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## **A New Take on Economic Development: Universal Preschool**

by Sara McCormick, CPPA Research Associate

In Utah's recent legislative session, a bill was proposed for an optional full day kindergarten program. In arguing for the bill, Senator Hillyard stated, "It is for the kids and for us. Practically and monetarily we save money ... " What if it were taken a step further and care for children prior to formal elementary education was viewed from a different perspective as an *economic development* tool. Several recently published studies have done so.



Longer term studies of universal preschool programs reveal economic benefits to the community as well as societal benefits, such as crime reduction. The following provides a brief overview of these studies as well as the relevance to Utah.

### **Economic Impact of a Universal National Preschool**

Timothy Bartik, Senior Economist for the W.E. Upjohn Institute for Employment Research, compares the permanent investment in high quality preschool programs with more traditional economic development subsidies. Bartik modeled his analysis on the costs associated with an existing program in Chicago called the Child-Parent Center (CPC). This program for four-year olds is half-day and targets economically disadvantaged children. Using data and costs from this program as well as an additional one in Michigan, Bartik estimates that the net national annual cost of providing a universal program of this nature would be \$15 billion. Since his proposed model would not target only economically disadvantaged children, it is assumed that the effect would be lower than the Chicago program. This estimate is then compared with the effect of investing this same amount of money in more traditional economic development activity.

Based on simulations, the study finds that by increasing the quantity and quality of the state labor's supply through a preschool program, the investment in preschool has a larger return over the long term in terms of the number of jobs generated.

Looking at the impact on the present value of real earnings, investing \$1 in either business subsidies or preschool is estimated to yield approximately \$3 from a state's perspective. From a national perspective, \$1 invested in preschool results in a \$4 increase in the present value of earnings versus a less than a \$1 return from business subsidies. Clearly, an argument for the national government to fund this effort which is often more palatable to states! In addition, the study found that attending high quality preschool like the CPC raised "long-run earnings of participants from low-income families by 16 percent." (p. 28)

### **The Effects of Investing In Early Education on Economic Growth**

A 2006 study by William T. Dickens, Isabel Sawhill, and Jeffrey Tebbs of the Brookings Institution used three separate economic models to calculate the impact of an early childhood education program on the gross domestic product (GDP). The analysis was based on the Perry School Model as well as outcomes of universally accessible programs currently available in Georgia and Oklahoma. The Perry school model targeted at-risk, low-income children and provided 12.5 hours of preschool per week for 30 weeks a year. In addition, the parent had an hour and a half in-home meeting with the child's instructor. Based on other research performed, the researchers assumed that only about 70% of eligible students would access the program

and that children from a wide range of social economic status would benefit from it.

With the preferred assumptions of the authors, the models predict “an increase in GDP in 2080 of over two trillion 2005 dollars—an increase of about 3.5 percent.” (p. 12) Putting this into financial terms, by 2080, the cost of the program to the federal government will be \$59 billion [net of existing early childhood education and childcare expenditures] for a net fiscal surplus of \$341 billion. The findings do vary based on the parameters/assumptions and model used with the range of GDP increases from 1.34 to 4.02%. It is important to highlight that for all the realistic scenarios constructed, a positive increase in the GDP is realized.

Dickens, et al., note that because “most of these benefits are long term while the costs of mounting the programs are immediate; the political system tends to be biased against making such investments.” Given their findings, this is a disadvantage to children as well as our economy.

### **Early Childhood Development: Economic Development with a High Public Return**

Art Rolnick and Rob Grunewald of the Federal Reserve Bank of Minneapolis also analyzed the Perry School Model in terms of its economic development potential. These researchers found that although program participants did benefit from the program, the general public benefited more. In fact, they calculated a 12% internal rate of return to the public when factors such as participants being less disruptive in future classes and committing fewer crimes, as well as a 4% rate of return for program participants due to increases in after tax-earnings and other benefits.

The researchers conclude that the rates of returns of more traditional economic development activities need to be compared to this rate of return. Often economic subsidies just move businesses within the state, resulting in a zero public rate of return. They also question whether proposals for new sports stadiums will have similar rates of return for the public or “reduce crime, increase earnings and potentially break a chain of poverty.” (p. 3)

### **The Economics of Investing in Universal Preschool Education in California**

Lynn A. Karoly and James H. Bigelow of Rand’s Labor and Population Unit performed a cost benefit analysis of providing universal preschool education for California children. In addition, they looked at potential indirect economic as well as non-economic benefits of such a program. As the basis for the analysis, results from the Chicago CPC were used. It is assumed that 70% of children will enroll in the program and, although disadvantaged children (single parent households, poverty status, or low maternal education) will obtain more benefit from the program, less disadvantaged students will also benefit. The program is designed like the CPC (see Bartik above) as a half day, academic year program. In addition, a one-year program is proposed since lower rates of return are experienced from the second year. So it is more advantageous to serve a greater number of children over a shorter period.

Based on the researchers’ preferred assumptions, each \$1 invested in preschool education will result in a \$2.62 return or a 10% annual rate return over 60 years. Looking at a range of assumptions, the rate of return falls between \$2 and \$4 for every \$1 invested.

Karoly and Bigelow state that the benefits to society which they calculated are likely understated because they do not account for “lower intangible losses from crime and child abuse and neglect averted, reduced reliance on public welfare programs, improved labor market outcomes for parents of preschoolers, improved health and well being of preschool participants, and the intergenerational transmission of favorable benefits.” (p. 30)

### **Universal Preschool and Utah?**

The percentage of Utah's population in the preschool age group (less than five years of age) is the highest rate of any state in the country, 9.5%. (GOPB, ERG 2007). Of this population, 40% are enrolled in preschool, which is not surprising given that slightly over 50% of Utah children under the age of 6 live in households where either both parents work or in working, single parent household. Given the size of this segment of our population, the preschool age group is clearly an area to which we could pay attention.

Some of the studies noted above looked at the educational achievement for children that were enrolled in a high-quality preschool. Although findings are mixed, Bartik found that high school graduation rate were higher for those that attended; Dickens et al. found that the group of students that attended a high quality preschool had "levels of educational attainment 0.9 years greater than members of the no-program group" (p. 9).

Richard Kendall, Utah's Commissioner of Higher Education, noted that educational achievement for the younger generation (24-35 years) is lower than for the older generation of Utah citizens (45-64 years). Educational attainment of Utah's citizens is critical for economic development. Preschool is just one component of education but the studies indicate it is a valuable step for the individual and our economy.

For more information and resources, see the [Action Kit](#) from the Institute for Youth, Education and Families

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