |
| General education per pupil funds                | 52% | 28 |
| Local school district funds                      | 74% | 40 |
| Medicaid funds (in some or all school districts) | 63% | 34 |
| Other                                            | 7%  | 4  |



## The Centers for Medicare & Medicaid Services' Medicaid Guidance

- [Delivering Service in School-based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming](#) (2023) includes an informational bulletin and a full guide that details new flexibilities and consolidates existing guidance to improve the delivery of covered Medicaid and Children's Health Insurance Program (CHIP) services.

## The Center for Medicaid and CHIP Services

- [Informational Bulletin on Leveraging Medicaid, CHIP, and Other Federal Programs in the Delivery of Behavioral Health Services for Children and Youth](#) (2022) includes federal requirements on Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) and examples of ways that Medicaid and CHIP funding can be used to provide high-quality behavioral health services to children and youth.

## Funding Sources Supporting Access to Early Childhood Programs

IDEA shows a strong preference for educating children with disabilities in regular classes alongside their peers without disabilities. Early childhood education includes regular early childhood public and private programs, such as Head Start, state pre-kindergarten, Title 1, and childcare. Each program has unique funding sources, regulations, and accountability.

In [The Costs of Inclusive and Traditional Special Education Preschool Services](#) (Odom, Parish, & Hikido, 2001), a study of the costs of inclusive programs found lower costs were associated with more inclusive programs across public school, community, and Head Start programs. Inclusive preschool models were less expensive for school districts than segregated models.

U.S. Departments of Health and Human Services and Education's [Policy Statement on the Inclusion of Children with Disabilities in Early Childhood Programs](#) (2023) offers strategies to support inclusive opportunities across early childhood systems. One approach for state action recommends leveraging funding and resources by creating a state level early childhood cross-sector leadership team. States may also review and recommend adjustments to resource allocations.

As part of their strategic plan, the State leadership team should review:

- How existing funding and resources are allocated.
- Whether there are disparities in funding and resources across communities.
- How funds may be reallocated to better support increased access and participation in inclusive early childhood programs.
- How state policies and guidance could facilitate the coordination of funding and resources across State and local early childhood agencies.

Finance mapping plans may help State early childhood agencies determine how to most efficiently and effectively utilize funds and resources from different funding streams.

States use funds in different ways to support the access of young children with disabilities to early childhood programs. Major funding sources include IDEA, public preschool, childcare, Title I, Early Head Start, Head Start, and Medicaid. State agencies should collaborate to examine and create agreements on regulations, funding, and resources across all early childhood programs to support children with disabilities in inclusive settings.

Federal funds supporting Head Start and Title I preschool programs provide the opportunity for young children with disabilities who are eligible for these programs to have a high-quality preschool experience in which special education services may be delivered. Head Start programs are required to ensure that at least 10% of enrollment slots are occupied by children with disabilities. In addition, some state Child Care and Development Funds (CCDF) offer direct support to families through childcare subsidies, and financial incentives for programs serving children with disabilities.

Some states also support categorical access for preschool children with disabilities. In recent years, state childcare lead agencies have been encouraged to use grants and contracts to disburse funds to prioritize funding for underserved populations, including children with disabilities.

Many states fund pre-kindergarten programs and have established specific funding guidelines. Programs range from voluntary, universal pre-K to limited access programs for children who are at risk for being unsuccessful in school. A national picture and state-specific information on these programs is available at the National Institute for Early Education Research (NIEER) [The State of Preschool Yearbook](#). This annual publication tracks funding, access, and policies of state-funded preschool programs.

When the pre-K program is not universally available eligibility is determined by the state. Enrollment criteria may include the child's age, family socio-economic status, if the child is an English language learner, has a disability, or is in foster care. Children with IEPs who meet the state-specific requirements for the state pre-kindergarten program must have the same access as children without disabilities and should be considered for enrollment. To do otherwise would be discriminatory.

Some states also create pre-kindergarten policies to include children with disabilities regardless of eligibility criteria, including age or family income. Federal, state, and local early childhood funds should be coordinated to increase the availability, quality and access to high-quality early childhood programs and services for all children.

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# Funding Sources Supporting IDEA Services for Young Children with Disabilities and Early Childhood Programs

This section summarizes major funding sources that provide IDEA services and support inclusive high-quality early childhood programs, which may be accessed and used differently across states.

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## Federal Department of Education Programs, Funds, and Funding Sources

### Individuals with Disabilities Education Act (IDEA)

[IDEA](#) Part B, 611(children ages 3–21) and 619 (children ages 3–5) are administered by the Office of Special Education Programs (OSEP), to assist states in serving children with disabilities.

*For more information, see [Updated Dear Colleague Letter on Preschool Least Restrictive Environments](#) (U.S. Department of Education, 2017).*

### Every Student Succeeds Act (ESSA)

The ESSA from December 10, 2015, a bipartisan measure, reauthorizes the 50-year-old Elementary and Secondary Education Act (ESEA). The law supports improved collaboration and coordination among early education programs, such as public schools, home-based child care, center-based child care, Head Start, etc. It emphasizes smooth transitions from pre-K programs to kindergarten. It also includes preschool development grants separate from the ones listed below.

*For more information, see [Non-Regulatory Guidance: Early Learning in the Every Student Succeeds Act Expanding Opportunities to Support our Youngest Learners](#) (U.S. Department of Education, 2016)*

### Preschool Development Grants (PDG)

PDG are grants given to states and administered by the Department of Health and Human Services (DHHS). They are for:

- Implementing coherent, compelling, and comprehensive early learning education reforms.
- Aligning and raising standards for existing early learning and development programs.
- Improving training and support for the early learning workforce through evidence-based practices.

*For more information, see [Preschool Development Grant - Birth through Five](#) (U.S. Department of Education)*

## **Head Start/Early Head Start**

Head Start and Early Head Start programs are administered by the Office of Head Start and funded by DHHS. Grants to fund the programs are distributed to local public and private non-profit and for-profit agencies with an overall goal to increase the school readiness of young children from low-income families. Early Head Start supports pregnant women and families with children younger than three years and Head Start supports children 3–5 years old and their families. Head Start mandates that at least 10% of the program’s enrollment is for children with disabilities.

*For more information, see [Head Start Services](#) (Office of Head Start)*

## **Child Care and Development Fund (CCDF)**

CCDF provides financial assistance to low-income families to access childcare so they can work or attend a job training or educational program. It also supports quality programs by:

- Building the skills and qualifications of the teacher workforce.
- Supporting childcare programs to achieve higher standards.
- Providing education to help parents select childcare that meets their families’ needs.

Some states provide financial support for children with disabilities.

*For more information, see [What is the Child Care and Development Fund \(CCDF\)?](#) (Office of Child Care)*

## **Medicaid & Children’s Health Insurance Program (CHIP)**

Medicaid and CHIP provide health insurance which pays for services for eligible children. It includes preventive care, immunizations, screening and treatment of health conditions, doctor and hospital visits, and vision and dental care for families who are income eligible and/or children with disabilities. Some IDEA services may be covered under state Medicaid agreements.

*For more information, see [Children’s Health Insurance Program \(CHIP\)](#) (Centers for Medicare & Medicaid Services)*

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## State and Local Funds

### State and Local Funds

State and local funds are primary funding sources, as detailed in the Education Commission of the States' [50-State Comparison: K–12 Funding](#) (2024).

*For more information, see your state departments of education's websites.*

### State-Funded Pre-Kindergarten

Early learning programs financed by state funds to strengthen children's learning. Funding is often used:

- For local school districts or mixed delivery cross sector programs that emphasize school readiness.
- For children who are at-risk for being unsuccessful in school or based on household income.

Some states specifically include children with disabilities, regardless of income. Most state pre-K is for 4-year-olds and the percentage of children served across states and communities varies greatly.

*For more information, see [The State of Preschool Yearbook](#) (National Institute for Early Education Research)*

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## Private Funds

### Insurance

Private family or child insurance can be used with family permission.

### Private Pay

Funding sources, such as parental payment or co-pay, scholarships, and gifts, may pay for enrollment of children with disabilities.

### Foundations

Funds that may be used to support programs and enrollment cost.

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## Community Collaboration and Funding

Collaboration across early childhood programs is necessary to build a coordinated system that supports high-quality learning experiences for all young children, including children with disabilities.

Working together, leaders set expectations for services to be provided in inclusive settings, establish policies, and allocate resources to increase access to inclusive early childhood programs. ECTA, in collaboration with partners from regular and special early childhood programs and services, created [Community Indicators and Elements of High-Quality Inclusion](#) to support and guide community teams.

Cross sector early childhood councils are one way to identify and coordinate opportunities, services, and supports. Consider establishing a leadership team, council, or committee on early childhood inclusion with decision-making authority to lead the collaboration effort and partner to build a culture of inclusion. The team may be a subgroup of another existing committee that may collaborate to determine clear and intended outcomes and timelines for the work.

Identifying community early childhood programs serving young children is a starting point for collaborating to examine policies, program elements and funding mechanisms that support inclusive opportunities for young children with disabilities. Researching the eligibility guidelines for each program is necessary. Understanding the enrollment process, calendar and other program specifications will also contribute to defining practices for including children with IEPs.

Understanding program elements will help guide the braiding of funding, and necessary accountability, to ensure funds are being used for their intended purpose. When monies from different funding sources are used to support one classroom or braided program, the classroom or program must meet the requirements of each authority.

Children with disabilities who meet the entrance requirements for any individual early childhood program must be afforded the same opportunity for enrollment and funding as children without disabilities.

ECTA Center provides an [Early Childhood Programs Comparison Worksheet](#) to compare critical program requirements and elements.

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## Collaborative Funding Agreements

Collaboration and a commitment to funding high-quality inclusive programs can leverage resources to create inclusive opportunities for children with disabilities. By creating collaborative funding agreements, programs clearly define the agreed upon costs each funding source is paying to support an early childhood program or classroom. These agreements may be defined in policy, informally understood, or structured as written agreements. Parties of the agreements determine the commitment of funds and may also include other provisions such as in-kind arrangements or waivers.

Federal, state, and local early childhood funds should be coordinated to increase the availability, quality and access to high-quality early childhood programs and services for all children. [Braiding Funding for Early Childhood Education](#), an interactive tool, defines braiding and layering funds to support comprehensive early childhood systems.

- **Braiding funds** means two or more funding sources are coordinated to support costs of a program or activity. Revenues are allocated for each funding source, and cost-allocation tracks, reports, and ensures each funding source is charged the correct amount and based on the allowable use of each funding source.
- **Layered funds** means a tiered approach using a foundational source of funds, a second layer of funding might provide additional program hours, staff training, equipment, or supplies. A third layer of funding may be child specific—for example, IDEA funds for a child’s IEP services, or comprehensive services for children funded through Head Start.

The term “blending” is not used in this document as federal IDEA funds must be used as intended and described in IDEA and may not be commingled with other funds. There must be specific bookkeeping and audit practices for IDEA funds. It is permissible and encouraged to braid programs and funds collaboratively and thoughtfully as discussed in more detail in the Community Collaboration section of this document.

An example of braided funds is when a child with a disability is supported by different funding streams. This allows the child access to an early childhood setting and to receive the necessary special education services within the program.

Layered funding takes a tiered approach beginning with a foundational funding source. A second layer of funding might be used for additional program hours, staff training, equipment, or supplies. A third funding layer may be child specific, such as using IDEA funds for IEP services or comprehensive services for children funded through Head Start.

The allocation and accounting of funds must match the intended purpose of the funding source without duplication. Funds must only be used for the allowable costs as defined by the federal, state, or local funding source. The coordination of planning and operations requires the involvement of administrators, accounting staff, and business managers or those knowledgeable of funding requirements or those responsible for financial decisions.

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## **Funding strategies**

When monies from different funding sources are used to support one classroom or program, the classroom or program must meet the requirements of each authority. Children with disabilities who meet the entrance requirements for any individual early childhood program must be given the same opportunity for enrollment using the same funding streams as children without disabilities.

The following strategies and examples show how two or more programs may braid funds. It is critical to know each program's funding rules and to be able to track funds separately. Not all examples below will apply across all funding sources. States often provide policy guidance on how programs may braid funds from various sources. This guidance may be helpful when program funding requirements are barriers to providing inclusive programs.

### **Cost Per Child**

Cost per child occurs when each program pays the same amount per child. One way of sharing the cost for a classroom or program is to determine the per child cost. Each source pays that amount for the number of children they fund.

### **Funding Source Cost Per Child**

Funding source cost per child occurs when each funding source provides a specific dollar amount to the program. This might be the rate of funding equivalent to each program's cost per child or other agreed upon amount. For example, the state pre-kindergarten program may be a four-hour program that is supplemented to provide a full-day program using Title I funds.

## Specific Cost Funding

Specific cost funding is when each program agrees to pay a defined cost rather than pay a portion of the total operating expenses. The commitment of funds is made for expenses or functions within a program by a funding source, according to their guidelines. Funds are not exchanged by programs but are allocated through agreements to support program components.

An example is a regular early childhood classroom of children with and without disabilities:

- The classroom teacher is funded by a regular education program, and an assistant is paid using funds from a second regular education program.
- A special education itinerant teacher instructs three children with IEPs in the classroom. This instruction includes planning and teaching a learning center within the classroom with activities to support goals for each child.
- The itinerant teacher plans instruction in collaboration with the classroom teacher. During center time children with and without disabilities spend time at the center. While the itinerant teacher instructs the children with disabilities, those without disabilities receive incidental benefit when they participate in the center activities.

Another example would be adding an additional teacher assistant:

- This assistant, paid using special education funds, would support the participation and engagement of the three children with IEPs in the classroom. In doing so, the assistant interacts with all the children in the classroom. This ensures the children with IEPs are engaged with classroom activities, other children, and the instructors.

## Fee-for-Service or Private Pay

Fee-for-service or private pay is a funding model used by a preschool program or classroom, generally in a program operated by district special education personnel. In this model, the program recruits children without disabilities to create a regular early childhood classroom/program. Children without IEPs pay a fee to participate in the classroom.

Fee-for-service programs operate varying hours and charge fees based on the type of program they provide. Some fee-for-service programs may have an after-school component that provides extended hours of care. These programs may be used as an incentive to teachers in the district, offered exclusively to their children and grandchildren.

## **In-Kind Sharing**

In-kind sharing of resources is when programs contribute services or resources in lieu of providing direct funds. It also can support a braided program. An example is a community preschool program that has been recruited to operate a preschool classroom in the local education agency (LEA) or school district. The school district gives the program a classroom at no cost. In exchange for the classroom, the preschool program holds an agreed upon number of slots for children with disabilities.

## **Class Size Waivers**

Class size waivers occur when programs request a smaller class size so they can meet the needs of children, those with and without IEPs. In these cases, the program may receive the same amount of money as classrooms without a waiver. In another case, special education programs may agree to pay a portion of the classroom operating costs to provide an appropriate inclusive classroom for children with IEPs.

## **Holding Slots or Enrollment for Children**

Holding slots or enrollments for children may be used to ensure there are seats for children with disabilities in regular early childhood programs who are identified throughout the year. When children who receive services in early intervention (Part C of IDEA) transition or children are identified after the fall when classrooms are full, often there are no regular programs available.

Another scenario is to prepare in advance to ensure appropriate placements will be available throughout the year. To do this, states can compare fall enrollment of children with IEPs to the number of children with IEPs who receive services in the spring. Then, compute the percentage growth by the state and district to track these data over time. This will give a general idea of how many children to expect to be found eligible through Child Find.

## **Funded Enrollment**

Funded enrollment is the use of IDEA funds to pay for an individual child's placement. This includes enrollment or tuition costs if a child's IEP specifies the requirement of a regular early childhood program, and the district does not have a placement available. This often occurs in cases where a child does not meet entrance requirements or eligibility for a regular public or private early childhood program.

In this example, if the regular preschool program cost is \$5,000 per child per year and two children with IEPs do not meet that program's eligibility requirements, IDEA funds may pay the enrollment cost, \$10,000 for the two children.

## **Professional Competencies, Certifications, and Licensures**

Professional competencies, certifications, and licensures that are common across early childhood programs and include an emphasis on inclusion could be developed with costs shared by multiple programs. They could also be used to allow staff to support children in various settings.

## Professional Development and Shared Opportunities

Professional development and shared opportunities for all early educators within a community contribute to a common understanding and commitment to inclusion. IDEA funds may be used to contribute to the cost of a statewide early childhood professional development system or used to include community partners in local trainings.

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## Service Delivery Models

Considerations for staffing, classroom configurations, and service delivery models must meet the needs of all of the children, individually and as a group. High-quality inclusive settings are regular early childhood classrooms and programs where children with IEPs attend and receive their special education services within the regular program setting. The defining features of inclusion that can be used to identify high quality early childhood programs and services are access, participation, and supports.

As a reminder, the child's IEP team determines where special education services will be provided. The team always begins with the provision of services in a regular early childhood program with supplementary aids and services, as needed. More restrictive settings may only be considered after the IEP team discusses and documents the use of individualized supplementary aids and services provided in the regular early childhood program. The team also determines that the IEP cannot be successfully implemented in that setting even with supports.

Other settings where children may receive their special education services are:

- Home
- Separate classrooms
- Service provider settings
- Separate schools
- Other locations

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## Staffing and Classroom Configurations

The specific placement option is always determined individually for each child by their IEP team. It should be based on the child's needs and not the availability or lack of availability of any particular program or classroom. Considerations for inclusive staffing and classroom configurations include the needs of the children individually and as a group. They also consider state requirements and class size guidelines in a particular program and the program models being used in a community or state. In each example, professionals must meet their state's licensing requirements. Special education staff who support children with IEPs, in a program or classroom, may also work with and provide incidental benefit to children without disabilities.

The classroom configurations defined below are consistent with the decisions made by individual IEP teams for the provision of special education services in placements within a continuum. These examples focus on providing services in regular early childhood programs and do not represent the entire continuum. There are a number of classroom configurations and considerations for providing early childhood special education services in inclusive settings. In some cases, teachers' salaries are paid from more than one funding source.

Whenever special education teachers are paid from more than one funding source, the use of IDEA funds must be explicitly documented in the time and effort requirements under [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#).

Common inclusive staffing strategies include:

### Co-Teachers, Regular and Special Education

Co-teachers, regular and special education, with different certifications who work together in classrooms to plan, implement and assess the activities of all children. Costs for staff are dependent on the number of hours of co-teaching, for example from one period to the entire day. The number of children in the classroom also influences the cost, as does the district, program or agency staffing costs for each teacher.

### Dually Certified Teachers

Dually certified teachers provide regular and special education to one group of children, those with and without IEPs. This may be a license or certification option in some states. There is a cost benefit for having one dually certified teacher instead of two teachers.

### Paraprofessionals

Paraprofessionals or teacher assistants provide additional support to all children and the classroom teacher. They are funded by any of the sources as guidance permits. Assistants interact with all of the children in the classroom, ensuring that all children, including the children with IEPs, are engaged in activities, with other children, and the teachers.

## **Regular Education Classroom Teachers and Special Education and Related Services Staff**

Regular education classroom teachers and special education and related services staff consult on issues specific to children with IEPs. The costs of these special education services are provided by special education funds related to time, travel, case load, and other staff expenditures.

## **Itinerant Special Education Teachers and Related Service Providers**

Itinerant special education teachers and related service providers deliver special education services in regular education classrooms in collaboration with the regular education teacher and other staff. For example, a teacher who staffs an activity center within the classroom provides instruction to a child with an IEP and other children may gain incidental benefit from the lesson.

Itinerant staff costs are covered by special education funds and are proportional to the time spent. Additional costs for itinerant services may include travel, consultation, teaming time, and family conferences.

## **IEP-Specified Paraprofessionals**

IEP- specified paraprofessionals may provide support to an individual child or children in the regular education setting working under the direction of the special education and regular education teachers. In these cases, the IEP team determines and documents the need for individualized support from a paraprofessional and commits special education funding for those purposes.