

# The Economic Case for Investing in Young Children

National Association of Counties Annual Conference  
Healthy Counties: Early Childhood Development Summit  
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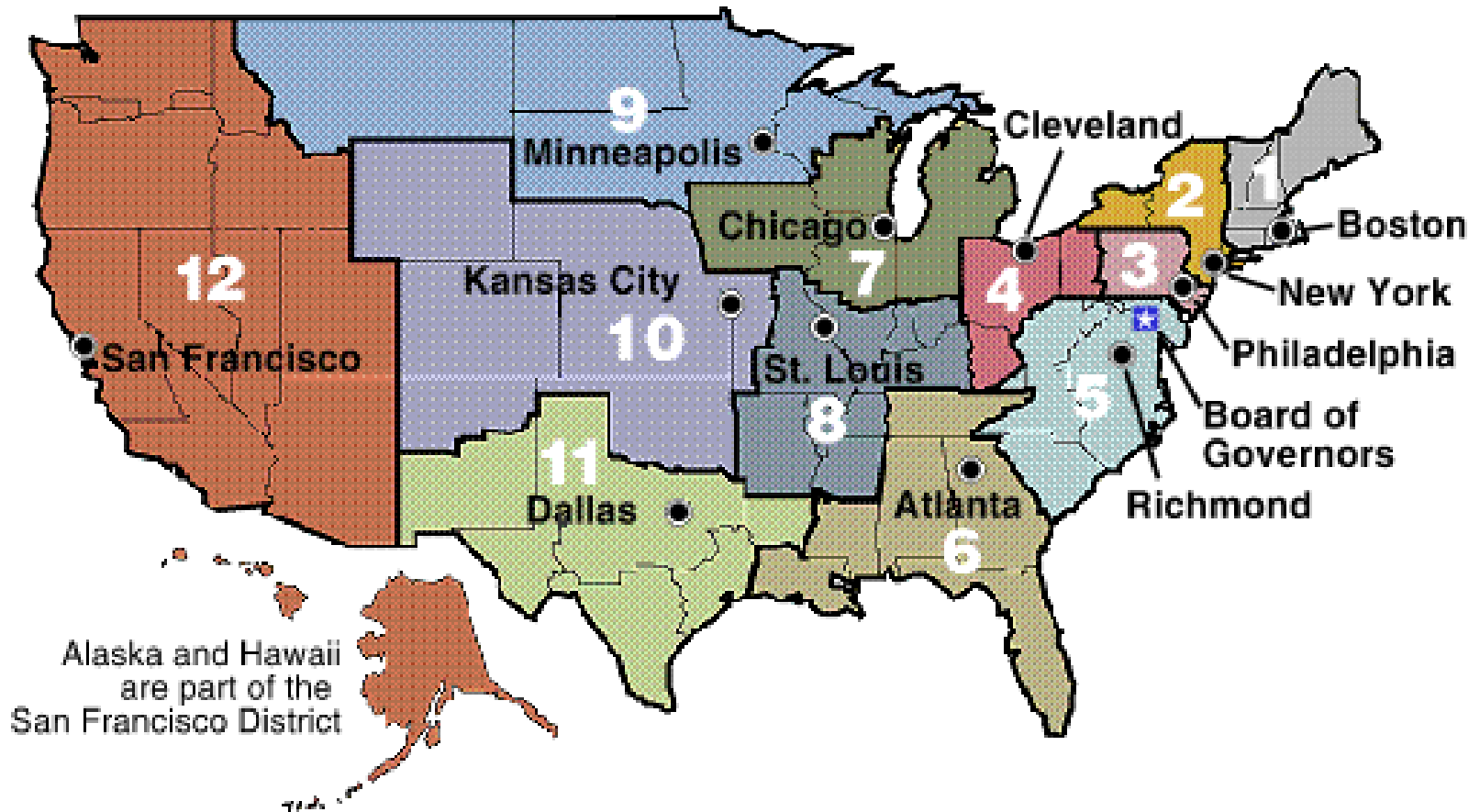


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*\*The views expressed here are those of the author and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.*

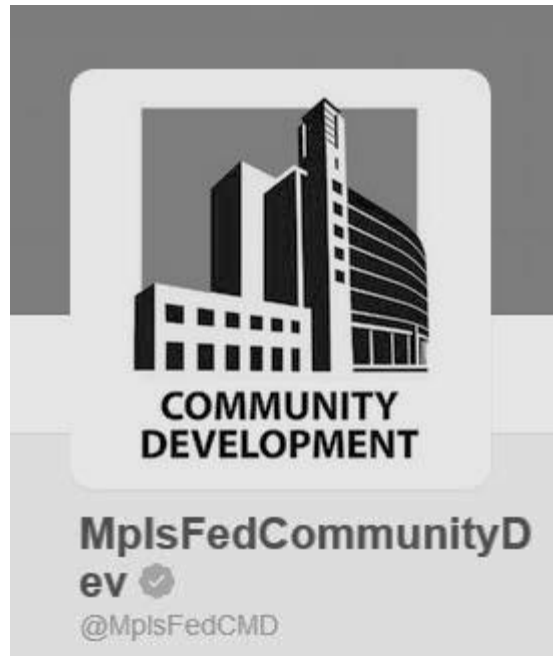
# Federal Reserve System

## Overview



# Federal Reserve

## Community Development

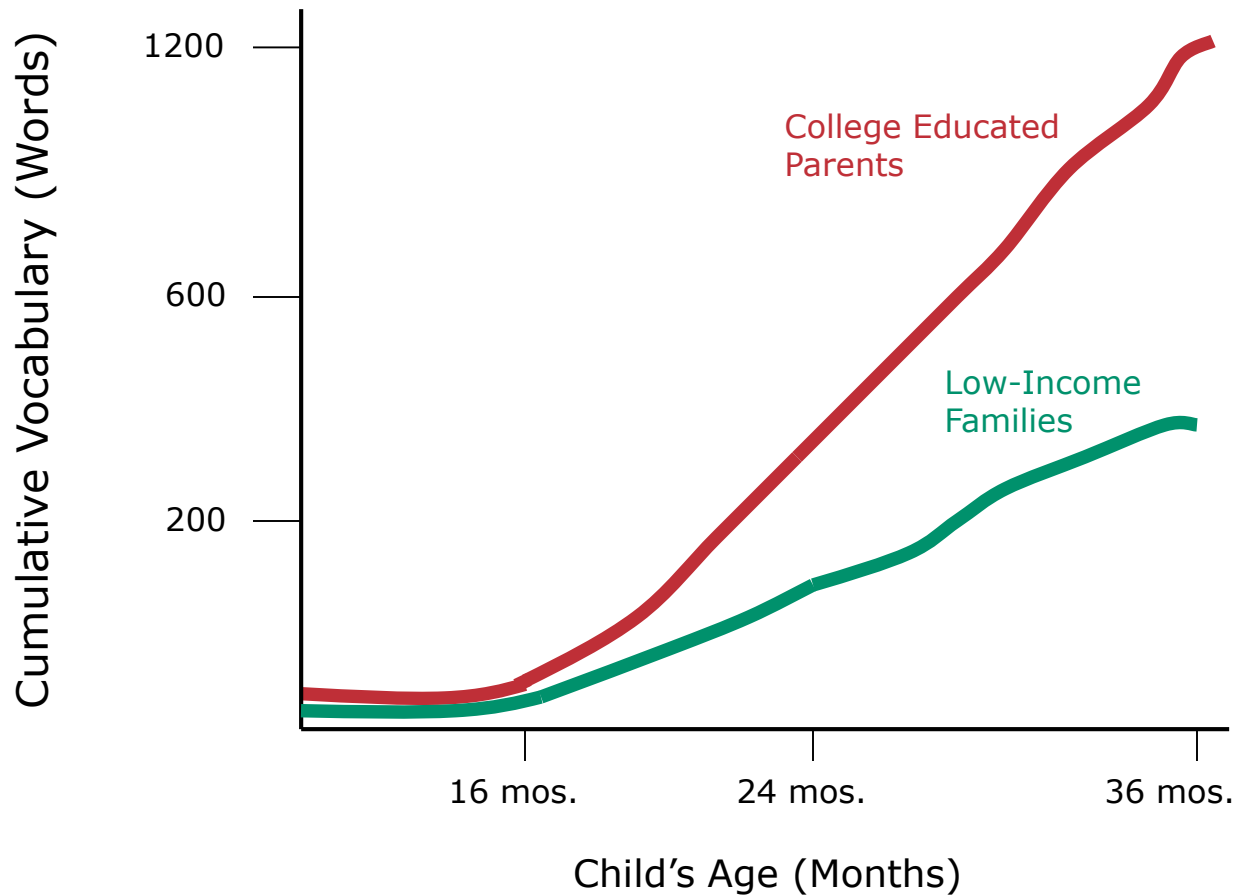


- Function within the Federal Reserve System.
- Promote fair access to credit and economic growth in LMI communities.
- Research. Information Sharing. Training. Convening.



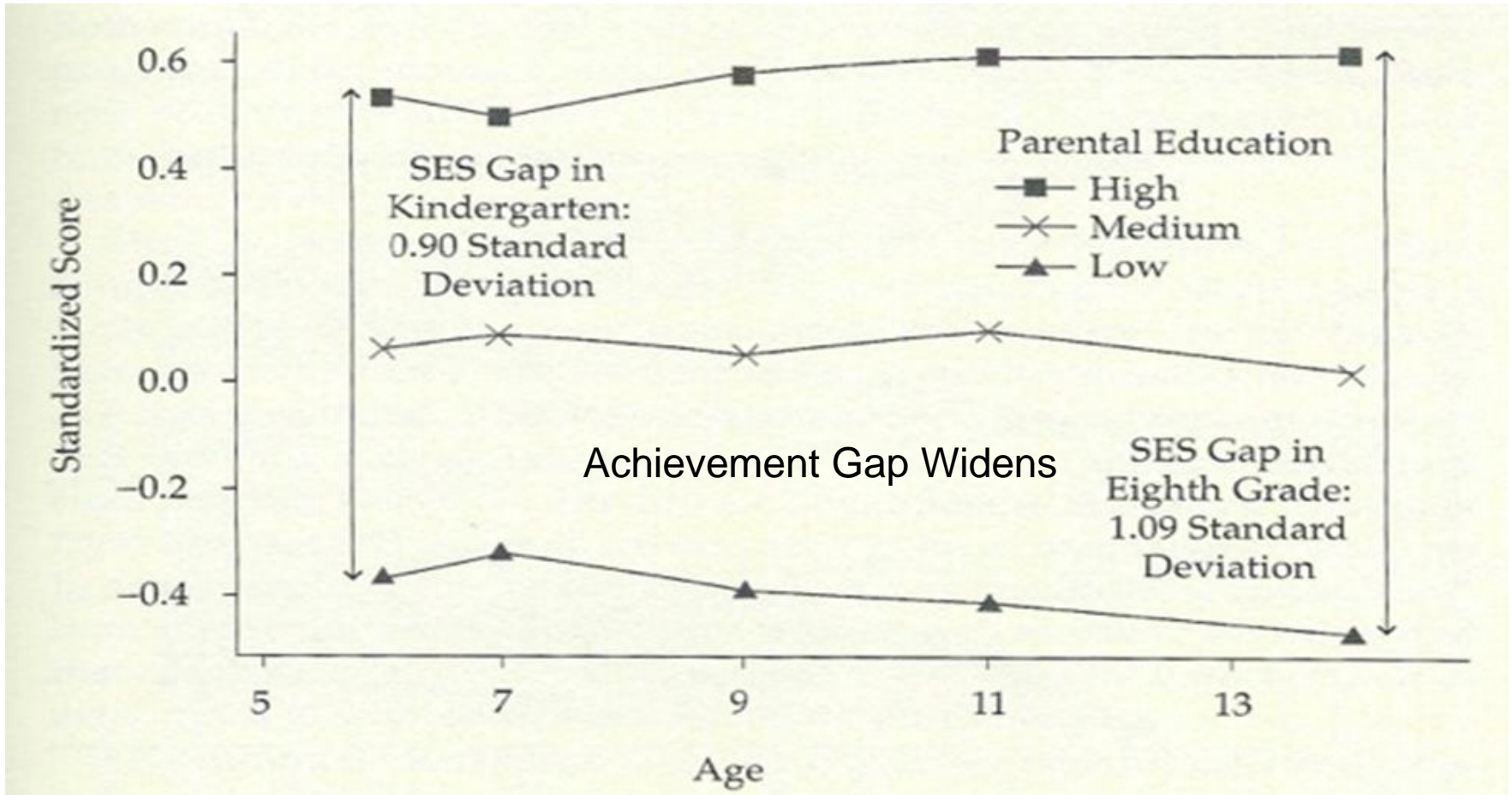


## Barriers to Social Mobility Emerge at a Very Young Age



Source: Hart & Risley (1995)

# Average reading scores of U.S. children by socio-economic status group (parent education)



# 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)

# 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

- \$70 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, foster care, child welfare services, or homeless



# Sustaining Early Childhood Gains

- Early learning program characteristics: Teaching, curriculum, instructional support, dosage
- Transition to kindergarten and elementary grades
- Parent engagement



# Placing “fade out” into context

- Several long-term evaluations show sustained early learning program impacts into adulthood.
- Measures that indicate fade out may not fully capture effects.
- Even when fade out is detected, benefits have been found later in childhood and early adulthood.
- “Catch up” may be a better descriptor than fade out.



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