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NEW STUDY: www.epi.org/docs/news/lynch/

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Pre-K Investment Yields Bonuses for Children, Families, Communities and State and Federal Government

Groundbreaking study shows nationwide program for three- and
four-year-olds starts paying for itself in as little as six years

How can we build a strong economy, increase earnings, reduce crime, and balance budgets? A new study points to a very good place to start: high quality pre-kindergarten for the nation's children. The new research was published today by the Economic Policy Institute and co-released in New York by the Fiscal Policy Institute and Winning Beginning NY, an early childhood education coalition.

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.

"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 universal pre-K program serving all children across the country would pay for itself in just nine years. A targeted program for the most at-risk children would start to pay for itself in just six years. Comparing government budget benefits alone to costs (and leaving aside the benefits to individuals of less crime and higher earnings), a universal program would pay for itself within 17 years. In New York, a universal program would reach the break-even point in just ten years.

"Enriching Children, Enriching the Nation reinforces what we in New York early care and education policy have known for a long time—that high-quality pre-K is just good business," said Karen Schimke, president and CEO of the Schuyler Center for Analysis and Advocacy and one of the conveners of Winning Beginning NY. "You can see the societal benefits of pre-K within a few years. Children do better in school than those without a pre-K background, their health and well-being is improved, and their parents know that they are learning in a safe environment. With a new commitment from Governor Spitzer of \$146 million this year, we expect to see pre-K programs expand in both public school and community-based child care settings."

"Here in New York, we stand to reap abundant rewards from building on the great start we've made on pre-K," said Trudi Renwick, Ph.D., a senior economist at the Fiscal Policy Institute. "This analysis shows the long view and the overwhelming good sense of continuing to expand pre-K education. Delivering the program to all the children that need it most—or better yet, universally—brings dollars back to taxpayers, sets young ones on the path to more productive, vibrant lives, and brings us a safer, more prosperous future."

The new study breaks out the major sources of the economic benefits of Pre-K to participating children, their families and their communities. In 2050, the combined New York benefits of a universal program—from government budgetary gains, increased compensation to individuals, and savings to individuals from reduced crime—would reach a stunning \$44.6 billion, surpassing costs by a ratio of 9.4 to 1. Total New York benefits of a universal program would include \$12.7 billion in government budget benefits, \$23.2 billion in increased compensation, and \$8.7 billion in crime related savings.

Even for a targeted program, the total budgetary, crime, and earnings benefits are substantial. Total New York benefits of investing in a targeted program would be \$19.3 billion, including \$5.9 billion in government budget benefits, \$8.9 billion in increased compensation, and \$4.5 billion in crime related savings. New York State budget benefits alone would outstrip costs by 3.68 to 1, and New York's projected rate of return rises to 12 to 1 when compensation and crime reduction benefits are counted in. Even if New York paid almost all the costs of a targeted program (with the federal government simply maintaining its current commitments to pre-K) the annual New York State budget benefits would exceed program costs by 2.62 to 1. When compensation and crime reduction benefits are added in, the annual benefits would exceed program costs by 11.2 to 1 in New York.

New York realizes these positive returns—in most cases, proportionately greater than those in other states—primarily for three reasons:

- New York has a substantial prior investment in pre-K (so less additional spending is required)
- New York spends more on school aid and criminal justice (costs that come down when more is invested in pre-K)
- New York has relatively higher taxes (and therefore pre-K alumni can be expected to contribute more to future tax revenues).

To put in context the gains that are possible from pre-K investment, Lynch noted: “Analysts point to the 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 the new study came from the Foundation for Child Development, the W.K. Kellogg Foundation, and from The Pew Charitable Trusts. Lynch’s 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. Full text of the study and other materials are available at www.epi.org/docs/news/lynch.

The Economic Policy Institute (www.epinet.org) 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. Robert G. Lynch, an EPI Research Associate, is the Everett G. Nuttle professor and chair of the economics department at Washington College.

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.

Winning Beginning New York (www.winningbeginningny.org) is a statewide coalition working to inform policy-makers and the public about the many benefits of early care and learning to children, families and society.