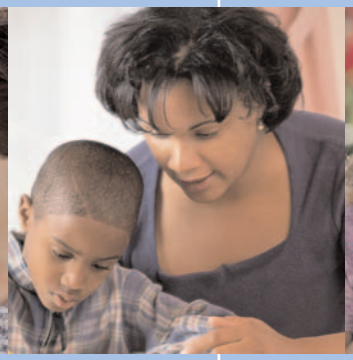
Early Childhood Education for All

A Wise Investment

Recommendations arising from
"The Economic Impacts of Child Care and Early Education:
Financing Solutions for the Future"
a conference sponsored by Legal Momentum's Family Initiative and the MIT Workplace Center





April 2005



Family Initiative



"The Economic Impacts of Child Care and Early Education" was held December 9 and 10, 2004 at the Massachusetts Institute of Technology, Sloan School of Management in Cambridge, Massachusetts. It was sponsored by:

Legal Momentum's Family Initiative (http://www.familyinitiative.org) is a major campaign to educate, engage and mobilize women and their families for accessible and quality child care, preschool and afterschool for every family that chooses them. Since 1970, Legal Momentum has advanced the rights and opportunities of women and girls by using the power of the law and creating innovative public policies.

The MIT Workplace Center (http://web.mit.edu/workplacecenter/), an Alfred P. Sloan Foundation Center, has as its mission to build—in theory and practice—a mutually supportive relationship between the effective performance of firms and the wellbeing of employees, their families and communities. It collaborates with employers, unions, professional associations, and other stakeholders to design new models of work organization that will improve the quality of work and family life.

The conference was co-sponsored by:

The National Economic Development and Law Center is a national leader in the economic analyses of the child care and early education industry. NEDLC works with states and localities across the nation to produce reports and recommendations on the economic impact of the child care and early education industry.

The Early Care and Education Collaborative is a multi-year project of eight state-based child advocacy organizations working on child care and education issues, coordinated by the Communications Consortium Media Center.

The Center for Policy Alternatives is the nation's leading nonpartisan progressive public policy organization serving state legislators and it strengthens the capacity of state legislators to lead and achieve progressive change.

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By

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http://www.familyinitiative.org

PREFACE

By Rosa DeLauro
U. S. House of Representatives

Because of the overwhelming need in our country for quality, affordable early childhood education, this report is critically important for policymakers at federal and state levels. I know many of my colleagues in Congress will find it a valuable resource.

Early Childhood Education for All: A Wise Investment brings together research and state experience on the critical importance of early care and education to children—and also to taxpayers and those concerned with economic development. It sets the stage for new ways we can meet the need for high quality early childhood education for all children.

New thinking is needed more than ever. When we passed welfare reform in 1996, Congress also promised to provide increased funding for services such as child care and transportation to assist families' ability to work and achieve self-sufficiency. However, although some improvement followed, public investments in early child education and child care have stalled again.

Stagnant federal funding and state cutbacks have left working families with less access as well as reduced levels of assistance. Without an adequate revenue stream, states have lowered eligibility limits for child care assistance; required parents to pay more toward the cost of education and care; and reduced emphasis on quality initiatives. Put simply, our country does not have a long-term strategy for providing early childhood education and quality and affordable child care to working parents. We have failed to make it a priority.

But child care and early childhood education must be a priority. As the Perry study proved, exploring the lives of at-risk African-American children over a 40-year period, child care can be the single greatest difference between success or failure in American society. And as we learned during a Congressional briefing with Legal Momentum on their report this past spring, quality, affordable child care and early education can bring taxpayers undeniable savings.

In fact, I think many people will be surprised to learn from this report how critical the child care industry in this country is to our economy. In my own state of Connecticut, child care providers generate a billion dollars annually. And although our state is known for its pharmaceutical industry, we actually have more citizens working in the field of child care. This report helps Americans understand that when it comes to our economy, child care is big business.

Taken together, *Early Childhood Education for All* brings together the work of leading economists to provide clear data on the importance of addressing this issue to the economic growth and productivity of our country. It breathes new life into our efforts, and I recommend this report to all those looking to improve the lives of our children and make sure that the country is prepared for a vital economic future.

April 2005

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Early Childhood Education for All: A Wise Investment

I. INTRODUCTION

In a time of scarce public resources, the care and education of young children will continue to fall to the bottom of the priority list until there is a shift in public understanding about the economics of raising the next generation. High-quality early childhood education is too vital to be brushed aside as a social services expenditure for only a few families or as too expensive to consider in tight budgetary times.

Early education is important for all children. And study after study shows that it is not too expensive. Quite the contrary.

Investments in quality child care and early childhood education do more than pay significant returns to children—our future citizens. They also benefit taxpayers and enhance economic vitality. Economic research—by Nobel Prize-winners and Federal Reserve economists, in economic studies in dozens of states and counties, and in longitudinal studies spanning 40 years—demonstrate that the return on public investment in high quality childhood education is substantial.

On December 9 and 10, 2004, Legal Momentum and the MIT Workplace Center at the Sloan School of Management sponsored a conference, "The Economic Impacts of Child Care and Early Education: Financing Solutions for the Future," that led to this report. It brought together some 80 scholars, experts and activists from around the country to examine the economics of early childhood education and to determine how to effectively present this new investment understanding to policymakers and voters. The partners in this effort were Legal Momentum's Family Initiative and the MIT Workplace Center; co-sponsors were The National Economic Development and Law Center, The Early Care and Education Collaborative and The Center for Policy Alternatives.

Until now, a considerable "blind spot" has blocked the public from seeing the field of early childhood education in economic terms or thinking about creative ways to finance, strengthen and enhance its growth. While virtually every state has maintained economic development funding at high levels in order to aid job growth, state after state has made cutbacks in child care, preschool and afterschool programs.

This approach is short-sighted. The research presented in this report—a compilation of impressive work done by experts across the country—shows that high quality early childhood education is a wise investment.

The evidence is in: **quality early education benefits children of all social and economic groups.** There are both short- and long-term economic benefits to taxpayers and the community if early education that meets high standards is available to all children, starting with those who are most disadvantaged. Indeed, universally available quality early education would benefit everyone and be the most cost-effective economic investment.

- High-quality early childhood education helps prepare young children to succeed in school and become better citizens; they earn more, pay more taxes, and commit fewer crimes.
- Every dollar invested in quality early care and education saves taxpayers up to $13.00 in future costs.
- The early care and education industry is economically important—often much larger in terms of employees and revenues than other industries that receive considerable government attention and investment.
- Failing to invest sufficiently in quality early care and education shortchanges taxpayers because the return on investment is greater than many other economic development options.
- Access to available and affordable choices of early childhood learning programs helps working parents fulfill their responsibilities.
- Quality early education is as essential for a productive 21st century workforce as roads or the internet; investing in it grows the economy.

The conference that forms the backbone of this report focused on solutions. Chapter II takes a look at both short-term economic benefits that fuel the economy and the positive long-term impact on tomorrow's citizens and tomorrow's economy. Chapter III looks at financing for a public investment that yields high public returns. Today, public investments in early childhood education have grown slowly or are stalled, and current revenue streams are limited. Parents are fulfilling their responsibilities—and paying close to 60 percent of the cost. But the price of quality early education

SHORT AND LONG TERM ECONOMIC BENEFITS

Short-term:

· Provides jobs: employs nearly 3 million people nationwide
· Employees spend wages and pay taxes
· Centers purchase goods and services
· Enables employers to attract and retain employees and increase productivity

Long-term:

· Lower cost for remedial and special education, and grade repetition
· More school completion and skills
· Better job preparedness and ability to meet future labor force demands
· Higher incomes and tax payments from those who complete school
· Lower criminal justice and prison costs
· Fewer welfare payments

is high. This chapter looks at the financing gap and innovative investment ideas. Chapter IV presents case studies and lessons learned across the country and, specifically, from two states—Massachusetts and Connecticut—that are leaders in current efforts to finance the best early childhood education system possible for all young children in their states. Chapter V presents conclusions and recommendations.

II. THE ECONOMIC BENEFITS OF QUALITY EARLY CHILDHOOD EDUCATION

Why should taxpayers want to invest their dollars in quality early education for every child whose family wants it? The research is clear that it helps children succeed. That's one reason. But there is another that is very important but less well known.

That reason is this: it makes financial sense. Tax dollars invested create economic development in communities now, and save money for years to come.

> "Investing in the child care infrastructure of Maine will have direct positive benefits for the state's overall economic competitiveness...[W]ithout a well-maintained highway system, Maine's manufacturing sector would be unable to effectively transport their raw materials nor bring in a skilled workforce from surrounding areas. Likewise, without a healthy child care industry, businesses face substantial obstacles in attracting and retaining workers."
>
> Alex Hildebrand,
> *The Economic Impact of the Child Care Industry in Maine*[2]

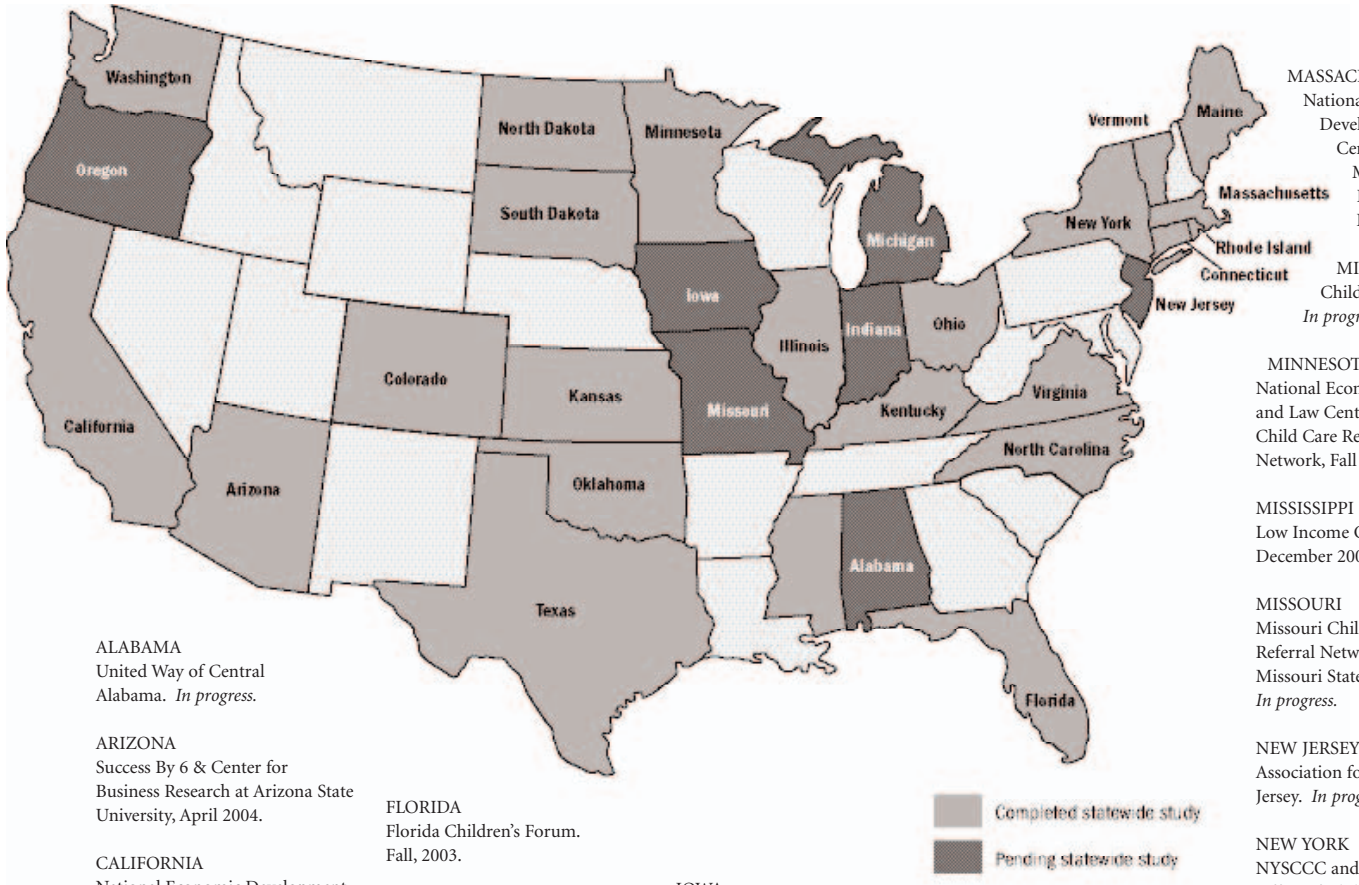
Investing in early education generates economic development for communities in the short run in the form of jobs, the purchase of goods and services, and a more efficient workforce. In the long run, quality early education builds an employable, educated workforce. Children who receive quality early education arrive at school ready to learn and they do better in school. They need fewer costly special education classes. They are more likely to graduate from high school and to hold jobs. They are less likely to be on welfare. And they are significantly less likely to wind up in the courts and in the jails—and costing taxpayers a fortune.

> "Similar to roads, public works, and bridges, child care is one of the economic infrastructures that enables parents' labor force participation. Providing the infrastructure so that all adults who wish to work outside the home can find and sustain employment is critical to meeting workforce demands for an economically competitive region. It offers the economy an untapped labor force in those who wish to work outside the home but who are unable to do so because they are caring for children."
>
> Saskia Traill and Jen Wohl[3]

Short Term: Quality Early Education Fuels the Economy Today

Because it involves the care of our most precious resource—our children who are our nation's future citizens—we may not like to think of early care and education as an "industry"—but, in part, it is. This is an important—if invisible—economic sector; licensed early education and child care businesses employ millions of providers and teachers nationwide, pay billions of dollars in wages, purchase billions more in goods and services and generate even more in gross receipts. The National Child Care Association estimates that the industry employs over 900,000 people as providers and teachers, with another 2 million working as "family, friend and neighbor" child care providers. Its conservative calculation of the licensed child care industry's direct revenues in 2002 is $43 billion. However, if informal child care and afterschool and summer enrichment programs are included, the total revenues would likely exceed $100 billion.[1]

STATEWIDE STUDIES ON THE ECONOMIC IMPACT



ALABAMA
United Way of Central Alabama. *In progress.*

ARIZONA
Success By 6 & Center for Business Research at Arizona State University, April 2004.

CALIFORNIA
National Economic Development and Law Center, 2001.

COLORADO
Colorado Children's Campaign, December 2004.

CONNECTICUT
Department of Economic and Community Development, Office of Workforce Competitiveness, June 2004.

FLORIDA
Florida Children's Forum. Fall, 2003.

HAWAII
Good Beginnings Alliance & National Economic Development and Law Center, March 2005.

ILLINOIS
Action for Children, Chicago Metropolis 2020 and Illinois Facilities Fund, January 2005.

INDIANA
Indiana Child Care Fund, Inc. *In progress.*

IOWA
Iowa Business Council. *In progress.*

KANSAS
Mid-America Regional Council & Butler County Community College, March 2003.

KENTUCKY
National Economic Development and Law Center & 4C: Community Coordinated Child Care, June 2004.

LOUISIANA
New Orleans. Tulane University. *In progress.*

MAINE
Statewide. Early Learning Opportunities Consortium, June 2003.

MASSACHUSETTS
National Economic Development and Law Center & Massachusetts State Education Department, 2004.

MICHIGAN
Child Care Network. *In progress.*

MINNESOTA
National Economic Development and Law Center & Minnesota Child Care Resource and Referral Network, Fall 2003.

MISSISSIPPI
Low Income Child Care Initiative, December 2003.

MISSOURI
Missouri Child Care Resource and Referral Network & Southeast Missouri State University. *In progress.*

NEW JERSEY
Association for Children of New Jersey. *In progress.*

NEW YORK
NYSCCC and the New York State Office of Children and Family Services, July 2003.

NORTH CAROLINA
National Economic Development and Law Center & the North Carolina Partnership for Children, June 2004.

NORTH DAKOTA
North Dakota KIDS COUNT, North Dakota State University, July 2004.

OHIO
National Economic Development and Law Center & Build Ohio Project, November 2004.

OKLAHOMA
College of Business Administration, Oklahoma State University with the Child Care Division of the Oklahoma Department of Human Services, January 2004.

OREGON
Commission on Child Care & Oregon State University. *In progress.*

RHODE ISLAND
Options for Working Parents, April 2003.

SOUTH DAKOTA
Kids County South Dakota & University of South Dakota, November 2004.

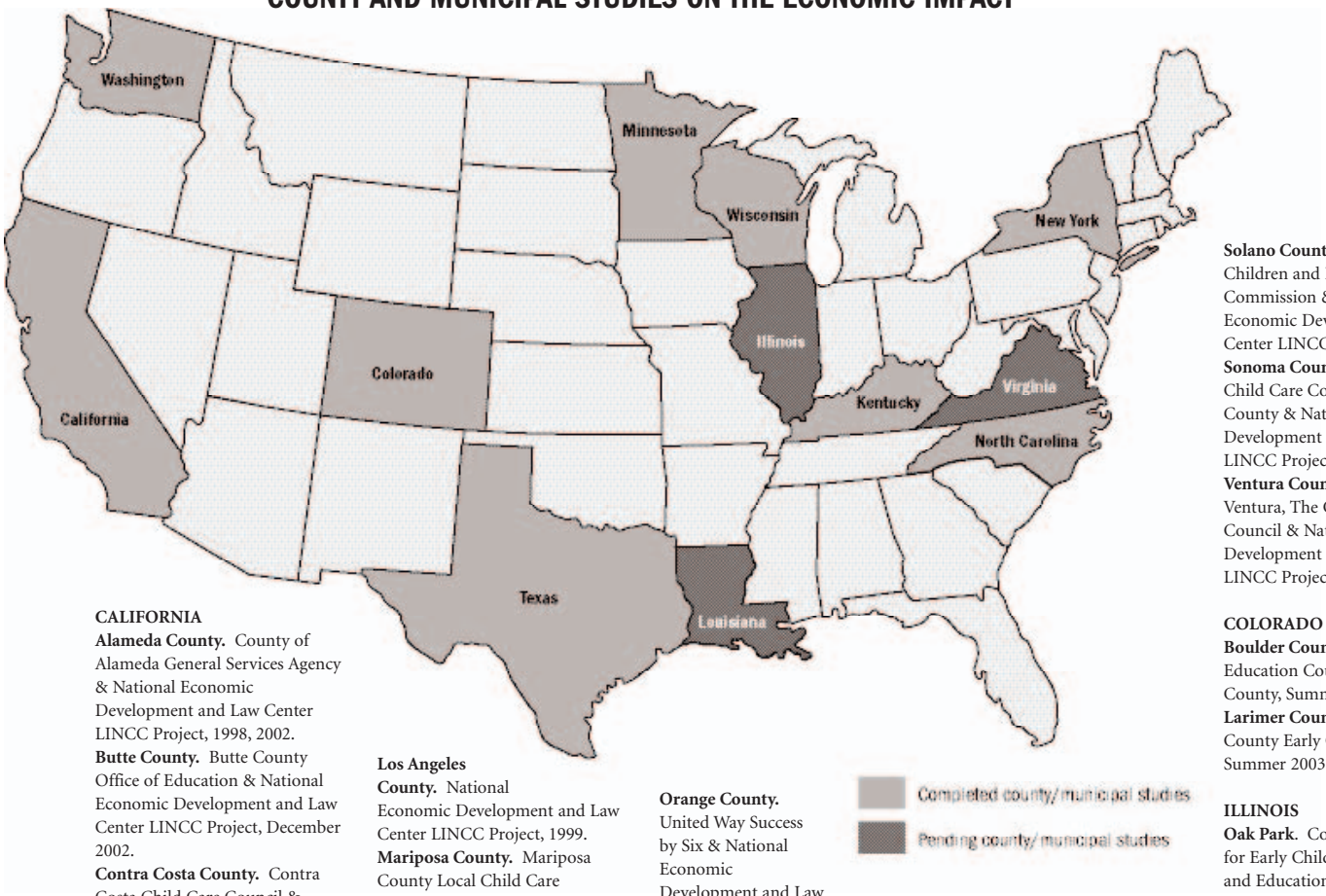
TEXAS
Texas Workforce Commission, Child Care Services, December 2003

VERMONT
Windham Child Care Association & The Peace and Justice Center, June 2002.

VIRGINIA
Voices for Virginia's Children, December 2004.

WASHINGTON
Report from a Forum on the Economic Impact of Washington's Child Care Industry that was held September 27, 2004.

COUNTY AND MUNICIPAL STUDIES ON THE ECONOMIC IMPACT



CALIFORNIA

Alameda County. County of Alameda General Services Agency & National Economic Development and Law Center LINCC Project, 1998, 2002.

Butte County. Butte County Office of Education & National Economic Development and Law Center LINCC Project, December 2002.

Contra Costa County. Contra Costa Child Care Council & National Economic Development and Law Center LINCC Project, 1997 and January 2003.

Humboldt County. First 5 Humboldt & National Economic Development and Law Center LINCC Project, 2004.

Kern County. Community Connection for Child Care & National Economic Development and Law Center LINCC Project, 1997.

Los Angeles County. National Economic Development and Law Center LINCC Project, 1999.

Mariposa County. Mariposa County Local Child Care Planning Council, June 2002.

Merced County. Merced Country Children and Families Commission & National Economic Development and Law Center LINCC Project, 2003.

Monterey County. National Economic Development and Law Center & Monterey LINCC Project, October 1997, Winter 2003.

Orange County. United Way Success by Six & National Economic Development and Law Center LINCC Project, 2002.

San Benito County. National Economic Development and Law Center LINCC Project, 1999.

San Francisco County. San Francisco Department of Social Services & National Economic Development and Law Center LINCC Project. In progress.

San Mateo County. Child Care Coordinating Council of San Mateo County & National Economic Development and Law Center LINCC Project, 2001.

Santa Clara County. Child Care Planning Council & National Economic Development and Law Center LINCC Project, October 2002.

Santa Cruz County. Santa Cruz Child Development Resource Center in the County Office of Education & National Economic Development and Law Center LINCC Project, 1997.

Solano County. Solano County Children and Families Commission & National Economic Development and Law Center LINCC Project 2003.

Sonoma County. Community Child Care Council of Sonoma County & National Economic Development and Law Center LINCC Project, November 2002.

Ventura County. County of Ventura, The Child Care Planning Council & National Economic Development and Law Center LINCC Project, 1999.

COLORADO

Boulder County. Early Care and Education Council of Boulder County, Summer 2003.

Larimer County. Larimer County Early Childhood Council, Summer 2003.

ILLINOIS

Oak Park. Collaboration for Early Childhood Care and Education & CRSP-GSB University of Chicago, *In progress.*

KENTUCKY

Jefferson & Hardin Counties. 4C: Community Coordinated Child Care, June 2004.

LOUISIANA

New Orleans. Tulane University. *In progress.*

MINNESOTA

Minneapolis. Greater Minneapolis Day Care Association, June 2003.

NEW YORK

Chemung County. Chemung County Child Care Council, Inc., November 2004

Long Island (Nassau & Suffolk Counties). Child Care Councils of Suffolk and Nassau Counties & Cornell University, Spring 2004.

New York City. Child Care, Inc., December 2004.

Tompkins County. Tompkins County Early Education Partnership & Cornell University, Spring 2002.

TEXAS

San Antonio. Smart Start of San Antonio, Texas, May 1999.

VIRGINIA

Fairfax County. Fairfax Futures. *In progress.*

WASHINGTON

Seattle. Seattle Human Services Department Division of Family and Youth Services, Fall 2004.

WISCONSIN

Milwaukee County. Early Childhood Council of Milwaukee & UW-Milwaukee Center for Economic Development, September 2002.

Is the care of young children an economic drag or an economic driver?

Although it may be a surprise to state economic development planners and policymakers, the early care and education industry is often one of the largest employers and producers of revenues. In Massachusetts, for example, over 12,000 licensed small child care or early education businesses employ 30,000 teachers and providers, and generate $1.5 billion in gross receipts. Its gross receipts put the industry on a par with data processing and pharmaceutical manufacturing, while the number of employees is similar to those in legal services and securities and commodities investment services.[4] In Washington state, over 9,000 licensed small businesses provide 30,600 jobs—more than retail apparel, more than the hotel industry—and generate $1.64 billion in sales.[5]

What's more, the ripple effects of the industry are felt in myriad ways: the goods and services that centers and schools purchase support manufacturing and local service industries. Employees spend their wages and pay taxes. Parents whose children are being safely cared for are better able to work; they earn and spend wages, and increase the tax flow. Businesses benefit as parent employees are more productive, less often absent, and have less turnover. And local Chambers of Commerce are starting to get the message: in individual communities, the availability of adequate slots for young children may make the difference in a business' decision to relocate.[6] Like adequate highways and housing, early education is part of the infrastructure that supports businesses and parents' ability to work.

Surprisingly, as states and communities work to expand and support their local economy, the economic importance of quality early care and education is often overlooked. Jen Wohl of the California-based National Economic Development and Law Center tells how the mission of NEDLC is to help low-income adults get jobs and move into higher-paying jobs. But in seeking to do that, staffers kept running up against the same problem: the absence of quality child care kept their clients from becoming employed. Because they did not have adequate care for young children, many parents were not economic contributors: they could not earn a salary, could not pay taxes. Yet, no one was thinking of child care as an economic issue, and as an essential community asset—like highways or public transportation—that enables people to get to work. So NEDLC set out to show that when policymakers think about economic planning, they need to see how caring for young children can be either an economic drag or an economic driver.[7]

Detailed economic reports completed in 50 counties and states, with at least 14 more now underway, demonstrate how the early education industry provides financial benefits to states and communities (see maps on pages 5 and 6, and Appendix I). Researchers at NEDLC and at Cornell University's

SHORT-TERM ECONOMIC IMPACT STUDIES LOOK AT:

- number of businesses
- number of employees
- number of children served
- number of parents who are able to work
- dollars paid to centers/teachers
- dollar value of goods and services purchased by care and education businesses
- wages spent by employees
- taxes paid by care and education businesses and employees
- wages spent by parents who are able to work
- taxes paid by parents who are able to work

Linking Economic Development and Child Care Research Project (represented on the conference panels by Jen Wohl and Louise Stoney, respectively) have created models for this groundbreaking work.[8]



These economic development studies typically are based on data for full- and part-day licensed child care and early education programs, including child care centers, Head Start, pre-Kindergarten, nursery schools, out-of-school-time programs, and licensed home-based child care centers. They measure

- the number of businesses,
- the number of jobs created by these businesses,
- the wages paid to caregivers/teachers/centers,
- the gross receipts (total revenue received by providers), and
- the number of children served.

The results are a conservative estimate of the size and economic impact of this industry. The full economic impact of the child care and early education sector is much greater since informal care arrangements that are not regulated (including nannies or unlicensed care by a neighbor or relative), while contributing to the economy, are difficult to measure and studies typically omit them. As a result, evaluations of economic impact—because they ignore many of the providers, dollars spent, and wages received—actually underestimate the economic effects.

Economic impact studies, however, do often measure the industry's "linkages" or "ripple" effects in the overall economy. Such effects include the economic activity stimulated when early childhood businesses purchase services and supplies; taxes paid by businesses and employees of the industry; economic activity created by child care workers spending their wages; and the local impact of dollars coming from federal and/or state programs. Some studies have also evaluated the wages and taxes generated by parents who are able to participate in the workforce because their children are being cared for.[9]

The results show that the care and education of young children (and afterschool programs, where studied) are substantial industries that are important economic drivers in terms of their multiple benefits. They typically exceed other industries that are commonly understood to be critical to the overall economy both in the numbers of employees and revenues generated. Often these other industries receive considerable state supports or tax abatements.

Here are additional detailed examples:

In Massachusetts, the early education industry[10]:

Includes over 12,000 establishments (small businesses)
Employs 30,000
Serves 245,000 children

The industry generates $1.5 billion in gross receipts (total amount of dollars flowing into the sector in the form of payments for care).

The gross receipts are similar to these industries: data processing, pharmaceutical manufacturing, and research and development in the life sciences.

The industry employs more people than telecommunications, computer manufacturing, or pharmaceutical manufacturing; the number employed is similar to those in legal services and securities and commodities investment services; it has four times the number employees as did Boston's major transportation project, the "Big Dig."

In North Carolina, the early education industry[11]:

Includes 9,200 regulated child care and early education establishments (small businesses)
Employs 46,000 in regulated programs
Serves 337,000 children
Generates $1.5 billion in gross receipts

Gross receipts are higher than those in these industries: wholesale leaf tobacco, scientific research and development, and cellular and wireless communications.

The industry employs more people than public elementary school teaching, computer and electronic manufacturing, hotel accommodations and telecommunications; it is similar to all building construction in the state.

In New York state, the early education industry[12]:
Includes 22,000 regulated child care/ early education establishments (small businesses)
Employs 119,000 in regulated programs
Serves 623,000 children
Produces $4.7 billion in gross receipts (the total revenue received by child care providers)
Serves 750,000 parents, who collectively earn over $30 billion annually

The industry is bigger than hotels and lodging, air transportation, public transportation and is almost as big as the banking industry.

In Washington state, the early education industry[13]:
Includes over 9,000 licensed small businesses
Employs 30,600 in licensed programs
Employs 26,300 in unlicensed family, friend and neighbor circumstances.
Produces $836 million in gross receipts
Pays $566 million per year in wages in licensed settings

By comparison, 51,387 are employed in agriculture; 24,204 in retail apparel; and 23,794 in the hotel industry.

In Illinois, the early education industry[14]:
Includes 15,800
Employs 56,000 in licensed programs
Produces $2.12 billion in gross receipts

The industry generates more receipts than spectator sports, wireless telecommunications, and medical equipment manufacturing; it employs more people than hotels and lodging, or chemical manufacturing.

Quality early care and early education is an economic driver. If we begin to think of it as we have, in the past, thought of other public economic investments—for highways or public transportation; real estate and housing development; or "smokestack chasing" tax breaks for businesses to relocate to a new state—we begin to view the care and education of young children in a different light. It is a wise economic development investment of public funds; it brings direct payoffs to the community by growing the economy to the benefit of businesses, taxpayers, communities and families.

> "Early care and education is an industry comprised of many small businesses. These businesses are, by and large, undercapitalized and economically fragile. They are primarily financed by user fees and often struggle to survive in a market economy. We want government to invest in child care in a totally new way: to make industry-wide investments aimed at addressing market challenges—just like it has in other industries like agriculture or the airlines."
>
> Louise Stoney
> at conference, December 9, 2004

Long Term: Quality Early Education's Positive Impact on Tomorrow's Citizens and Tomorrow's Economy

Thanks to two extraordinary longitudinal studies that have followed preschoolers for decades into adulthood—the High/Scope Perry and the Abecedarian studies—it is evident that high-quality early education provides substantial benefits to socioeconomically at-risk children.[15]

Research shows that when children start school behind they stay behind. Quality early education programs give them the social, language and numbers skills they need; they prepare children, especially at-risk children, for school. They make children more likely to start kindergarten ready to learn, and therefore they do better throughout school. Children who get a good start are less likely to need expensive special education classes and more likely to graduate.

> "In Connecticut, existing child care enables 148,000 Connecticut citizens—nearly 10 percent of Connecticut's workforce—to go to work. There are 15,000 child care workers—which is more than work in the pharmaceutical industry. The child care industry generates one billion dollars per year."
>
> Leslie Gabel-Brett, Executive Director
> Connecticut Permanent Commission on the Status of Women,
> at conference, December 9, 2004

When those children become adults, they are more likely to hold jobs and earn higher salaries; less likely to commit crime, less likely to be on welfare. The math works like this: taxpayers receive financial benefits from a stronger, better-educated workforce and gain a higher tax base. There are also direct savings as there is less spending on prisons and welfare. These long term benefits are easy to see for any community.

What's even more impressive is this: exciting new data developed by scholars at Georgetown University and presented at the conference show that in circumstances in which quality early education has been made available to every child, the public benefits even more.[16]



A BETTER FUTURE FOR AT-RISK CHILDREN: QUALITY EARLY EDUCATION LEADS TO CHILDREN LEARNING BETTER, BEING BETTER CITIZENS AND EARNING MORE

First, here's the evidence on at-risk children. From 1962 to 1967, the High/Scope Perry Preschool Program in Ypsilanti, Michigan identified a sample of 123 low-income African-American children who were assessed to be at high risk of school failure. Of these children, 58 were randomly selected to attend a high quality two-year preschool program for 2- and 3-year-olds; the others attended no preschool program.

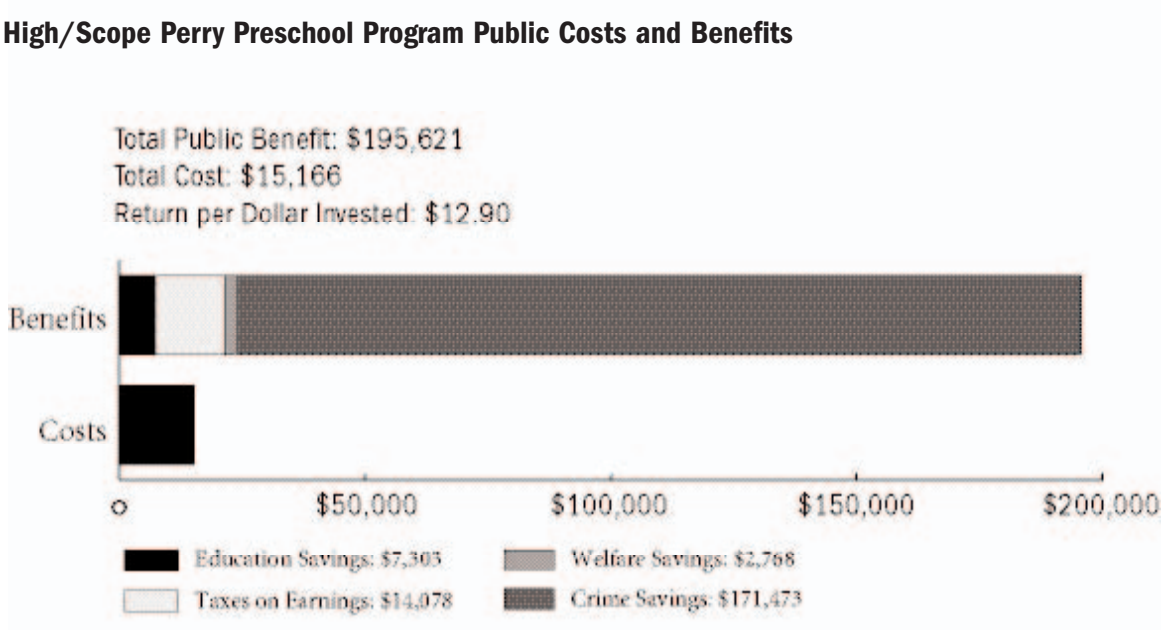
Teachers in the program had bachelor's degrees and certification in education. Each teacher was assigned no more than eight students, and met with them for two and a half hours a day, five days a week. The classroom and daily routine were organized so that children could plan and do their own activities; this active engagement in learning—individually, in small groups, and in whole-class groups—was central to the curriculum. A final, key, element of the program was that teachers made home visits every two weeks.[17]

Researchers at High/Scope Perry have followed the two groups for the past 40 years, and the findings are compelling: those who attended quality preschool outperform those who did not in education, economic performance, crime prevention, family relations, and health. Indeed, the investment made in their early education has yielded growing results throughout their lifetimes.

Specifically, the program group at age 40, compared to the non-program group,

- was more likely to have graduated from high school (65 vs. 45 percent);
- was more likely to be employed (76 vs. 62 percent);
- had significantly higher median annual earnings ($20,800 vs. $15,300);
- had a higher percentage of home-owners (37 vs. 28 percent);
- was more likely to have a savings account(76 vs. 50 percent);
- had significantly fewer lifetime arrests (36 vs. 55 percent arrested five or more times) and significantly fewer months in prison or jail by age 40 (28 vs. 52 percent ever sentenced).

High/Scope Perry Preschool Program Public Costs and Benefits



Evaluating the return on investment, the High/Scope Perry researchers conclude that, 40 years after the preschool experience, **the public gained $12.90 for every dollar spent on the program**. Much of the savings came from dollars not spent on incarceration; there were also savings to the public in lower special education costs; taxes paid to public coffers because of higher earnings, and savings in public assistance costs. As to the benefit to the participants: program participants earned 14 percent more per person than they would have otherwise—$156,490 more over their lifetimes. The cost of the two-year program itself was $15,166 per child.[18]

The Abecedarian study tells a similar story.

The Carolina Abecedarian Study began in 1972 with 112 North Carolina children, mostly African-American, who were born between 1972 and 1977 and whose family situations were believed to put

the children at risk of poor intellectual and social development. In infancy (between 6 to 12 weeks of age), the children were randomly assigned to either a quality preschool program, or to no program. The most recent follow-up of the students, which has been on-going, took place when they were 21 years old.

From the toddler years through age 21, children who participated in the quality preschool program had higher test scores in IQ and achievement. They had been less likely to repeat grades and less likely to be placed in costly special education classes—real economic savings for taxpayers. They had been more likely to complete high school. By age 21, they had completed more years of education and were more likely to attend a four-year college.

Because their children were enrolled for five years in high-quality, full-time care and education, the mothers had increased opportunities to obtain employment and training. As a result, mothers in the program group earned significantly more than mothers in the control group.

The long-term cost/benefit analysis of the Abecedarian study conducted by Leonard Masse and Steven Barnett differs from the High/Scope Perry analysis in that the researchers looked not only at the economic impact on the children, but also on their mothers. They found that because their children were enrolled for five years in high-quality, full-time care and education, the mothers had increased opportunities to obtain employment and training. As a result, mothers in the program group earned significantly more than mothers in the control group. Masse and Barnett estimate that, annually, the program mothers earned $3750 per year more for each of the 21 years of the study—$78,750 more than the non-program mothers.[19]

There is a strong case for the investment of substantial public dollars to provide quality early care and education. But the questions remain of where and how should those dollars be invested? And what is the cost-benefit when public investment dollars for economic development and education are scarce? Clearly, at-risk children benefit from quality early education. Should the resources for quality early care and education focus there? Only there?

BENEFITING THE ECONOMY: THE RETURN ON INVESTMENT OF EARLY CARE AND EDUCATION EXCEEDS MOST ECONOMIC DEVELOPMENT PROJECTS CURRENTLY FUNDED

Several prominent economists, including Rob Grunewald, a panelist at the conference, and his colleague Art Rolnick, both of the Federal Reserve Bank of Minneapolis, and Nobel Prize

winner and University of Chicago Professor James Heckman, have evaluated the public "return on investment," and concluded that, viewed purely as an economic development strategy, the return on investment to the public of early childhood development programs "far exceeds the return on most projects that are currently funded as economic development," such as building sports stadiums or relocating businesses.[20]

Rolnick and Grunewald view early childhood development programs, particularly for at-risk children, as an investment in workforce development, and conclude that "investment in human capital breeds economic success not only for those being educated, but also for the overall economy." Here's what they found:

> "Investment in early childhood development yields an extraordinary return, far exceeding the return on most investments, private or public..."
>
> Art Rolnick and Rob Grunewald

- The public (not individuals in the program) reaped 80 percent of the return on investment: a 12 percent rate of return according to their 2003 evaluation of the high quality High/Scope Perry preschool program.[21]
- In a 2004 review, in light of the data generated by the High/Scope Perry study of its students at age 40, they revised their findings upward to a 13 percent return.[22] The savings are due primarily to the reduced costs from lowered crime, lowered welfare payments, and reduced need for repeated grades and special education classes.

> "Learning and motivation are dynamic, cumulative processes. Skill begets skill; learning begets learning. Early disadvantage, if left untouched, leads to academic and social difficulties later in life. Early advantages accumulate, just as early disadvantages do."
>
> James Heckman and Dimitriy Masterov

Another scholar, Robert Lynch at the Economic Policy Institute in Washington, D.C., has quantified the economic benefits to taxpayers if universal high quality early education were made available to all 3- and 4-year-olds who live in poverty (one in five of all children in that age group). Although a publicly financed comprehensive early education program would cost billions, the long-term budget savings would more than pay the bill and begin to produce impressive dividends.

By about the 17-year mark, the net effect on budgets for all levels of government combined would turn positive. Within 25 years, by 2030 if a nationwide program were started next year, the budget benefits would exceed costs by $31 billion (in 2004 dollars). By 2050, the net budget savings would reach $61 billion (in 2004 dollars).[23]

A BUSINESS CASE FOR INVESTMENT IN THE FUTURE WORKFORCE



Nobel prize-winning economist James Heckman supports the investment of public dollars in early childhood education out of urgent concern about the low skills of the U.S. workforce. He fears a continuing decline in skill level in the coming decades, with a disastrous loss of U.S. productivity and economic competitiveness. He concludes that it makes "sound business sense to invest in young children from disadvantaged environments," since quality pre-Kindergarten programs "generate substantial savings to society and…promote higher economic growth by improving the skills of the workforce."[24]

Heckman argues that remediation in schools and for young adults who have failed in school, like GED certification and public job training, are both more costly and less effective than quality early learning programs. Therefore, money invested in early learning for at-risk children is more cost effective than money spent later to compensate for earlier disadvantages.

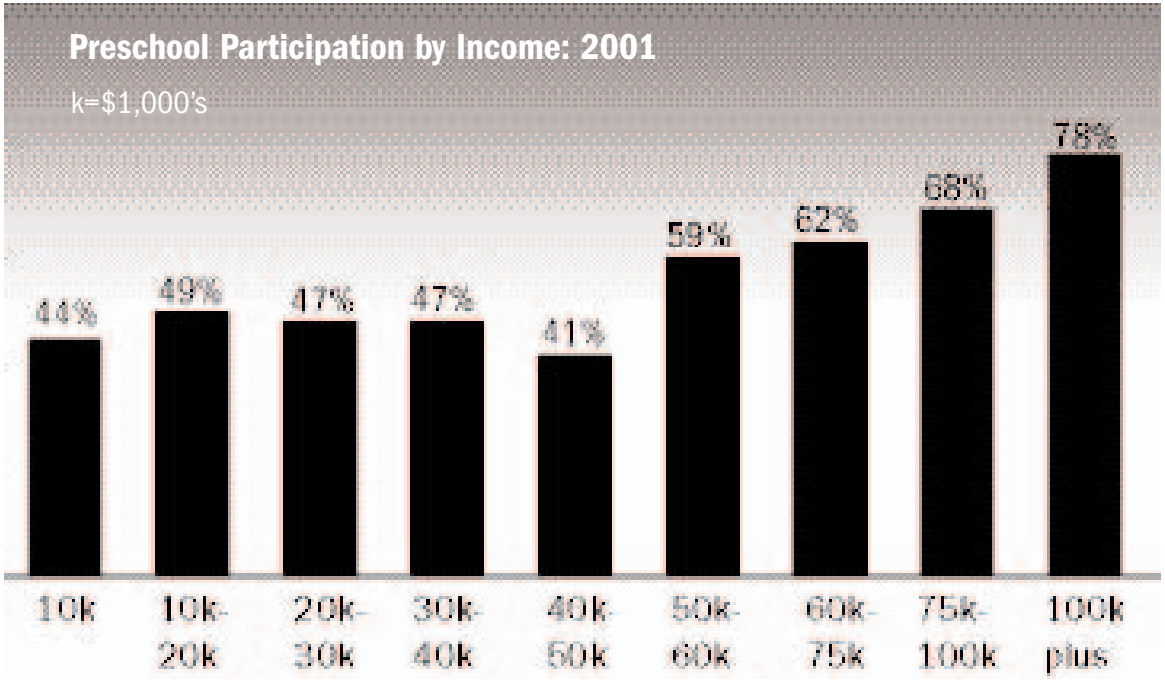
In its influential 2002 report, *Preschool for All: Investing in a Productive and Just Society*, the Committee for Economic Development (CED), an independent research and policy organization of some 250 business leaders and educators, presented a business case for federal and state governments "to undertake a new national compact to make early education available to all children age 3 and over." Education should be viewed, says the CED report,[25] as an investment, not an expense, which will increase economic productivity and tax revenues, while diminishing crime. CED also argues that it is both morally and ethically unacceptable to fail to safeguard the health and well-being of all young children.

And in 2003, two business organizations, The Business Roundtable and Corporate Voices for Working Families, joined forces to issue *Early Childhood Education: A Call to Action from the Business Community*.[26] It echoed the findings of CED in citing a solid return on investment of from $4 to $7 for every $1 spent on quality early childhood education. TBR and Corporate Voices cite additional business reasons for federal and state investment in early education. Like Heckman, they warn that America's efforts to develop a first-class workforce for the future will be hampered without quality early education preparing children to enter school ready to learn. And, right now, employees who are parents—and therefore the businesses that employ them—benefit from the availability of good early childhood programs: "Employers increasingly find [them] critical to the recruitment and retention of parent employees."

QUALITY PRE-K BENEFITS ALL CHILDREN—AND TAXPAYERS, TOO

The benefits of early education don't stop at the poverty line: conference participants Deborah Phillips and Steve Barnett tell us that quality pre-K improves school readiness for **all** children. Steve Barnett points out that well-to-do parents are well aware of the benefits: fully 78 percent of people who earn more than $100,000 a year send their preschoolers to pre-K, as compared to less than half of those who earn less than $50,000 per year (see chart below).[27] The value is such that in New York City a few years ago, the tabloids were filled with the story of a powerful businessman who allegedly engaged in shady financial dealings as a favor to his boss, who he hoped would use his influence to help the businessman's twins into one of the city's best preschools.[28] While his actions were extreme, many New York parents sympathized with his desire!

What's more, as the benefits of quality early education become more widely known, the increase in the numbers of children attending preschool from families with a mother who is not in the labor force has risen at a rate strikingly similar to those of children whose mothers are in the labor force.[29]



However, quality preschool is often financially unavailable to the middle class; those families with the fewest percentage of children enrolled earn between $40,000 and $50,000 a year.

While economically it may be the only choice that middle-income parents have, it turns out to be short-sighted. Educational failure is not restricted to poor children; it is common among middle class children as well. Middle-class children often have the same problems that quality early education reduces for poor children. While being left back and dropping out of school occurs in higher percentages in poor children, in real numbers, most children who fail and drop out are from families living above the poverty line.[30]

> "If we want to deal with the high school drop-out problem, if we want to deal with the school failure problem, we can't just deal with poor kids. If you solved those problems for poor kids, most of the problem would still be there, because most of the problem is with kids above the poverty line."
>
> Steve Barnett
> at conference, December 9, 2004

This raises the issue of what the effects would be of making quality early education available to all. The question has been analyzed by several professors from Georgetown University, including conference participant Deborah Phillips.[31] They constructed a study using students in Tulsa, Oklahoma to test the impact of universally available pre-Kindergarten. Oklahoma has the highest proportion of 4-year-olds enrolled in pre-Kindergarten—63 percent—of any state in the union. The quality is high: teachers must have a BA, there are no more than 10 students per teacher, and teachers are paid on the same scale as public-school teachers.[32]

The study compared two groups of children of very nearly the same age, one of which had attended pre-K and one of which had not. The first group of 5-year-olds had just barely missed the birthday cut-off for pre-K and the other had made it. Thus, the first group of 5-year-olds were about to start pre-K; the other group of 5-year- olds—just slightly older—had experienced one year of pre-K, and were now starting Kindergarten.

Since the children were literally just days or weeks apart in age, one might expect them to have similar skills—unless the experience of pre-K made a difference.

Pre-K **did** make a difference. In three cognitive exams—letter-word identification, spelling, and applied problems—Tulsa students who had pre-K substantially outperformed those who had not. Statistically significant differences were found among every race of student (Black, Hispanic, Native

American and White), and among every socioeconomic group (determined by those who received free lunch, subsidized lunch, or full-price lunch).

The evidence is clear. Quality early education benefits all social and economic groups of children: universally available quality early education would benefit everyone. And, it would be the most cost-effective economic investment.

Utilizing models developed in evaluating the 40th-year High Scope/Perry study, but being far more conservative in assumptions about what economic gains would be, Steve Barnett has created an estimate of the economic gain over a 40-year period that would derive from having children of all socioeconomic groups in quality preschool (see charts at right). There would be substantial financial pay-off for taxpayers even if poor students across the country produced only half the benefits that the Perry preschool children did, and if middle class students got only one-quarter.

A program that was universal, that served all 3- and 4-year olds would cost $50 billion dollars, but over the next 40 years would create over $213 billion in value, **for a net gain of $163 billion**.[33]

What if middle class children generate only 10 percent (not 25 percent) of the economic benefits experienced by poor children? Universal quality preschool would still pay off: with a cost of $49.9 billion, the economic benefit to society would be $136.5 billion, for a net gain of $86.6 billion.

In New York state, researcher Clive Belfield of Columbia University Teachers College found similar substantial savings for taxpayers from reductions in special education, grade repetition, and reduced abuse and neglect of young children. He posed the question of the economic impact on the state from investment in universally available quality early education programs.[34] Measuring what he calls "medium-term" cost savings

Returns: Targeted v. Universal
(Assume poor children create only 50 percent of the benefit realized by those in the High/Scope Perry Preschool Study, and assume that students above the poverty line create only **10 percent** of the benefit realized in High/Scope Perry.)

Children Served	**Cost**	**Benefits**	**Economic Gain** (in billions)
50% below poverty 50% above poverty	$12.5	$63.0	$51.4
Universal	$49.9	$136.5	$86.6

Based on presentation by Steve Barnett at conference, December 9, 2004

Returns: Targeted v. Universal
(Assume poor children create only 50 percent of the benefit realized by those in the High/Scope Perry Preschool Study, and that students above the poverty line create only **25 percent** of the benefit realized in High/Scope Perry.)

Children Served	**Cost**	**Benefits**	**Economic Gain** (in billions)
50% below poverty 50% above poverty	$12.5	$79.9	$67.4
Universal	$49.9	$213.2	$163.3

Based on presentation by Steve Barnett at conference, December 9, 2004

—meaning the impact during the K-12 years, not the adult years beyond—Belfield estimates cost savings ranging from $2,591–$9,454 per child participating in the program, or a cost-savings of between $55 million and $828 million over the period K-12.

THE SAVINGS COME FROM QUALITY EARLY EDUCATION FOR ALL CHILDREN

The savings come from investing in **quality** early education, available to all. To get there, we must work for substantial improvement.

A number of participants at the conference discussed strategies to strengthen early childhood education. Two themes emerged most strongly: the education of teachers, and streamlining administrative costs.

There is a strong consensus that the best early education is delivered by well-trained and well-compensated teachers. Margaret Blood, who leads Early Education for All, the Massachusetts campaign, urged conference participants to work for coherent, statewide systems that will support the training, education and compensation of a highly trained workforce, with incentives to move from certificate to associate degree to bachelor's degree.

The best early education is delivered by well-trained and well-compensated teachers.

Another needed reform would be the teaching of improved business, administrative and management skills or, recommends Louise Stoney, the creation of new intermediary business structures that could provide back-office fiscal management, marketing assistance, opportunities for shared staff, and other administrative duties for groups of early care and education programs.[35] In Massachusetts, Early Education for All is seeking to streamline administration at the state level by creating a coordinated and accountable governance structure that would eliminate the parallel systems of education, child care services and Head Start and substitute a single, consolidated cabinet-level agency. Both are efforts to eliminate redundancy, reduce costs, and allow educators to spend the greatest time and energy on education.

III. FINANCING FOR A WIN-WIN PUBLIC INVESTMENT THAT YIELDS HIGH PUBLIC RETURNS

"85 percent of who you are—your intellect, your personality, your social skills—is developed by age 5. Let's invest where it makes the most difference."

Massachusetts Early Education for All

"Job creation and economic development have become a centerpiece of state and local policy. Each year, billions of state and local tax dollars are committed to local development projects in the US, often in the form of providing inducements to high-profile companies, subsidizing entertainment infrastructure (such as arenas or stadiums) or creating "cluster" developments. Though these investments are increasingly common, their returns are risky, if at all positive, and their benefits are frequently aimed at a small segment of the local population. ***Early childhood education, in contrast, appears to offer greater potential returns and substantially less risk, and should be included by state and local leaders as a component of their economic development toolkit."***

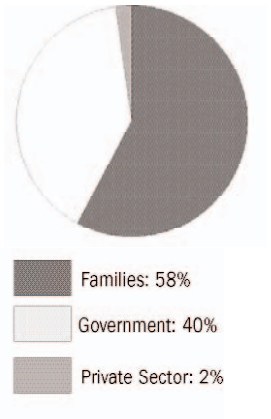
"Developmental Education: The Value of High Quality Preschool Investments as Economic Tools," a Working Paper by CED, September 2004.

The current landscape

All the research tells the same story: quality early care and education is good for the whole community. The child development research shows that early care and education benefit children by nurturing them and preparing them to reach school ready to learn. The economic research shows that these programs are good for parents, most of whom are in the workforce and want the best for their children; for businesses, which gain a more productive workforce now and a better educated one in the future; and for communities, which save taxpayers' dollars by lowering the costs for remedial education, crime prevention, prisons and welfare.

Nonetheless, public investments in early child education have grown slowly or are stalled, and current revenue streams are limited. The Alliance for Early Childhood Finance reported in 1995 that families pay 60 percent of the cost of early care and education, while government pays for 39 percent and businesses in the private sector pay only a tiny share: one percent.[36] By 2000, preliminary figures reported at the conference by Anne Mitchell show some changes: federal and state governments are paying a bit more—40 percent—primarily in tax credits and for pre-K programs. Business has moved up to two percent and families are paying a bit less.

Shares of Early Care and Education Investment, 2000



There has also been a shift in the composition of government funding, as more states have begun to invest in pre-K education for 3- and 4-year-olds. Now states provide 15 percent of the total and the federal government provides 25 percent. Before 1970 only six states had such programs. As the consensus grows that quality care and education for young children is an important determinant for future life, more than 40 states invest in these programs. States have developed creative, new direct revenue sources and taxing structures at the local and state levels.

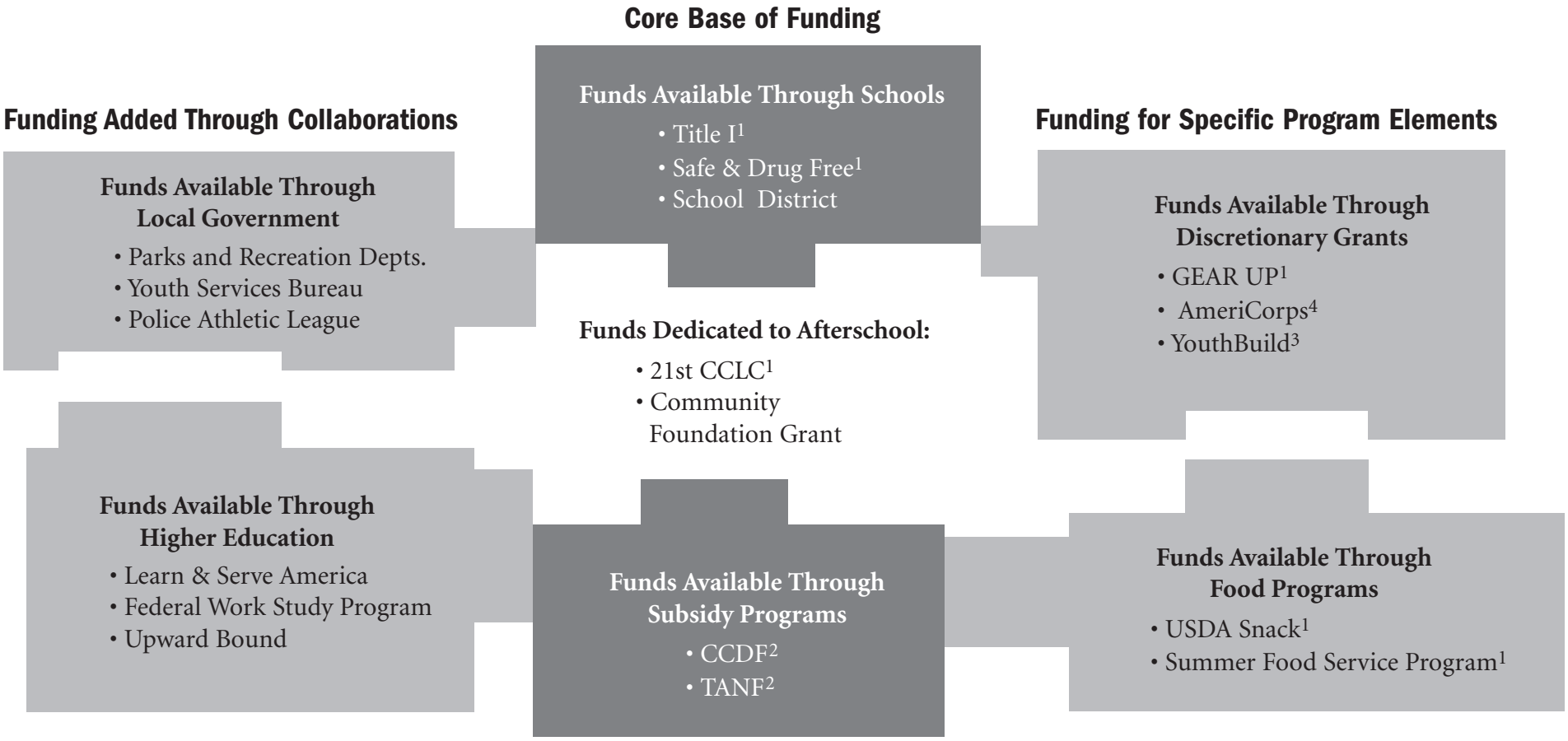
However, due to a lagging economy, increasing deficits, and reduced federal assistance, states are in a budget squeeze, and this has limited financing for early care and education. Hardest hit are low-income parents who are struggling to work, stay off welfare and care for their children, and the providers who care for their children. The National Women's Law Center's issue brief, *Child Care Assistance Policies, 2001–2004: Families Struggling to Move Forward, States Going Backward*[37] compares state child care assistance for low-income parents from 2001–2004. It identifies four negative trends: the eligibility cut-off for low-income working parents was lowered in 60 percent of the states; over half the states increased co-payments or decreased coverage; nearly half of the states had lengthy waiting lists (e.g. 46,000 in Florida; 26,500 in Texas); and reimbursement rates to providers in 60 percent of the states did not meet federal recommendations.

The past few years have brought little new early care and education funding from the federal government. Funding for the Child Care and Development Block Grant (CCDBG), a program that provides child care assistance to low income families, has declined from $4.817 billion in FY 2002 to $4.799 billion in FY 2005. Although in 2004 the Senate voted to increase child care funding by $6 billion over five years, Congress adjourned before incorporating this increase into a final bill. Thus, child care received no new funding in the 108th Congress.

Similarly, the federal Head Start program has not received adequate funding, and therefore all eligible families are not able to participate in the program. For example, the President's FY'06 request of $6.888 billion for Head Start programs covers less than the cost of inflation, and as a result 25,000 children will no longer be in their Head Start programs next year. Other early childhood programs, including Even Start, Early Learning Opportunities, Child Care Access Means Parents in School, Early Childhood Educator Professional Development Grants, and the Social Services Block Grant, have seen their federal funding frozen or eliminated altogether.

Each local community is tasked with finding the funding that does exist. Typically, they are competing for scarce funds with other communities and can at best hope for short-term project-based

STARTING TO PIECE TOGETHER FUNDING



Other Pieces that Can Be Added

- Juvenile Justice Grants
- Community Education Funds
- Sheriff's Office Funds
- Corporate Foundation Grants
- Teen Pregnancy Prevention Grants
- Literacy Funds

and many more…

Where to Find These Funds

1. State Education Agency
2. State Social Services Agency
3. U.S. Department of Education
4. State Commission on Community Service
5. U.S. Department of Housing & Urban Development

funding rather than sustainable resources. Seldom is the funding connected to quality improvements. Funding for afterschool programs is a good example of the complexity of raising the resources needed at the local level. To exemplify the problems local communities face, Joyce Shortt presented at the conference the chart on page 23 from the National Institute on Out-of-School Time.

Major questions to be resolved in financing early care and education

As the public and decision makers ponder how to invest further in quality early education, several questions must be debated and resolved:

- What share of early care and education should be a responsibility of parents alone, and how much help should they get from the public at large?
- Right now, funding for early care and education comes from funding for education and social services. What durable and sustainable general revenue streams can be added to these?
- Because early education has a positive impact on the overall economy, should funding for early education come from economic development funds?
- What is the financing gap that needs to be filled?

Rob Dugger, managing director of the Tudor Investment Corporation, spoke out at the conference for a greater public contribution, stating that the resulting improvement in business and social climates would benefit everyone: "We are condemning ourselves to a future of slow economic growth and high crime by not attending to what has been well known. There are huge fiscal implications to not having enough ready-for-school children; the spending priorities of the country need to make the life success of every child the highest priority."

Fortunately, there are some economists, educators and political activists who are determined to find ways to deliver public financing for quality early education. With funding from the Pew Charitable Trusts, the Committee for Economic Development (CED) issued a 2002 report, *Early Education—Preschool for All: Investing in a Productive and Just Society*[38] that calls for free, high-quality preschool (part-day, part-year) for all children ages 3 and over who are not in Kindergarten (and whose parents choose to have them in preschool). It estimates the price tag for such a program nationally as $25-35 billion dollars over current spending. To close that gap, the group has set for itself the admirable goal of designing politically feasible, economically effective, and substantially private

human capital programs for youth to be established over the next 10 years. Rob Dugger chairs the CED's Invest in Kids Working Group that is tackling the problem.

Efforts are also underway in some local areas to evaluate how much money it would take to make quality early care and education available. For example, the Local Child Care Planning Council of Santa Clara County, California and the Local Investment in Child Care Project (LINCC) formed a partnership to create the 2002 report, *The True Cost of Quality Child Care: Financing Strategies for Silicon Valley*.[39] They sought the yearly true cost of providing quality child care for all 51,000 children, aged birth to 11, who live in households with working parents and are in licensed child care in Santa Clara County at least part of the day.



They defined quality care as having qualified and well-compensated staff; age-appropriate and creative curricula; decent facilities, equipment and supplies; appropriate economies of scale for administration; and conforming to class-size standards set by the National Association for the Education of Young Children (NAEYC). The true annual cost, they found, would be $925 million. At the time of the study, however, less than half of that amount was available. Parents were paying $265 million, the government provided $170 million, and the private sector contributed $5 million, for a total of $440 million. The gap is wide; funding only met 47 percent of the need for quality care and education for young children in Silicon Valley who were enrolled in licensed care.[40]

That funding gap is replicated all over the country. Major new financing is necessary. What it should look like and where it should come from are questions that require new thinking about funding early care and education and about political trade-offs.

According to Rob Dugger, in order to generate new sources of public and private finance, we must evaluate where the economic value is created, and where the economic wealth is created, and figure out how to get the winners to pay. In this case quality early education creates economic value for individuals, and economic wealth for businesses and the general public. The costs should be broadly shared.

Robert G. Lynch, too, projects substantial budgetary savings and notes that these savings could fund other vital programs. For example, if such a program began in 2005, the government-wide budget savings in 2030 and 2050 would offset 1/5 of the deficits in the Social Security Trust Fund.[41]

But, as in any investment, there is the matter of timing to consider.



Government can borrow money at five percent; and the return on public dollars for quality programs is 13 percent according to Grunewald and Rolnick's *A Proposal for Achieving High Returns on Early Childhood Development*.[42] Investing in quality programs, then, would yield a substantial return to the public, as well as to the individual children who would benefit financially as adults. However, for children under 5 the costs must be paid now. Many of the benefits of savings and increased productivity and tax payments would not be seen for some 15 years, when the children reach adulthood. At that point, the system would become self-financing. An important question, then, is where can the money to invest come from in the short run?

A similar situation existed regarding housing after World War II. Homes were desperately needed for returning GIs and their families—the nation's workers—but they lacked the capital to invest. Correcting the shortage was recognized as a national priority, and both government and the private sector acted. The GI Bill guaranteed mortgages. The government made mortgage interest tax deductible; encouraged private mortgage lenders to invest by creating federal loan guarantees; and founded government-chartered institutions to create secondary markets, including Fannie Mae and Freddie Mac. The capital crisis was solved and the loans paid back over 30 years.

Looking only at the education budget may be much too limiting and, given the economic importance of early education, other appropriate sources should be considered. Karen Kornbluh of the New America Foundation, a panelist at the conference, offered a recent example of how it can be done. The goal was to provide Internet access to every public school classroom and library, because, advocates argued, universal access to information is a cornerstone of a democratic society. But rather than find the funds within the limited education budget, proponents turned to the Telecommunications Act of 1996. The Act created the Universal Service Fund, which levied a fee on all telecommunications providers to allow for a deep discount for schools of 20 to 90 percent, depending on the proportion of low income families.

Although tax cuts and budget deficits have rendered government spending more difficult, there is potential for a consensus-building politics around the future success of children. In the 17th Congressional District of Texas (which includes President George W. Bush's ranch in Crawford), an independent 527 committee called Vote Kids provided detailed information about the "embarrassing record" of state Representative Anne Wohlgemuth on supporting funding cuts to children's

health and education programs. President Bush won the district with 66 percent of the vote; Democratic Representative Chet Edwards won 52 percent and beat Wohlgemuth. Three days later the legislature restored all the funding that had been slashed.[43]

North Carolina Smart Start is nationally recognized as an innovative and successful early childhood initiative to ensure that young children enter school healthy and ready to succeed. It is a public-private partnership that provides early education funding (currently $192 million) to the state's 100 counties through a statewide nonprofit, North Carolina Partnership for Children (NCPC). The funds are locally administered through local nonprofit organizations called Local Partnerships. There are 82 Local Partnerships that have raised $200 million since the inception of the program. Funds are used to improve the quality of child care, make child care more affordable and accessible, provide access to health services and offer family support. In 2001, NCPC established a National Technical Assistance Center. (http://www.smartstart-nc.org)

Possible New Options for Financing

In a handout prepared for the conference, Rob Dugger identified a number of mechanisms through which public funding could finance child development services. Delivery systems could include national and state child development trust funds, government-sponsored loan pass-through institutions, and/or specialized for-profit and non-profit financing companies. He also noted a variety of ways in which the money could be spent:

- Government-provided direct services (the public school model)
- Government-paid providers (the government contracting model)
- Vouchers for parents to purchase services, similar to the No Child Left Behind supplemental education vouchers

The Oregon Child Care Contribution Tax Credit allows individuals or corporations to receive a 75 cent state tax credit for each dollar contributed. The resulting funding pool will be distributed through a competitive process to increase quality of care and decrease parent cost. (http://www.oregontaxcredits.com)

- Income tax credits and deductions, similar to the allowable deduction on mortgage interest designed to increase home ownership
- Income payments earned by providing particular services (e.g. to disabled children)

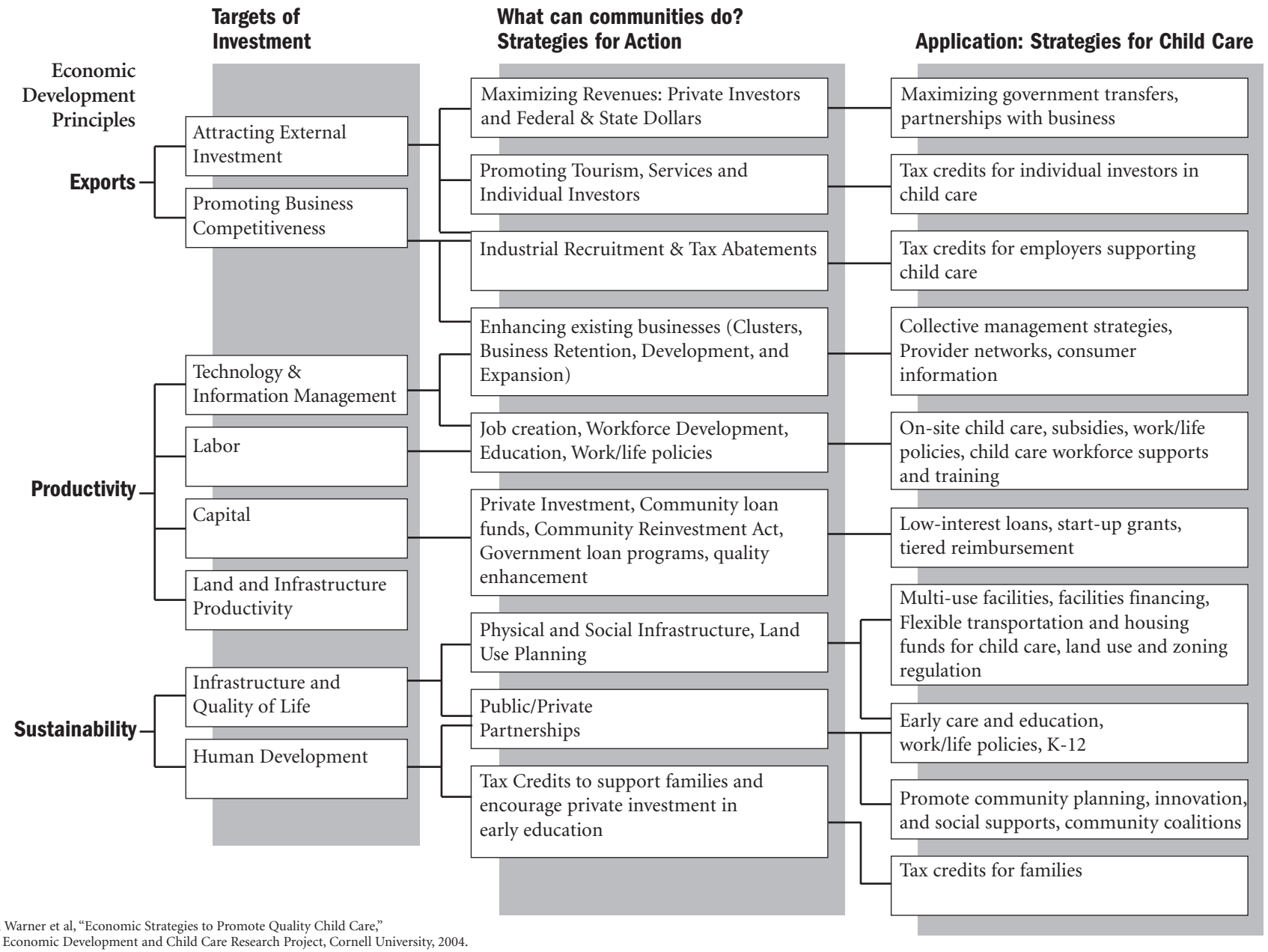
The U.S. Department of Health and Human Services' National Child Care Information Center (http://www.nccic.org) provides links to detailed reports on various financing approaches. A 2001 report, *Financing Child Care in the United States: An Expanded Catalog of Current Strategies* by Louise Stoney, Anne Mitchell and Harriet Dichter, published by the Ewing Marion Kauffman Foundation, includes a full taxonomy of recent examples of government revenue streams. In addition to funding early childhood development through the traditional means of education, social services, community development and/or welfare budgets, other possibilities include:

- Local property taxes
- Local and/or state sales and excise taxes
- State income tax check-offs
- Federal and state tax credits, deductions and exemptions
- Fees (such as license plates and motor vehicle registrations)
- Lotteries and gaming

They identify as further possibilities private sector financing (employers, unions and philanthropy); public/private partnerships between employers and the government, or the community and the government (the most well-known of these is North Carolina Smart Start); and capital investment partnerships (community development).

Additional strategies for approaching child care as an economic development opportunity are outlined by Mildred Warner in the chart on page 29.

ECONOMIC DEVELOPMENT PRINCIPLES AND STRATEGIES LINKED TO CHILD CARE



Mildred Warner et al, "Economic Strategies to Promote Quality Child Care,"
Linking Economic Development and Child Care Research Project, Cornell University, 2004.
http://government.cce.cornell.edu/doc/pdf/EconDevStrat.pdf (retrieved on February 17, 2005).

Examples of Financing Programs

Endowed Trust Fund: Minnesota

Rob Grunewald presented at the conference an idea he and Art Rolnick are developing to create an Endowed Early Childhood Development Fund in Minnesota.[44] The fund would include both public and private dollars; those giving private donations would receive tax credits (such as the Colorado Child Care Contribution Credit for 50 percent of the donation). They recommend dedicated state funding and shifts from current unproductive economic development investments into the fund.

The earnings would be used to provide "tuition-plus scholarships" for tuition to a qualified program plus the expense of a high-quality parent mentoring and home visit program. Because only high quality programs would be eligible for scholarship funds, there would be market incentives to create more such programs. The scholarships would be greatest for children with multiple risks, who would enter formal programs at age 3 but begin mentoring and home visits at an earlier age.

Economic Development Initiatives: Maine

Coastal Enterprises Inc. (CEI), a Maine statewide community development and financial institution, developed a child care economic development demonstration project in 1988 to strengthen the supply of child care statewide and to create opportunities for employment, particularly for women. It sought to strengthen the "caring for children business sector" with a strong business model, including technical assistance to providers. According to Kathleen Kearney's conference presentation, Coastal Enterprises has worked with economic development agencies, banks and finance agencies to develop revolving loan funds.

Since 1988, $22 million has been invested in 113 child care projects throughout the state, including rural areas. In Kennebec-Somerset counties there is now a co-op model that provides cost efficiencies in purchasing, payroll and substitute teacher pools. In addition, CEI is exploring bond packages for bricks-and-mortar improvements and uses New Markets Tax Credits to expand the available capital. The New Markets Tax Credits permit taxpayers to receive a credit against federal income taxes when they make qualified equity investments in designated Community Development Entities (CDEs). These CDEs, like Coastal Enterprises, then provide investments to low-income communities. These tax credits are modeled on a successful affordable housing program.[45]

The ABCD Initiative: California

Construction costs for new or renovated facilities can be prohibitively high. The Low Income Investment Fund (LIIF) is leading the ABCD Initiative to build a comprehensive and sustainable

financing system for high-quality child care facility development. Its goal is to create 15,000 spaces in five years, with a focus on low-income communities. ABCD is an adaptation of the affordable housing financing system's use of private capital to leverage public funds. Its long-term goal is for private investors to value the investment potential in child care facilities development. In an article in the May 2004 Federal Reserve Bank of San Francisco newsletter, *Community Investments Online*,[46] Nonie Ramos lays out the four components necessary for success (see box at right).

ABCD's Four Strategies to Increase Child Care Facilities Development

- ABCD Fund provides grants, loans, feasibility planning and technical assistance.
- ABCD Development Assistance increases statewide construction of child care facilities in educational, health and housing facilities.
- ABCD Construction Connections strengthens the facilities development expertise of operators and intermediaries including the regulatory environment.
- ABCD Campaign to Sustain Child Care is a broad advocacy coalition.

One Percent for the Kids

Isabelle Sawhill of the Brookings Institution has proposed investing one percent of national GDP for improving the life prospects of children at the bottom of the socioeconomic ladder, and she cites improvements in early childhood education and health as central to this goal.[47] Her approach mirrors that of the Blair government of the United Kingdom, which proposed in 1999 to halve child poverty by 2010. In October 2003 the Joseph Rowntree Foundation released a report showing that, as a result of public policies, a quarter of British children who were in poverty in 1999 would be out of poverty by the spring of 2004.[48]

IV. MAKING THE CASE FOR PUBLIC INVESTMENT IN EARLY CARE AND EDUCATION

"It's not enough to put the facts out there for the world to see and act. Some people refuse to see and others just don't care to act. So we need a real strategy – and it starts with self-interest. We must make the case that it's in everyone's interest to bring about change."

Leticia Mederos, Senior Legislative Assistant to U.S. Representative Rosa DeLauro

"Just as public and private entities take an active interest in the construction and maintenance of roads, public transportation, utilities, housing, and educational facilities to support economic development, quality ECE should be considered essential to economic health."

Connecticut's Early Care and Education Industry:
An Engine for Economic Development,
Janice Gruendel

The intersection between family, work and economic development can provide major political wins

The achievement of high-quality early care and education for all children should be approached as a mainstream reform that is good for everyone, suggests Karen Kornbluh of the New America Foundation. At the conference she offered several good examples: George W. Bush advocating for comp time during his re-election campaign to show that "government is on your side"; Bill Clinton signing the Family and Medical Leave Act as his first legislative initiative; and Arnold Schwarzenegger campaigning for statewide afterschool to set the stage for his successful run for governor of California. This winning political mentality contrasts with the current defensive posture that advocates are forced into as they fight annually to protect or expand funding for early childhood care and education and face the question of "why should my tax dollars go for someone else's children?"

For many years, education experts have understood that children benefit from quality early education, and have pushed for its widespread development. Some corporate leaders have recognized the impact affordable, available, quality care can have for workforce productivity and retention. A few

have created on-site centers, more offer emergency back-up care, and others offer referral assistance to employees.

But, nationwide, the public has yet to buy into the idea that the creation of quality early care and education and quality afterschool, available to every family that chooses them, would be a wise investment of taxpayer dollars. There are many audiences to address to build the public will for major change. One audience is the business community.

The business community, however, is just one audience. Advocates and leaders need to broaden the discussion to show how quality early childhood education benefits the future of our communities and country, and therefore every citizen. Widely available quality early education will benefit society as a whole—business, government, and all working families. Quality early childhood education is good for children, it's good for families who are burdened with many responsibilities, and it's good for business and economic growth. But most of all, it benefits the children.

A number of speakers at the conference provided specific information about comprehensive campaigns to change public opinion and build public support for comprehensive state early childhood education investment campaigns.

The steps in social policy campaigns

Ethel Klein, principal of EDK Associates and a well-known polling expert offered three steps to change the opinions and actions of the general public so that they press for changes in social policy.

1. *Raise the awareness and concern of the public.* Answer the questions, "Why should I care?" and "Why isn't this just a private matter?" Specifically, in this case, "Why is the care and education of children not a private matter?" The answer must reflect a value, and the value must pertain to everyone. The answer here is "children are our future citizens" and therefore we have a social responsibility to raise them well.
2. *Increase the saliency of the issue, and explain its values* in the context of the political realm. People want to know "Why is it my job to fix it?" and "What's in it for me?" In terms of creating a quality early childhood program, the answers could be: "it's good economic stewardship, it's good for the country." "It's not simply a private matter but a public good." And, "quality early education helps

Making the Case with Business: Minnesota

In October 2003, the National Economic Development and Law Center, with support from the W. K. Kellogg Foundation and in partnership with the Minnesota Child Care Resource and Referral Network, released its report, "The Economic Impact of the Child Care Industry in Minnesota." Three major facts stood out:

1. The child care industry enables businesses to recruit employees, reduce turnover and absenteeism and increase productivity.

2. Quality early education and care programs ensure a strong economy in the future including preparing children for success in school, meeting labor force shortfalls and reducing government spending.

3. Child care is a significant industry in Minnesota with a current capacity to serve 40 percent of the children of working parents. Gross receipts of licensed child care are 77 percent of the corn industry (Minnesota ranks third in the nation); it directly supports more jobs than elementary school teachers, legal, business or health insurance industries.

The report, combined with evidence of a 6:1 rate of return for public investments,[49] received wide attention in the business world. Ninety business leaders, led by a CEO, under the Minnesota School Readiness Advisory Council, engaged in a two-year effort that led the "no new tax" governor to support major investments in early childhood development.[50]

build a more civilized society; it would give kids better boundaries, make them better behaved, give them better socialization, teach them how to be a part of a community."

3. *Activate people.* Once you've interested people, the question they will ask is, "what do you want me to do"? The answers must pass common-sense tests; they must resonate to peoples' own experience of what difference the change will make, how it can happen, and how the solution will actually address the problem. If these tests are met, increased public investment for early child education can tap the American "can-do" spirit.

Thinking differently about achieving the goal of quality early care and education for all: A need to reach multiple audiences

Phil Sparks of the Communications Consortium Media Center led the conference discussion of messaging by presenting a framework on how to tailor an argument to appeal to different audiences. The challenge for advocates working to achieve systemic change is how to develop messages that appeal to the general public but do not run counter to the arguments that reach elites.

The public shares clear values about doing the right thing by children, our future citizens. Advocates must connect to parents and be clear on how their proposals support parents and strengthen families. School readiness—young children reaching school ready for formal learning—is an important shared value, particularly since the changes wrought in schools by the No Child Left Behind Act. The importance of quality is another viable public message—especially if it's delivered by trusted messengers like Kindergarten teachers, doctors or nurses, or members of the faith community. "Quality" means safe schools, fully prepared teachers, small class sizes, and a curriculum that provides learning skills and prepares children for life.

The economic development argument is important for elites, policymakers and business leaders but it does not meet the concerns of the general public. That goes for messengers too: business leaders are effective messengers for elites, but not for the general public. With these things in mind, Karen Ponder, president of North Carolina Partnership for Children, discussed ways to make the most of an economic impact study (see box at left).

Another perspective was offered by Letty Mederos, who cited Senator Barack Obama's dictum, **"The perception of certainty is power."** Mederos provided this and other key tips for engaging policymakers in connecting the policy and the politics to the problem. Bipartisan appeal can be achieved

North Carolina's selling of its economic development report

When North Carolina Smart Start began there was no data to quantify the economic impact of child care as an industry sector nor was there any understanding of child care among economic development leaders. A careful strategy was developed to release the results of the state impact report as an economic event with a panel of leaders—none from education—to include commerce officials, business and community development leaders.

The invitation list included all members of the General Assembly, members of the state's Economic Development Board, representatives of major corporations and the business lobby. There was careful preparation of a presentation with tested messages; presentations were scheduled immediately post-release for TV appearances and presentations to boards and commissions. Local Partnerships were taught the new language and statewide information was tailored to the county level. This careful work has stimulated new partnerships, continued media attention and the ability to tap business and economic development support for early childhood education.

with consistent framing of the issue that speaks to values, the cost-benefits, and the reality that everyone benefits. This framing is essential to break through a poisonous, partisan political environment at the federal level, where there are major battles over scarce dollars. Grassroots support can demonstrate power in numbers and is effective in making policymakers listen when it is shown "district-by-district and member-by-member" through meetings, letters and local media.

It is also essential to tap new leaders with passion and mobilize new constituencies. Women's voices and votes have been largely missing in the public debate—but their active support can be very persuasive. Women vote in higher numbers than men and the gender gap (the difference between the voting patterns of men and women) is a strong motivating factor in politics.

Legal Momentum's Family Initiative is educating, engaging and mobilizing women and their families to demand investments in quality early care and education for their children. Making the demand, Legal Momentum tells them, is a way of fulfilling their role as responsible parents and doing the best for their families.

Legal Momentum contracted with the Mellman Group to do focus group research with working mothers in Boston and Baltimore in 2003. The report, *Listening to Working Mothers*, confirms that child care is still largely seen as a private issue—often an agonizing one. Women told us, "We are responsible for our children." But they also told us that they cannot carry out those responsibilities without choices among various types of settings that meet high standards in caring for, educating and nurturing their children—and at a price they can afford.

For advocates that means legitimizing the fact that parents are meeting their responsibilities but have trouble doing so alone; they need quality child care, preschool and afterschool systems to meet those responsibilities effectively. The mothers in these focus groups also called for effective political leadership to help solve the problems families with young children face.[51]

MADELEINE KUNIN'S STORY

One winter night, shortly after I was elected to the Vermont legislature, I went to a public hearing about child care. Federal funds had been withdrawn and women told their stories, as children squirmed and the smell of snow melting on mittens filled the air. One woman after another talked about how she could not hold her job without child care, and that if she lost her job, she could not put food on the table. These stories, added to my personal experience of finding child care for my own children, motivated me to increase funding for child care, both as a legislator and as governor. It is the intensity of women's feelings-based on their own experience-which makes family issues women's issues.

Politics is competitive, not only in getting elected, but equally important, in setting the agenda. I noticed that just as men in the legislature fought fiercely for fish and wildlife issues, such as whether they could keep a six-inch trout, we have learned to fight for our issues.

As governor I saw to it that we had kindergarten for all, and early childhood education for many. I sponsored a business conference on employer-supported childcare. Arnold Hiatt, CEO of Stride Rite shoes, was the speaker and I was certain that his day care center marked the beginning of a revolution. Twenty years later, affordable quality childcare is still not widely available. Women—and men—must continue to lead on these issues because families need choices to be self-supporting and children need excellent care.

Political leadership on family issues will often come from women. Research from the Center for American Woman and Politics at Rutgers University over a number of years has shown that women legislators of both parties are more likely than male legislators of either party to work on legislation of special interest to women, including children's issues. They have also found that women elected officials continue to work with women's organizations outside the legislature and work collaboratively with other women inside the legislatures.[52]

Former Vermont Governor Madeleine Kunin, chair of the National Advisory Council for the Family Initiative, told a first hand story at the conference about the role of passionate leadership to achieve major break-throughs on early childhood education in Vermont (see box on page 35).

Shifting the public's attention to the value of investing in early childhood education: Two case studies from Connecticut and Massachusetts

Dynamic leaders from two New England states, Connecticut and Massachusetts, are linking economic development and child care as they lay the groundwork for building momentum and public support for major investments for quality improvements and access for all children.

Connecticut

Janice Gruendel, senior advisor on early childhood, office of Connecticut Governor M. Jodi Rell, described a two-year effort there to determine what quality early childhood education would cost and what it would take to accomplish the goal and to engage citizens in championing a major state investment. Her strategy includes asking three questions. Ask "what?" to decide what is in the message that must be delivered. Ask "so what?" to be able to tell your audience why they should care. And ask "now what?" to figure out who is a messenger that people will be able to hear.

The campaign has had five core messages:

- The early years really matter and too many children are getting to the school door "unready";
- Families provide the "cradle of learning" for young children, but they need help;
- The quality of that help really matters. Connecticut has some great programs but has not taken them to scale;

- We can address the readiness gap, advance children's school success, accomplish demonstrable outcomes and achieve long-term systemic change; and
- Providing a "return on investment" of 16 percent makes it the economically responsible thing to do. Providing all children with a good start is the right thing to do.

The bigger story line she has used is clearly compelling: the big picture for Connecticut includes major challenges—workforce, economic, education and demographic challenges. All are met in some part by enhancing early childhood education and making it available for all children.

> "When infants and toddlers don't get quality early learning, they enter preschool behind. When pre-schoolers don't have quality early learning experiences, they enter kindergarten behind. When children enter school behind, they are much more likely to be held back, need special education, fail Connecticut's Mastery Tests, drop out of high school and become engaged with the welfare and corrections systems."
>
> Janice Gruendel
> at conference, December 10, 2004

Outside of the government, Connecticut's largest advocacy group for early education, the Connecticut Early Childhood Alliance, has what it calls a BHAG—a big, hairy audacious goal: "All Connecticut children born in 2004 will enter Kindergarten healthy, eager to learn, and ready for school success." It urges the creation of a solid business plan to develop quality improvements and expanded capacity. The group launched analyses of the industry, of cost-benefits and of potential financing strategies. Steadily, the business case it developed is making its way into the media.

> "These children and their parents have no clout, political or otherwise... Powerful men never listen to them. But they do listen to people like Rolnick. Rich guys pay attention to the Fed. Politicians pay attention to the rich guys. We have plenty of both here in Connecticut. We can invest in children, not only because it is right, but because it's good business."
>
> Frank Keegan,
> *Connecticut Post*, January 25, 2004

The lessons from Connecticut's initiative are important. To succeed in having all children ready for school in that state will require major shifts in thinking about what has been seen largely as a private issue. It will also require an integrated effort to educate and motivate citizens and policymakers to embrace a big shared public vision with many strategies but clear shared benefits. Here is what Connecticut's activists have found is needed:

- A powerful and unifying public goal for the state that is values-based and focused on outcomes, quality and accountability—not programs. Stress quality: "Not-good child care is not good."
- A clear "inside-outside" strategy with Governor M. Jodi Rell as the government leader and a nonpartisan, citizen information and engagement initiative to secure friends

Preschool as Cash Cow
Boston Globe Editorial January 31, 2005

"Massachusetts taxpayers could get a lot out of preschool. A new study finds that for every $1 spent on two years of preschool for 3-year-olds the state would recoup $1.18 in savings and additional revenue.

Study coauthor Clive Belfield, an economics professor at Queens College in New York, says send children to preschool now and they'll cost less later.

Belfield created an economic model for Strategies for Children, a local advocacy group. In this plan, the state would create 43,000 new preschool spots and upgrade the quality of 13,000 existing spots. Access would be universal, not just for low-income children. The total cost: $578 million. The total benefit: $680 million, yielding what the study calls 'positive economic returns.'...

Ultimately, an investment in high quality early education could pay off for children and the state's economy."

and children's champions.[53]

- Compelling facts from an early childhood education finance project showing a win-win for investment.
- A broad coalition including policy leaders, business and employers, philanthropy, the provider and professional sector, the media and, importantly, voters, parents, grandparents and citizens.
- Essential sound bites with facts that inform and stories that motivate.
- Make it fun with small wins that add up to major change.

Massachusetts

Margaret Blood, president of Strategies for Children, presented the framework of the Early Education for All Campaign led by her organization. Early Education for All is a multi-year campaign to make voluntary, high-quality early childhood education available to all Massachusetts children, ages three through five. In December 2004 the campaign pre-filed An Act to Establish Early Education for All with bi-partisan sponsorship including two-thirds of the legislature. How did they get this far?

In December 2000, Strategies for Children began an "under the radar screen" process of listening to parents, teachers, early childhood providers and other members of the early childhood community across the state. Since that time, and with increasing media attention, they have conducted special studies, researched the experience of other states, held 32 regional forums, conducted 100 interviews with early education leaders, held 60 presentations and trainings, done two voter polls (400 each), interviewed 48 opinion leaders from business, government, labor, media, religion, education and childcare and created a Policy Advisory Committee. This rigorous effort—built around the values of transparency, learning, listening and bringing alignment—has already produced powerful results and laid the groundwork for legislative success.

The Early Education for All campaign is built around information culled from both voters and opinion leaders. Being child-focused and identifiably connected to long-term educational benefits for all has been essential to building political will in Massachusetts. There is a willingness to support government funding for "early childhood education" rather than "child care," which is seen as paying

for others' children. The goal is to meet the educational needs of all 3-, 4- and 5-year-old children in the state.



And, Early Education for All is a sophisticated political campaign. Margaret Blood identified six components:

- **Engage new allies for children.** This has meant a focus on business leaders who are devoting considerable time and personal capital to the campaign. The mantra that "powerless children need powerful friends; that is who policymakers listen to" has also helped draw in business leaders.
- **Build alignment among likely allies.** It is a major challenge to reach a consensus that will not provide room for politicians to say, "the field is divided, we should wait."
- **Develop a state legislative proposal** that is informed by the early education field and input from voters.
- **Conduct a statewide media campaign** using both earned and unearned media.
- **Use research to "make the case."**
- **Develop an independent organization** that is not in anyone's camp. In Massachusetts only one in 10 voters uses child care; only 30 percent has ever used child care. The majority of voters in the state are suburban, with higher education and incomes, and a campaign must be salient for them.

The Guiding Principles for Early Education in Massachusetts that are reflected in the draft legislation include these components: universal accessibility for 3-, 4- and 5-year-olds, with voluntary participation, and a universal program standard that promotes healthy emotional, social, physical and cognitive outcomes for children. Delivery of services is to take place through the existing, mixed, system that combines family day care, center-based care (both profit and non-profit), Head Start, and public schools, with expanded funding to invest in the child care workforce so as to improve training and retention. The plan would phase in over a 10-year period.

Several additional lessons learned (thus far) and shared by Margaret Blood stand out as strong advice for all activists working to achieve early childhood education for all:

- Powerless children need powerful friends;
- Change is incremental but there must be a big vision or you will fight for crumbs;
- Stay child-centered and keep your eye on the prize—remember this is in the best interests of children;
- Engage and align “likely allies” in policy formulation and political strategy; and
- A highly qualified workforce and fully accountable governance underlie the specifics of program development.

V. NEXT STEPS: CONCLUSIONS AND RECOMMENDATIONS

Investments in quality care and early education pay off in multiple ways—for children, communities, businesses, taxpayers, and individuals. Particularly in this time of scarce public resources, we must build public understanding of the economics of raising and educating the next generation well—and of the costs to local communities and our society of failing to do so.

Economic research demonstrating the benefits of quality care and early childhood education has been gaining resonance at the state and local level and there are experts with real track records. There are many foundations working for high quality early education and a number of states have embarked on multi-year strategies to achieve it. However, this body of research and the experience of using it to influence policy has barely penetrated national policy discussions or state economic development plans.

Policymakers, opinion leaders and voters still lack knowledge about the obstacles that working mothers face every day.

Voters—particularly women voters—are looking for leadership to solve the insufficient supply of high quality accessible, affordable choices that young children need to thrive. Parents are working hard to carry out their responsibilities to raise their children well—but the obstacles are real. According to *Listening to Working Mothers*,[54] a report by Legal Momentum's Family Initiative of a series of focus groups, their view of what needs to be done is three-fold. There are not enough good settings. Not enough skilled staff. And not enough political leadership dedicated to solving this problem.

Policymakers, opinion leaders and voters still lack knowledge about the obstacles that working mothers face every day. Bridging that public education gap requires action at both federal and state levels, and in both public and private sectors.

The conclusions we must communicate, based on the excellent work that is being done in the field, are these:

- High quality early care and education is a wise investment to help children—our future citizens.
- Quality really matters and needs to be built into any expansion of existing options. This means focusing resources on the professional development and compensation of teachers and the design of developmentally appropriate curricula and materials.



- Young children need a safe, secure and loving environment in which to learn and thrive. Parents have the major responsibility to provide this for their children but they must have affordable and accessible programs and services to supplement what they can do.
- Every dollar invested in universally available quality early care and education saves taxpayers as much as $13 in public education, criminal justice and welfare costs over the next few decades as well as increased tax collections in the long term.
- The early care and education industry is economically important and often larger than other industries currently supported by economic development funding. Developing the skill base of workers in this field must become a part of each state's economic development strategy.
- It is shortsighted not to invest sufficient resources in early care and education since the return on investment to taxpayers is greater than many current economic development programs.
- At this time of federal and state deficits, new financing schemes must consider multiple funding streams, including public, private and philanthropic dollars. As all these sectors will benefit from an improved early care and education system, each should make a contribution to the effort.

Next steps and recommendations for the future

1. Additional cost-benefit analysis of early childhood education, including both the short and long-term benefits, should be undertaken:
   - Members of Congress should ask for a definitive analysis of current research and data to be done by the General Accounting Office to aggregate knowledge nationally and provide a shared understanding of the cost-benefit equation.
   - Further state research is necessary to provide base-line data on the importance of the early care and education industry in every state, including economic development ramifications and potential trade-offs compared to current economic development strategies. The National Economic Development and Law Center (http://www.nedlc.org) is leading this work nationally. Appendix II includes a model bill by the Center for Policy

Alternatives (http://www.stateaction.org) for state commerce or economic development agencies to undertake this research.

2. Additional policy analysis and options for new financing mechanisms—and a strong business case—is needed to provide alternative sources of public and private investment. The Committee for Economic Development (http://www.ced.org) and its Invest in Kids task force led by Rob Dugger are working on this, as are Art Rolnick and Rob Grunewald of the Minneapolis Federal Reserve, (whose most recent draft study, "A Proposal for Achieving High Returns on Early Childhood Investment," may be found at http://www.minneapolisfed.org/research/studies/earlychild/draft_ecd_proposal.pdf).

3. Broad public education is needed for policymakers and citizens to frame the issue of early child hood education as important to the development of children and, equally, to the development of the economy.
    - Legal Momentum's Family Initiative will start this process of refocusing media attention to early childhood education as an important investment that pays off for children, families, taxpayers and the economy with the release of this report.
    - The Early Care and Education Collaborative (http://www.earlycare.org) shares the existing research and strategies among a wide variety of potential constituencies at the state and national level including journalists, state activists and foundations.
    - Particular attention should be paid to legislative leaders, business leaders, economic development policymakers and a variety of media.

4. High quality and effective, efficient delivery of services requires improving existing early childhood education while expanding the reach to more children.
    - New funding must be linked to system improvements. Considerable work to further this is being done by researchers Louise Stoney, Anne Mitchell and Mildred Warner. At the forefront is Cornell University's Linking Economic Development and Child Care Research Project; its most recent publication, "Economic Development Strategies to Promote Quality Child Care may be found at http://economicdevelopment.cce.cornell.edu.
    - Workforce development in early care and education is a key first step, and Legal Momentum has been working with Senator Christopher Dodd and Representative

George Miller since the 108th Congress to provide scholarships for a career ladder in early childhood education. There should be a parallel effort in individual states.

5. Regular national and/or regional conferences are needed, both in person and electronically, to share information, strategies and lessons learned.

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[6] Karen Ponder, presentation at Legal Momentum's Family Initiative/ MIT Workplace Center Conference "The Economic Impacts of Child Care and Early Education: Financing Solutions for the Future" in Cambridge, MA on December 9-10, 2004. According to Karen Ponder, North Carolina's Smart Start Initiative has support from many business leaders, and one North Carolina company even chose to relocate to one county over another based partially on the number of available child care slots in that county.

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APPENDIX I Child Care Economic Impact Studies

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CALIFORNIA

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Boulder County. Early Care and Education Council of Boulder County, Summer 2003.
Larimer County. Larimer County Early Childhood Council, Summer 2003.

CONNECTICUT
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FLORIDA
Statewide. Florida Children's Forum. Fall, 2003.

HAWAII
Statewide. Good Beginnings Alliance & National Economic Development and Law Center, March 2005.

ILLINOIS
Statewide. Action for Children, Chicago Metropolis 2020 and Illinois Facilities Fund, January 2005
Oak Park. Collaboration for Early Childhood Care and Education & CRSP-GSB University of Chicago, In progress.

INDIANA
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IOWA
Statewide. Iowa Business Council. In progress.

KANSAS
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KENTUCKY
Statewide. National Economic Development and Law Center & 4C: Community Coordinated Child Care, June 2004.
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LOUISIANA
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MAINE
Statewide. Early Learning Opportunities Consortium, June 2003.

MASSACHUSETTS
Statewide. National Economic Development and Law Center & Massachusetts State Education Department, 2004.

MICHIGAN
Statewide. Child Care Network. In progress.

MINNESOTA
Statewide. National Economic Development and Law Center & Minnesota Child Care Resource and Referral Network, Fall 2003.
Minneapolis. Greater Minneapolis Day Care Association, June 2003.

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Statewide. Low Income Child Care Initiative, December 2003.

MISSOURI
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NORTH DAKOTA
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NORTH CAROLINA
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Rowan County. Rowan Partnership for Children, January 2003.

OHIO
Statewide. National Economic Development and Law Center & Build Ohio Project, November 2004.

OKLAHOMA
Statewide. College of Business Administration, Oklahoma State University with the Child Care Division of the Oklahoma Department of Human Services, January 2004.

OREGON
Statewide. Commission on Child Care & Oregon State University. In progress.

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VIRGINIA
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APPENDIX II Draft Bill for State Action

Impact of the Child Care and Early Education Sector on the Economy Act

Section 1. SHORT TITLE

This Act shall be called the "Impact of the Child Care and Early Education Sector on the Economy Act."

Section 2. FINDINGS AND PURPOSE

(A) FINDINGS—The legislature finds that:

1. There appears to be a serious shortage of high-quality child care and early education options in communities throughout [State].

2. There appears to be a strong consensus among researchers that child care and early education programs provide a substantial economic payoff to communities where they are located.

3. It is crucial for the Governor and legislatures to obtain reliable, objective information about the economic benefits and burdens of investing in expanded childcare and early education programs in [State].

(B) PURPOSE—This law is enacted to study the economic impacts on the state economy of quality childcare and early education programs for children aged 0-4, and after-school programs for children aged 5-12.

Section 3. ECONOMIC IMPACT OF CHILD CARE AND EARLY EDUCATION SECTOR

(A) DEFINITIONS—In this section:

1. "Department" means the Department of [Economic Development].

2. “Child care and early education” includes:
a. Licensed full-day child care and early education programs and centers.
b. Licensed part-time child care and early education programs and centers.
c. Head Start and Early Head Start programs.
d. Public pre-schools.
e. Family childcare homes.
f. After-school programs for children aged 5–12.

(B) STUDY OF THE ECONOMIC IMPACT OF THE CHILD CARE INDUSTRY—The Department shall conduct a study of the economic impacts on the state economy of quality child-care and early education programs for children aged 0–4, and after-school programs for children aged 5–12.

(C) NATURE OF THE STUDY—The study shall include:

1. An evaluation of child care and early education as a sector of the economy, including:
a. Numbers directly employed at childcare and early education facilities and the gross value of their salaries.
b. Gross receipts of the industry, that is, total numbers of dollars flowing into the sector in the form of payments for care from parents and from public and private subsidies.
c. Value of goods and services purchased by the childcare and early education industry.
d. Federal dollars flowing to the state for child care and early education.

2. An evaluation of the degree to which available child care and early education:
a. Enable parents to work outside the home and earn income.
b. Enable parents to attend school, or a college or university.
c. Decrease absenteeism at work, reduces turnover, or increases productivity.
d. Attract businesses to the state.

3. An analysis of demographic data to identify the relative gap between the needs in [State] and available resources, and the return to the economy if that gap is closed, including:
a. Numbers of children aged 0—12 with both parents in the labor force or with their single parent in the labor force.
b. Trends over the next decade of likely future growth of children aged 0—12.

c. Parental characteristics of the paid labor force and numbers of unemployed parents who might wish to be in the paid labor force.
d. Costs of child care and early education, and its relationship to family income.
e. Existing availability of child care.
f. Numbers of children eligible for state or federal aid.
g. Numbers of children eligible for, but not receiving, state or federal aid.

4. A review of the literature on the long-term impacts of child care and early education programs on children's future ability to contribute to the workforce, including:
a. An evaluation of school readiness at kindergarten and first grade.
b. An evaluation of positive outcomes in school, from elementary through likelihood of high school graduation.
c. An evaluation of resulting reductions in public spending, for example from:
   (1) Less likelihood of being assigned to special education classes relative to those not in quality care or preschool;
   (2) Greater likelihood of graduation from high school;
   (3) Less likelihood of involvement with the criminal justice system and prison;
   (4) More likelihood of being employed;
   (5) Less likelihood of being on public assistance.

(D) REPORT—The Department shall report back the results of this study to the Governor and the legislature on or before January 1, 2006.

Section 4. EFFECTIVE DATE

This Act shall take effect on July 1, 2005.

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