

COST-EFFECTIVE INVESTMENTS IN CHILDREN

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Overview

Based on a review of benefit-cost evidence, this paper identifies four areas of investment that merit expanded federal funding even in a time of fiscal austerity. America's future economic well-being will benefit from targeted investments to ensure that children have the skills to become tomorrow's adult workers, caregivers, taxpayers, and citizens. Target areas for a package of proposals totaling about \$25 billion annually and \$133 billion over a five-year period include several target areas. This summary will concentrate on the area of high-quality early childhood education programs for 3 and 4 year old children.

Benefits of Pre-Kindergarten

Enrolling poor children in early childhood programs improves outcomes in elementary school, with benefits including higher scores on achievement tests, lower use of special education, and lower rates of grade retention, according to reviews across many evaluations. Studies following preschool children through adolescence find higher rates of high school completion and higher years of educational attainment when compared to other low-income children not enrolled in preschool programs.

Cost- Benefit Analyses

A number of analysts have estimated the economic benefits of early childhood education, comparing the stream of long-term benefits against the initial costs of the intervention. The benefit-cost ratio for two studies (Perry Preschool and the Chicago Child-Parent Centers study) is reported at 3:1 and for the Abecedarian it is 2:1 for an estimate of a generic real-world high-quality early education program.

Early Childhood Education Proposal

The proposal outlined in this paper would support state efforts, with federal aid most strongly targeted to low-income children, but also providing partial federal support to children across income ranges. Children qualifying for free school lunches would receive a half-day of pre-kindergarten services at no cost; children of moderate and higher incomes would receive a partial federal subsidy, supplemented by a combination of state and local funding and parental fees. To be eligible for federal funding, programs would have to meet national standards for critical design elements such as class size, child to staff ration, staff qualifications, and parental involvement activities. Finally, the proposal includes \$20 million annually in research to continue studying and refining program quality.

Conclusion

Investing in early childhood education will not help reduce the federal budget over the ten-year horizon. However, if pre-kindergarten programs were ongoing after seventeen years government savings would increasingly exceed costs, as successive cohorts of preschool children entered employment with higher earnings and were less involved in criminal activity. While the delay in governmental savings is not ideal, savings that accrue seventeen years from now will be opportunely timed to help offset the growing costs of entitlement programs for the elderly.

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