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PRE-K INVESTMENT YIELDS BONUSES FOR CHILDREN, FAMILIES, COMMUNITIES & GOVERNMENTS

Groundbreaking study shows nationwide program for three- and four-year-olds starts paying for itself in as little as six years, and strengthens case for public investment in comprehensive early childhood development

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If we want to do better at building a strong economy, increasing earnings, reducing crime, and balancing budgets, a very good place to start is with high quality pre-kindergarten for the nation's children, according to new research published today by the Economic Policy Institute. Investing in pre-K, whether it's a program open to all eight million of the nation's three- and four-year-olds or one targeted to the 25 percent of children most in need, yields large, measurable economic benefits for children, families, communities, and the nation.

Enriching Children, Enriching the Nation, by economist Robert G. Lynch, adds a crucial new dimension to previous research that had already solidly documented the positive effects of high-quality pre-kindergarten education for children. Lynch's research shows that the pre-K investment that pays off so dramatically for children does the same for society and for government budgets.

Explaining his findings, Lynch said: "A high quality pre-K program should be an integral part of a larger, comprehensive public investment in early childhood development that spans the critical time period of prenatal through age five."

Lynch's research shows, state-by-state and nationally, the societal, economic, and budgetary gains that would flow from investing now to build either a universal or a targeted pre-K program that is implemented nationwide. His analysis is based on data on the Chicago Child-Parent Center Program, which provides center-based, comprehensive education, and family-support services to economically disadvantaged children from prekindergarten (ages three or four) to early elementary school (up to grade three/age nine). It is the oldest federally funded prekindergarten program in the nation after Head Start, and the oldest extended early-childhood program.

"Investing in high-quality pre-K isn't only good for children and society, it's also great for government budgets," says Lynch, whose new study measures the economic, crime, and budgetary benefits of high quality pre-K against its costs. "Governments can realize huge savings in areas such as remedial education, law enforcement, and child welfare, and will experience increases in tax revenues. Add to that the benefits of less crime and a more highly skilled workforce that is more likely to be employed and better paid – and that makes pre-K spending one of the smartest moves governments can make."

Lynch's study shows that, overall, a fully funded pre-K program for the most at-risk children would start to pay for itself in just six years – and in nine years, in the case of a universal program serving all the nation's children.

Commenting on the importance of this research, Ruby Takanishi, President of the Foundation for Child Development, a major funder of Lynch's research, said: "Troubling results from the National Assessment of Education Progress (NAEP), known as 'the nation's report card,'

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show that only about 40 percent of white and Asian fourth graders were proficient in reading in 2005, and fewer than one-in-five black, Hispanic/Latino, and all low-income children demonstrated proficiency in reading. Quality prekindergarten must be connected to quality K-3 education to sustain gains made in pre-K, and to prepare children for lifelong learning and productive engagement in their communities."

Comparing government budget benefits alone to costs (and leaving aside the benefits to individuals of less crime and higher earnings), a targeted program would pay for itself within nine years and a universal program, within 17 years. Individual state government budgets would reach the break-even point even sooner – in just four years for a targeted pre-K program in the case of Connecticut, Delaware, and Vermont, and in just 10 years for Kentucky and New York in the case of a universal program.

When other states would reach this point depends primarily on whether and how much they already invest in pre-K and other educational, criminal justice, and child welfare programs, as well as on their tax systems. Nevertheless, if pre-K programs targeted to the most at-risk children were fully implemented this year, state government budget gains would surpass costs in over 80 percent of the states in 10 years or less, and all but two would reach surplus by 2020. For those two, the break-even point would come in 2024 (Indiana) and 2025 (Alabama). For a universal program, budget benefits alone would exceed program costs within 25 years in every state except Alabama, which would break even in the 29th year, 2036.

"State-funded, high quality pre-kindergarten not only helps children learn their ABCs and how to get along with others, it is also an investment that can yield significant returns," said Sara Watson, senior officer, State Policy Initiatives, The Pew Charitable Trusts. "An investment in quality pre-K builds the foundation for young children to do well in school and later in life, and it can start to pay for itself in as little as six years."

Lynch not only shows the overall gains to be realized from instituting high quality pre-K nationwide, but also breaks out the major sources of these gains and the economic benefits to the participating children and their families. In the year 2050, he shows that the total benefits of a targeted program would be more than 12 times as high as its costs. In that year, the combined annual benefits from government budgetary gains, increased compensation to individuals, and savings to individuals from reduced crime would add up to more than $315 billion. The ratio of gains to costs would vary by state from about 29-to-1 in Delaware to about 8-to-1 in Alabama.

For a universal program the total budgetary, crime, and earnings benefits would be even greater, summing to $779 billion in 2050 and exceeding program costs more than eightfold in that year. The total annual benefits in 2050 would surpass the program costs by a ratio of about 6-to-1 in Alabama and by greater than 11-to-1 in Wyoming.

To put in context the gains that are possible from pre-K investment, Lynch noted: "Analysts point to stock market, with its average annual gains of about 6 percent between 1871 and 1998, as the model of a sound investment. Yet with returns that have been measured at 16 percent or more annually, good pre-K programs far outperform the stock market."

Major funding for this project came from the Foundation for Child Development, the W.K. Kellogg Foundation, and from The Pew Charitable Trusts.

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The Economic Policy Institute is an independent, nonprofit, nonpartisan research institute that researches the impact of economic trends and policies on working people in the United States and around the world.

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