

# Trends in America



Issue Brief

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## INVESTING IN THE FUTURE: STATE FUNDED EARLY CHILDHOOD EDUCATION

Research across several decades has shown that the earlier children start their educational journeys, the better they will perform in school and will thus become more productive members of society. While many Americans—both citizens and policymakers—recognize the importance of early childhood education, there is still work to do.

There is a strong consensus among researchers that high-quality early childhood development programs are an excellent investment for states. A May 2007 study by economist Robert G. Lynch found significant benefits to high-quality pre-K programs, including a positive impact over time on federal and state budgets, crime, and the achievement and earnings of children and adults. According to the study, investments in these programs consistently generate benefit-cost ratios exceeding 3-to-1, representing a \$3 return for every \$1 invested.

Early childhood development programs are particularly beneficial to children in low-income families—poor children who have participated in these programs have markedly better academic performance, decreased rates of criminal conduct and higher adult earnings. These benefits translate into large economic advantages to the state. For example, state spending on low-income children participating in these programs would decline for future remedial and special education, criminal justice and welfare benefits. Furthermore, once

these children grow up and enter the labor force, they make more money and pay more taxes to support future government services.

Certainly, the cost for states to implement a comprehensive, high-quality early childhood development program would be significant. Some researchers estimate that it could initially cost up to \$19 billion a year nationally just to provide low-income 3- and 4-year-old children with such a program. Cost estimates, however, vary widely from state to state and depend on several factors including the size of the target population, program design, competitiveness of staff salaries, costs of infrastructure, and the number and quality of offered services. The debate over the minimum per-child expenditure necessary to fund a high-quality program is significant. Costs for a high-quality pre-K program with a six-hour school day range from \$6,000 to \$8,000 per child over the course of a school year.

However, the benefits of such an investment would only increase over time. According to Lynch's study, the annual benefits of a universal program would total about \$779 billion by the year 2050—exceeding the costs of the program in that year by a ratio of 8.2-to-1. In addition, the Brookings Institution projects that universal preschool for 3- and 4-year-olds nationwide would increase the gross national product by \$2 trillion in 2080.



The potential benefits of early childhood development programs include:

- Fewer referrals for remedial classes or special education
- Higher grades, fewer retentions and fewer dropouts
- Greater social and emotional maturity
- Increased sports participation
- More frequent high school graduation or GED completion
- Lower unemployment and better earnings, lower rates of crime, and less dependency on welfare
- Better health outcomes—including a lower rate of out-of-wedlock pregnancy and drug abuse
- Increased government revenue streams and lower government expenditures

## The States Respond

Most policy experts agree that providing early childhood education is beneficial to a state's economic and social well-being. To

that end, 38 states now fund preschool initiatives. According to Pre-K Now, a group advocating for universal pre-K,

those 38 states plan to spend \$4.2 billion in the year ending Sept. 30, 2007—up 75 percent from two years ago. In 2005–06, total state spending on pre-K initiatives was \$3.27 billion.

Still, participation and access rates vary significantly across states and regions. The Southern region is leading the nation in providing pre-K education to a substantial percentage of 4-year-olds.

Eight of the top 10 states with respect to the percentage of the population enrolled in early childhood education are in the South. All but three states in the South provide early education services to at least 10 percent of 4-year-olds. By contrast, a large number of states in the West and Midwest—including Alaska, Hawaii, Idaho, Montana, North Dakota, South Dakota, Utah and Wyoming—had

no preschool initiatives in 2006–07. Other states in these regions often provide early childhood education programs to less than 10 percent of children.

While pre-K continues to be a priority in many areas of the country, several states that have previously put the issue on the back burner—such as those in the West and Midwest—are now looking at early childhood education programs with renewed interest. For fiscal year 2008, 29 governors recommended increased investment in pre-K education, collectively representing more than \$800 million in new investments. This new investment could provide access to pre-K programs to more than 100,000 additional 3- and 4-year-olds. According to Libby Doggett, executive director of Pre-K Now, only 11 of the nation's governors had pre-K on their policy and budgetary agendas just three years ago.

The governors of Connecticut, New Mexico and Tennessee have long been proponents of pre-K and proposed significant funding increases for FY2008. Ohio proposed to increase funding in FY2008 for the state's early childhood education program by nearly 53 percent. In the most recent legislative session, Pennsylvania Gov. Ed Rendell pushed through a proposal to put \$75 million into preschool programs while New York lawmakers went even further than Gov. Eliot Spitzer had urged, and added \$145.9 million to the state's preschool budget. Legislators in Iowa approved \$60 million to ensure preschool programs are universally available to all 3- and 4-year-olds by 2011.

Alabama's state legislature approved \$10 million for the state's Pre-K program in FY2008—double the amount approved in FY2007. Massachusetts legislators allocated more than \$7 million for the Massachusetts Universal Pre-Kindergarten Program, an increase of \$2.5 million over FY2007. Maine Gov. John Baldacci recently signed into law LD 1426—An Act to Improve the Pre-

Kindergarten Experience for All Maine's Children. These states and others are developing policies that establish stronger and more uniform standards with an increasing emphasis on quality and expanded access.

### What Works

A recent study by the National Institute for Early Education Research looked at the impacts of state-funded preschool programs in Michigan, New Jersey, Oklahoma, South Carolina and West Virginia on various measures of success. Children in these state programs experienced significant gains in vocabulary development and math skills. The outcomes seen in these five programs are not typical—studies of programs in other states often find more modest gains. The more modest success in other state-funded preschool systems might be explained by how closely those systems align with these “model” programs. What then, sets these programs apart?

### Class Size and Staff-Child Ratios

Class size in all five model states is limited. The maximum teacher-child ratio in Oklahoma, South Carolina and West Virginia is 1:10. The NIEER thus recommends class sizes no larger than 20 and a teacher-child ratio of 1:10 or better.

### Teacher Qualifications

All these programs require teachers to have at least a BA degree and certification related to early childhood education.

### Per Pupil Spending

The amount of funding per pupil can be important. While spending more does not directly correlate with a quality program, long-term studies show that successful programs generally spend substantially more than other programs.

In addition to these basic components, NIEER suggests states consider other factors when designing their own programs.

## Ratio of Total Annual Benefits to Program Costs in 2050<sup>1</sup>

	Targeted <sup>2</sup>	Universal <sup>3</sup>		Targeted	Universal
<b>National</b>	<b>12.1</b>	<b>8.2</b>	Missouri	12.3	8.2
Alabama	8.1	6.1	Montana	13.2	8
Alaska	13.1	7.8	Nebraska	13.9	8.6
Arizona	11.4	7.9	Nevada	11	7.7
Arkansas	12	8.5	New Hampshire	15.2	8.6
California	12.1	8.4	New Jersey	16.3	10.5
Colorado	16.7	9.4	New Mexico	12.1	9
Connecticut	23.8	9.1	New York	12	9.4
Delaware	29.1	11.2	North Carolina	8.8	6.9
DC	10.3	8.1	North Dakota	24.1	10.1
Florida	9.9	7.4	Ohio	16.7	8.8
Georgia	11.3	9	Oklahoma	13.3	8.5
Hawaii	17.3	9	Oregon	15.3	8.2
Idaho	13.1	8.7	Pennsylvania	12.4	8.3
Illinois	12.6	8.9	Rhode Island	11.6	8
Indiana	9.8	7	South Carolina	9.8	7.5
Iowa	13.1	8.4	South Dakota	14.2	9
Kansas	14.1	8.9	Tennessee	9.2	6.4
Kentucky	17.5	10	Texas	11.3	8
Louisiana	11.9	8.4	Utah	13.7	8.8
Maine	16.2	9.1	Vermont	20.4	9.3
Maryland	13.6	8.7	Virginia	10.5	7.7
Massachusetts	13.6	7.6	Washington	12.8	7.7
Michigan	13.8	8.1	West Virginia	11.8	7.9
Minnesota	27	10.2	Wisconsin	13.6	9.5
Mississippi	12.3	8.4	Wyoming	19.7	11.4

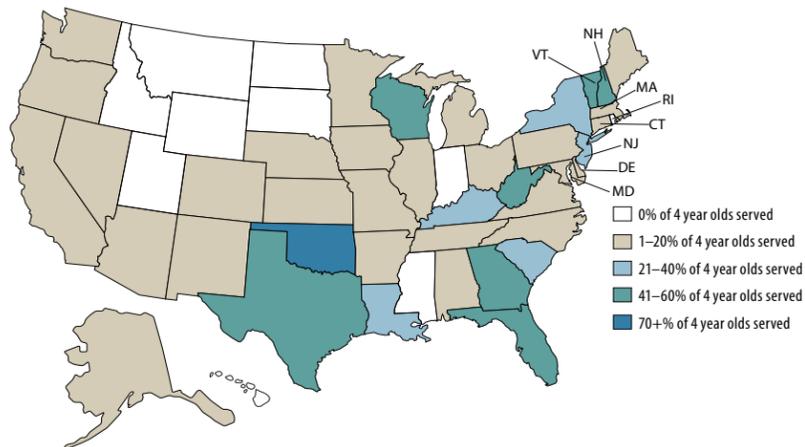
<sup>1</sup> The estimated ratio of total annual costs to the combined annual benefits from government budgetary gains, increased compensation to individuals, and savings from reduced crime in 2050 from a publicly funded prekindergarten program implemented in 2007.

<sup>2</sup> Ratio of total annual benefits to program costs in 2050 of a targeted, voluntary, high-quality pre-kindergarten education program for 3- and 4-year-olds in the lowest quarter of income distribution

<sup>3</sup> Ratio of total annual benefits to program costs in 2050 of a universal pre-kindergarten education program for all 3- and 4-year-olds

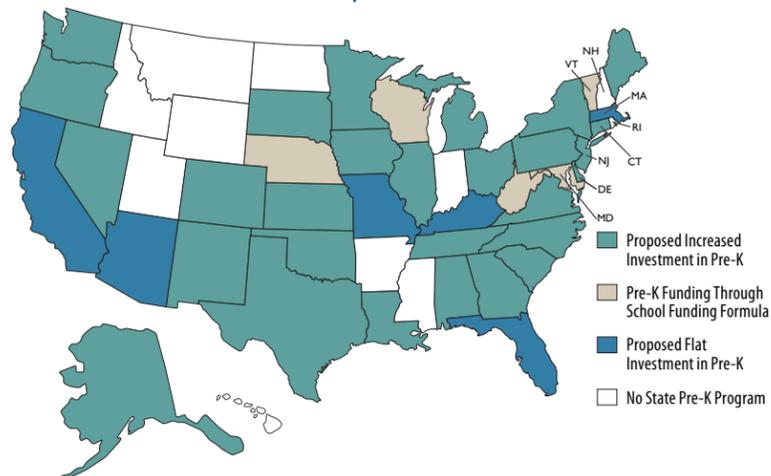
Source: Lynch, Robert G. (May 2007) *Enriching Children, Enriching the Nation*, Washington, DC: Economic Policy Institute

### Percent of 4-Year-Olds Served in State Pre-K



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### Governors' Proposed Investments in Pre-K



Source: Barnett, W.S., Hustedt, J.T., Hawkinson, L.E., & Robin, K.B. (2006) *The state of preschool 2006: State preschool yearbook*. New Brunswick, NJ: National Institute for Early Education Research, Rutgers University.

The first is teacher salaries. In 2003–04, nearly 75 percent of teachers in state-funded programs earned wages that are considered low-income for a family of four. Low salaries can limit the quality of teachers available, increase program instability by raising turnover and contribute to poor morale.

Promoting teachers' ongoing professional development is also paramount. Funding master teachers with early childhood backgrounds to coach and mentor teachers and contracting with institutions of higher education to bring college coursework directly to the preschool work force are among the successful initiatives designed to encourage ongoing professional development.

## Universal vs. Targeted

Existing programs can provide policymakers with recommendations and guidelines to begin implementation in their own states, but there is still some debate over what segment of the population should be the focus of those programs. Fundamentally, states must determine whether their program will provide universal early childhood education programs (for all children) or target a specific segment—primarily low-income children or those with other risk factors.

Researchers have found that early childhood development programs are particularly beneficial to children in low-income families. James Heckman, University of Chicago economist and 2000 Nobel Prize winner, believes that early educa-

tion initiatives should target disadvantaged children. His research suggests that preschool may be a significant factor in reducing achievement gaps, but that the marginal returns are highest with disadvantaged children.

Indeed, the research conducted by Lynch found the economic benefits of a targeted program appear to have a higher return on investment than universal programs. However, the economic benefit in absolute terms is significantly higher for universal programs. Lynch estimates that if a publicly funded, high quality pre-K program was implemented in every state in 2007, the total annual budgetary, earnings and crime benefits for a targeted program would total \$315 billion in the year 2050. On the other hand, the total benefits for a universal program in the same year would be \$779 billion—more than double the impact of a targeted program.

Proponents of universal programs argue that many children who are not in targeted groups can still benefit from a high quality preschool education—including middle income students who may or may not have access to high quality preschool programs. The problems ameliorated by early childhood education—such as dropout rates and low achievement—are not limited to the poor. Furthermore, the costs of failing to reach these children are greater than the cost-efficiency and savings associated with targeting.

Supporters also argue that universal programs will tend to be of higher quality because they are not perceived as “charity programs” and that public support will

be greater for them because of the larger, more influential population benefiting. And though the return dollar for dollar may not be as impressive, the economic benefits of a universal program have been shown to be very significant.

As researchers and policy experts debate the pros and cons of these two approaches, support for universal pre-K is beginning to build substantial momentum in many states. Florida, Georgia and Oklahoma already offer universal access to pre-K programs for 4-year-olds. In 2002, West Virginia passed legislation requiring the state work toward offering universal pre-K to all 4-year-olds by 2012. Similarly, Illinois Gov. Rod Blagojevich has committed to provide all 3- and 4-year-olds with pre-K access by 2011. The governors of New York and Iowa have proposals on the table that could serve all 4-year-olds within four years.

The case for state-funded early childhood education is compelling. Although the initial investment may be significant, the potential social and economic benefits of early childhood education are even more significant. Many states have already recognized this potential and have acted swiftly to take advantage of the opportunity. However, how these programs are funded and implemented and to whom the funding should go are questions that policymakers must answer.

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## Trends in America

The most dominant characteristic of the 21st century is not just change, but the rate of change. Understanding change is the first step toward identifying and implementing effective responses. Trends in America Issue Briefs are designed to help state leaders promote positive change through forward-looking policies and strategic investments.