

## ***AN INVESTMENT LETTER FOR MINNESOTA PHILANTHROPISTS***

Friday, July 15, 2005

**This issue covers early childhood education and the documented results to society from high quality early childhood educational programs similar to Head Start. One of the most comprehensive longitudinal studies of the benefits from this type of early childhood education was initiated in Ypsilanti, Michigan in 1962. It is known to educators as the “High/Scope Perry Pre School Study.”**

**More recent studies confirm similar positive results. Launched in 2003, the Early Literacy Americorps Program was designed to develop the literacy skills of Head Start Children. Dramatic gains have been documented in such areas as picture naming, rhyming and alliteration each essential in preparing children to read.**

**The Yipsialanti study is by far the most comprehensive to date. Arthur Rolnick and Rob Grunewald, economists with the Ninth Federal Reserve District, researched the study and in January 2003 published the following conclusion:**

***“Based on present value estimates, about 80% of the benefits (from the Perry School program) went to the general public yielding over a 12% internal rate of return for society in general.”***

### **WHAT’S THE PROBLEM?**

**The March 2005 Bush Foundation study (“Key Findings on the Minnesota Early Education and Care Systems” by Laura Silberfarb ) concluded that:**

- **Only 50,000 Minnesota children have access to subsidized child care assistance and the Head Start Program. Many more are eligible. A total of about 111,000 Minnesota children from birth to five years live in poverty. Therefore, only about 45% of those in need are being served.**
- **Legislative cuts since 2003 to early childhood programs have exacerbated existing problems in the availability and affordability of care, especially for low income families.**
- **With the exception of Head Start, Minnesota has no systematic, funded infrastructure for assuring the high quality of care or an agreed upon definition of quality beyond licensure and accreditation.**
- **For children in licensed child care, government licensing standards are a minimum-level quality assurance. Even when care is licensed, it is not a guarantee of high-quality care. In a 2003 study, licensed child care centers averaged between above “minimal” and below “good.”**

## **WHAT IS THE HIGH/SCOPE PERRY PRESCHOOL STUDY?**

- **From 1962 to 1965 one hundred twenty three African American preschool age (ages 3-4) children born in poverty and at high risk of failing in school were identified and their educational, social and economic performance was tracked to age 27.**
- **Evenly matched as to socioeconomic status and mean intellectual performance, 58 of these children were placed in a preschool program with the remaining 65 not enrolled in a preschool program.**
- **From October to June, program teachers conducted daily two and one half hour classes for children on weekday mornings and made one and one half hour home visits to each mother and child on weekday afternoons.**
- **Using experiences taken from child development theory adults encouraged children to participate in actions where they learned to make choices, solve problems and perform in a manner that stimulates their intellectual, social and physical development.**
- **At age 27 the data collector interviewed 95% of the original study participants. The study phases included data collection at ages 19, 27 and 39-41.**

## **CONCLUSIONS**

- **The quality of life experience for a child and the impact the child has on society can be tracked back to the initial years of life. A child undergoes significant growth and change up to about five years of age.**
- **High-quality pre-school programs for children in poverty can enhance educational performance, contribute to their economic benefit, reduce anti-social behavior and provide a high return on taxpayer investment.**
- **While the data shows some fading in intellectual advantage after age 7, later general literacy, school achievement, reading, language and arithmetic subtests show strong advantages for the program group.**
- **Educators believe that the enhanced caring atmosphere and social interaction with the program group contributed to growth in non-cognitive areas of the brain that enhanced life time learning and behavior.**

## WHO BENEFITS?

- *Taxpayers benefit directly from higher rates of home ownership, income and sales taxes paid and reduced social service and criminal justice system expense as documented in the Perry study of participants economic status by age 27.*
- *Minnesota employers. The Business Roundtable states that higher quality employees are recruited and retained when assistance is provided allowing better access to high quality early childhood programs..*
- *The State of Minnesota benefits when the cycle of poverty is broken for low income families and scarce resources can be devoted to programs that strengthen the Minnesota economy in this very competitive international economy.*

## CALCULATING THE RETURN ON INVESTMENT ?

The methodology used by Rolnick and Grunewald to calculate the rate of return on the initial dollars invested in the program estimated the time periods in which costs and benefits in constant dollars were paid or received by program participants and society. The High/Scope Educational Research Foundation reviewed the results of the study in April, 2003 converting the financial impact of the program into 2001 dollars. The discounted average cost of the program was calculated to be \$14,716 per participant. Based on the typical in-court and out-of-court settlements \$68,584 was saved by the potential victims of crimes that were avoided and never committed. \$15,240 was estimated to be saved in reduced justice system costs (arrests, investigation, court and incarceration expense). \$7,488 was saved in schooling, due to reduced need for special educational services, even after allowing for increased college costs for preschool-program participants. \$3,475 was saved through reduced welfare costs. \$10,537 was the gain from increased taxes paid by preschool-program participants because of their higher earnings.

- In 2001 dollars the total financial benefits of the Perry Pre School Program amounted to \$105,324 per participant by age 27. Divided by the cost of \$14,716 per participant the percentage return on investment (after subtracting the original cost) exceeded 600%.
- Because the costs of the program are incurred at the start and the benefits to the individual and society come much later the computed internal rate of return is lower than what would simply be derived from dividing the 600% total return by the twenty four year interval from age 3 to age 27.
- Rolnich and Grunewald estimated the time periods in which costs and benefits occurred and concluded that the total internal rate of return yielded a 12 percent internal rate of return for society in general.

## CALCULATING THE RETURN ON INVESTMENT

**Survey Results at Age 27 Showing the Impact of Training (in 2001 dollars)**

	<u>Non-Program Group</u>	<u>Program Group</u>	<u>Program Group Economic Benefit</u>
<u>Economic</u>			\$11,000 (Tax Revenue) \$3,000 (No Welfare)
Earning \$24,000 by age 27	7%	29%	
Own Their Home	13%	36%	
Never on Welfare as an Adult	20%	41%	
<u>Educational</u>			\$7,000 (Special Ed.)
Ever Treated for Mental Impairment	34%	15%	
Age 14 Achievement In 10 <sup>th</sup> Percentile	15%	49%	
Graduated High School on Time	45%	66%	
<u>Criminal Justice</u>			\$ 15,000 (Justice System) \$ 69,000 (Crime Victims)
Mean # Arrests Age 27	4.6	2.3	

**TOTAL SAVINGS PER STUDENT OF \$105,324 DIVIDED BY THE DISCOUNTED COST PER STUDENT OF \$14,716 RESULTS IN A TOTAL RETURN ON INVESTMENT OF 616% BY AGE 27 FOR EACH PROGRAM GROUP STUDENT.**

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