The Economic Case for
Investing in Young Children

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Healthy Counties: Early Childhood Development Summit
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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
Community Development

- Function within the Federal Reserve System.
- Promote fair access to credit and economic growth in LMI communities.
Barriers to Social Mobility Emerge at a Very Young Age

**Cumulative Vocabulary (Words)**

- **College Educated Parents**
- **Low-Income Families**

**Child’s Age (months):**
- 16 mos.
- 24 mos.
- 36 mos.

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

Achievement Gap Widens

Bradbury, Corak, Waldfogel, and Washbrook (2015)
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
- Higher earnings and tax revenue
- Lower cash assistance
- Improved health
- Lower crime
- Higher homeownership rates

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

<table>
<thead>
<tr>
<th></th>
<th>Federal</th>
<th>State</th>
<th>County</th>
<th>City</th>
<th>School District</th>
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<tbody>
<tr>
<td>Home visiting</td>
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<td>Health &amp; nutrition</td>
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<td>Quality Rating and</td>
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<td>Improvement</td>
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<td>Parent education (group)</td>
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<tr>
<td>Child welfare system</td>
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<tr>
<td>Government cost savings or increased revenue associated with early childhood investments</td>
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<td><strong>County</strong></td>
<td><strong>City</strong></td>
<td><strong>School District</strong></td>
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<td>Medicaid and unpaid medical care</td>
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<td>TANF</td>
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<td>Education</td>
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<td>Criminal justice system</td>
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<td>Increased tax revenue</td>
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</table>
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

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

2016 Dollars

Source: Reynolds, Temple, White, Ou, & Robertson (2011)
Elmira Prenatal/Early Infancy Project
Fiscal effects

<table>
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<td>Emergency room visits</td>
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<td>Cash assistance</td>
<td>$19,975</td>
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<td>Criminal justice system</td>
<td>$6,857</td>
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<td>Increased tax revenue</td>
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<tr>
<td>Total</td>
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<td>Program cost</td>
<td>$8,638</td>
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<tr>
<td>Benefit-cost ratio</td>
<td>$4.06</td>
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</table>

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.
Sources


Sources


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