Issue Brief #13

PARTNERSHIP FOR AMERICA'S ECONOMIC SUCCESS

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The Costs of Disinvestment:

Why States Can't Afford to Cut Smart Early Childhood Programs

Cutting effective early childhood programs hurts states now. When public resources are stretched thin, essential programs for young children often lose out in the budget process. Budget cuts that deprive children of a strong developmental start mean society and taxpayers lose, too.

Investments in early child development benefit states now. This year, policy makers in every state are forced to make hard choices. Priority must go to programs whose demonstrated economic and societal benefits, based on solid research, save money now and generate future revenue.

Quality home visiting/parent mentoring programs can reduce costs now:

- Such programs can help decrease by half the incidence of low-birthweight births, saving between $28,000 and $40,000 per low-birthweight birth averted; and
- They can save states collectively some of the $33 billion in annual child abuse- and neglect-related costs, such as hospitalization and law enforcement.

Effective pre-k programs reduce costly grade retention and special education services:

- Pennsylvania Pre-K Counts Public-Private Partnership saw a reduction in the percentage of participating children with developmental delays (which predict special education needs) from 21 percent at entry to 8 percent at program graduation; and
- A study of New Jersey's Abbott Preschool Program found 30 percent less grade retention in first grade among children who attended one year and up to 50 percent less for those who attended at both ages 3 and 4; each child held back costs the state $16,000 per year.

Better-prepared pre-k graduates make kindergarten teachers more effective, which reduces costs:

- Prepared students enable the whole class to learn more and progress more quickly; and
- Ready learners also reduce teacher turnover.

Early childhood programs stimulate the local economy.

- Because child care and pre-k professionals tend to spend, rather than save, more of their earnings, their jobs cause wage dollars to move multiple times through local businesses;
- Facilities maintenance and supplies are heavily local, spurring spending when and where it is most needed; and
- Parents whose children are in reliable, quality care work more productively and rely less on public assistance. Those who are out of work can search for jobs and participate in training programs.
- States generate roughly two dollars in local spending for each federal childcare dollar spent. These "multiplier effects" range from 1.92 in Ohio to 2.08 in California and 2.17 in Pennsylvania.

Cuts to Early Childhood Programs Hurt State and Local Businesses, Act as Anti-Stimulus

During Pennsylvania's summer 2009 budget impasse, more than 4,800 early childhood workers were at risk of losing their jobs. Had the final budget included the proposed 50 percent reductions in early childhood programs, more than 2,000 jobs would have been permanently eliminated.

Our economy is being dramatically re-shaped. Workforce development is critical to success. Ensuring a reliable stream of qualified workers is a key factor for states in attracting new business. Programs that start children on the path to successful adulthood—such as early education and parent support/home visiting—spur workforce development in multiple ways. In the long term, they increase school test scores, graduation rates, college attendance, job readiness and earnings; and reduce substance abuse, crime and teen pregnancy—all critical to growing a skilled workforce.

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In the short term, such public investments help attract new business by signaling the state's commitment to workforce development. Today, they help ensure that employees have quality services for their children, making them more productive on the job.

For a version with complete citations, please go to www.PartnershipForSuccess.org.

Applying five principles can help secure states' economic future. Enacting smart policies requires decision-making that prioritizes proven programs for all state spending.

- **Human Capital:** Expand programs that improve your state's workforce and community well-being. These investments will help attract and grow new businesses;
- **Early Childhood:** Invest in the first five years of life. These represent the most powerful time to spur development of creative and productive members of society;
- **Evaluation:** Prioritize programs that have been proven effective; early childhood programs are backed by extensive research demonstrating their economic and societal value;
- **Transparency:** Ensure that budget decisions and priorities are clear and understandable; and
- **Sustainability:** Budget with an eye toward the future. Rebuilding the economy could take many years, but there are policies that can save money now and position your state well for long-term growth.

Budget wisely. Protect effective pre-k and home visiting programs. Give children a strong start, build human capital, and position your state to compete and thrive in the new economy that is taking shape now.

The Partnership for America's Economic Success is a national coalition of business executives, economists, funders and civic leaders mobilizing business to improve tomorrow's economy through smart policy investments in young children today. It is managed by The Pew Charitable Trusts and funded by Robert Dugger, the George Gund Foundation, John D. and Catherine T. MacArthur Foundation, Ohio Children's Foundation, The Pew Charitable Trusts and Scholastic, Inc.

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