

The Fiscal Effects of Investing in Early Childhood

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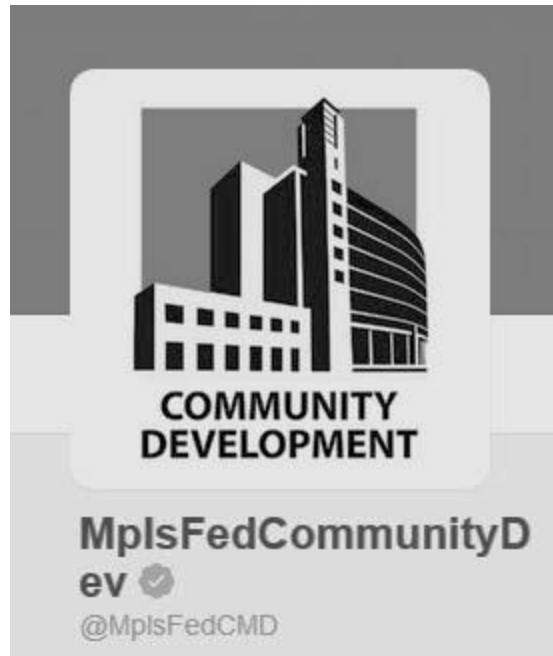


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Kids with **strong cognitive and social foundations** are better-equipped to manage their financial circumstances, succeed in the labor market, and contribute to society at large.

Recognizing that not all children have the same opportunities to grow and develop,
how can we help set young people on a strong course?

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Key concepts

- Conducting cost-benefit analysis requires rigorous research studies that include a non-treatment comparison group, ideally through a RCT.
- Research on early childhood programs is conducted in the context of developmental science, which shows the early years are a sensitive period for growth.
- Benefits to early childhood programs occur both near-term and long-term and are spread across various government jurisdictions and agencies.
- Investments achieve a high return when they are high-quality, engage parents, start early, effectively scaled, and match the risk profile of children served.

Early childhood development investments

- Home visiting HV
- Health & nutrition HN
- Early learning programs ELP
- Quality Rating and Improvement System
- Parent education
- Child welfare system



Fiscal-related benefits prenatal to age 5

- Better maternal and child health HV, HN
- Fewer low-weight births HV, HN
- Fewer emergency room visits HV
- Reduced costs to Medicaid, TANF, and food stamps HV
- Reduced child abuse and neglect HV, ELP
- Higher maternal earnings and tax revenue HV, ELP
- Lower cash assistance HV
- Lower maternal crime HV

Sources: Bartick & Reinhold (2010); Devaney, Billheimer, & Schore (2008); Green, et al. (2014); Karoly, et al. (1998); Olds, et al. (1997); Miller (2015); Reynolds, Temple, White, Ou, & Robertson (2011)

Fiscal-related benefits ages 5 to 17

- Improved school readiness HV, ELP
- Reduced need for special education ELP
- Less grade repetition ELP
- Higher high school graduation rates ELP
- Reduced juvenile crime HV, ELP

Sources: Garcia, Heckman, Leaf, & Prados (2016); Heckman, Moon, Pinto, Savelyez, & Yavitz (2010); Muschkin, Ladd, & Dodge (2015); Olds, et al. (2004); Reynolds, Temple, White, Ou, & Robertson (2011); Schweinhart, et al. (2005)

Fiscal-related benefits ages 18+

- Higher educational attainment **ELP**
- Higher earnings and tax revenue **ELP**
- Lower cash assistance **ELP**
- Improved health **ELP**
- Lower crime **ELP**
- Higher homeownership rates **ELP**

Sources: Garcia, Heckman, Leaf, & Prados (2016); Heckman, Moon, Pinto, Savelyez, & Yavitz (2010); Reynolds, Temple, White, Ou, & Robertson (2011); Schweinhart, et al. (2005)

■ Early childhood investments by government jurisdiction

	Federal	State	County	City	School District
Home visiting					
Health & nutrition					
Early learning programs					
Quality Rating and Improvement					
Parent education (group)					
Child welfare system					

Government cost savings or increased revenue associated with early childhood investments

	Federal	State	County	City	School District
Medicaid and unpaid medical care	Green	Green	Green	Grey	Grey
TANF	Green	Green	Grey	Grey	Grey
Child welfare system	Green	Green	Green	Grey	Grey
Education	Green	Green	Grey	Grey	Green
Criminal justice system	Green	Green	Green	Green	Grey
Increased tax revenue	Green	Green	Green	Green	Green



Return on Investment

Evidence from longitudinal early childhood studies

- Perry Preschool
 - Schweinhart: \$16 to \$1
 - Heckman: \$7–\$12 to \$1

- Abecedarian Educational Child Care
 - Barnett: \$4 to \$1
 - Heckman: \$7 to \$1

- Chicago Child-Parent Center
 - Reynolds: \$10 to \$1

- Elmira Prenatal/Early Infancy Project
 - Karoly: \$5 to \$1

Sources: Garcia, Heckman, Leaf, & Prados (2016); Heckman, Moon, Pinto, Savelyez, & Yavitz (2010); Karoly, et al. (1998); Masse & Barnett (2002); White, Ou, & Robertson (2011); Schweinhart, et al. (2005)

Chicago Child-Parent Center

Fiscal effects

Government savings	
Less spending on the following items	
Grade retention	\$1,004
Special education	\$6,063
Criminal justice system	\$10,332
Child welfare services	\$3,524
Increased tax revenue	\$7,297
More college education spending	-\$224
Total	\$27,996
Program cost	\$9,707
Benefit-cost ratio	\$2.88

2016 Dollars

Source: Reynolds, Temple, White, Ou, & Robertson (2011)

Elmira Prenatal/Early Infancy Project

Fiscal effects

Government savings	
Less spending on the following items	
Emergency room visits	\$163
Cash assistance	\$19,975
Criminal justice system	\$6,857
Increased tax revenue	\$8,070
Total	\$35,065
Program cost	\$8,638
Benefit-cost ratio	\$4.06

2016 Dollars

Source: Karoly, et al. (1998)

Pay for Success early childhood programs

Outcomes tied to success payments

- Salt Lake City – Preschool
 - Reductions in special education and remedial services
- Chicago – CPC Preschool
 - Kindergarten readiness
 - Reductions in special education services
 - Third grade literacy
- South Carolina – Nurse Family Partnership
 - Reductions in preterm births
 - Reduced hospitalizations and emergency room visits
 - Increase in healthy spacing between births
 - Increase in mothers served in high-poverty areas

High return principles

- Invest in quality
- Engage parents
- Start early
- Bring to scale
- Match services to risk profile
 - Intensive and free services that start early for high-risk children
 - Less-intensive services with partial subsidy for moderate-risk children
 - No subsidy for low-risk, higher-income children



Minnesota Early Learning Scholarships

Incorporate high-return principles

- \$60 million annually
- Attend 3-star or 4-star rated providers (out of possible 4 stars)
- Eligibility
 - Children ages 3 and 4 below 185% poverty and younger siblings
 - Children ages 0 to 2 below 185% poverty who have a teen parent pursuing a high school diploma or GED
- A Minnesota county funds scholarships for children ages 0 to 4 in foster care
- Current state proposal – scholarships for high-risk children ages 0 to 2: Homeless, child welfare services, or foster care

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