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THE PEW CENTER ON THE STATES

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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. Depriving children of a strong developmental start increases costs for parents, hospitals, schools and communities.

Investments in early child development benefit states now. 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 for at-risk families help to reduce costs now:

- Such programs can decrease by nearly half the incidence of low-birthweight births,[1] saving $28,000–$40,000 for each one averted.[2]
- By cutting child abuse and neglect up to 80%,[3] they can save states collectively some of the $33 billion in annual hospitalization, legal and other costs.[4]
- Nurse-Family Partnership (NFP) program child participants had 32% fewer emergency room visits than their peers as toddlers and 56% fewer visits for injuries and poisonings.[5] Through these and other savings, NFP can pay for itself within four years.[6]

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

- Pennsylvania Pre-K Counts Public-Private Partnership saw a reduction in the percentage of participating children with developmental delays (a predictor of special education needs) from 21 percent at entry to 8 percent at program graduation.[7]
- A study of New Jersey's Abbott Preschool Program found up to 50 percent less grade retention for first graders who attended at both ages 3 and 4.[8]

The cost-savings persist into children's early grade school years:

- Graduates of the Chicago Child-Parent Centers had 35% less grade retention and 26% less special education placement than their third-grade peers. They also experienced 30% less child abuse and neglect.[9]
- Louisiana's LA4 program reduced participating children's odds of kindergarten retention by up to one third and of special education placement through second grade by nearly one half.[10]

Early childhood programs stimulate the local economy:

- Parents whose children are in reliable, quality care work more productively and rely less on public assistance.[11] Those who are out of work can search for jobs and participate in training programs.
- Because much early childhood spending is local, and child care and pre-k professionals tend to spend, rather than save, most of their earnings, 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.[12]

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 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.

> 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 short term, these public investments help attract new business by signaling the state's commitment to workforce development, and they make employees more productive on the job.

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.

Partnership Principles for State and Federal Resource Allocation

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:** To achieve growth and fiscal sustainability, government should place its greatest emphasis on strengthening the skills and capacities of every American;
- **Early Childhood:** In developing human capital, our nation should focus especially on children, from before birth to five years of age, and their families;
- **Evaluation:** Return on investment should be a key consideration in public resource allocation decisions;
- **Transparency:** Government should enable citizens to understand and participate in the assessment of all revenue and spending decisions; and
- **Sustainability:** State and federal budgets should be viable over the long term.

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

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 Center on the States 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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ENDNOTES

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[9] Arthur Reynolds, "One Year of Preschool Intervention or Two: Does It Matter?" *Early Childhood Research Quarterly*, vol. 10, page 1-31, 1995.

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