

# Investing in Kids: Early Childhood Programs and Local Economic Development

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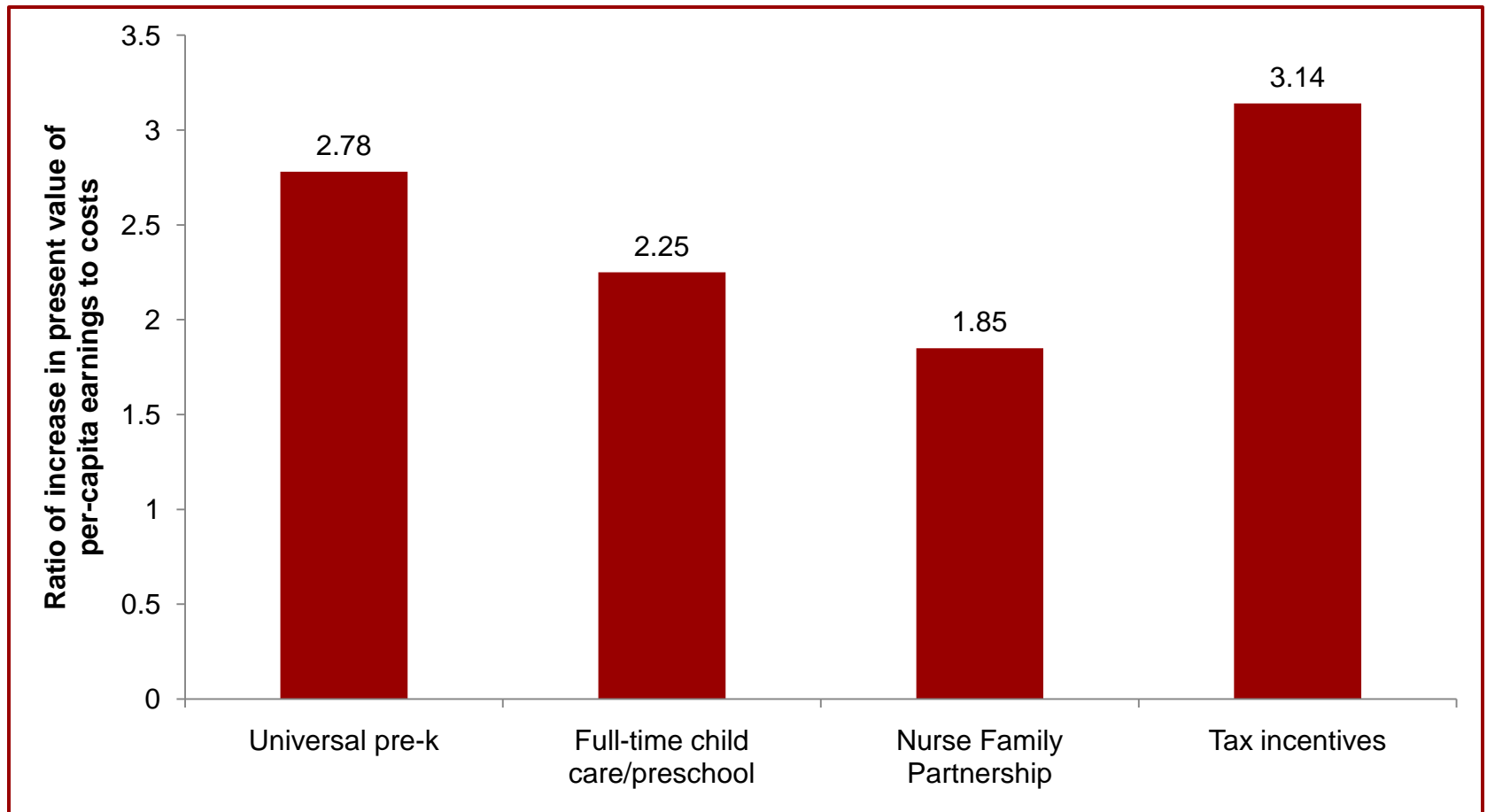
**Presentation to American Chamber of Commerce Executives, Los Angeles, CA.**

# Main Points of *Investing in Kids* Book

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- High-quality early childhood programs, like business incentives, can provide large “local economic development benefits”: higher per capita local incomes
- Early childhood programs’ main way of affecting local economy is by increasing quality of labor supply as adults of former child participants in programs
- Enough former participants will stay to significantly increase overall local labor quality
- Per dollar invested, early childhood programs increase present value of **local** per capita earnings by \$2 to \$3

# Ratio of Increase in State Earnings Per Capita to Cost, 3 Early Childhood Programs, and Business Tax Incentives



Source: *Investing in Kids*, Figures 4.1 and 10.1.

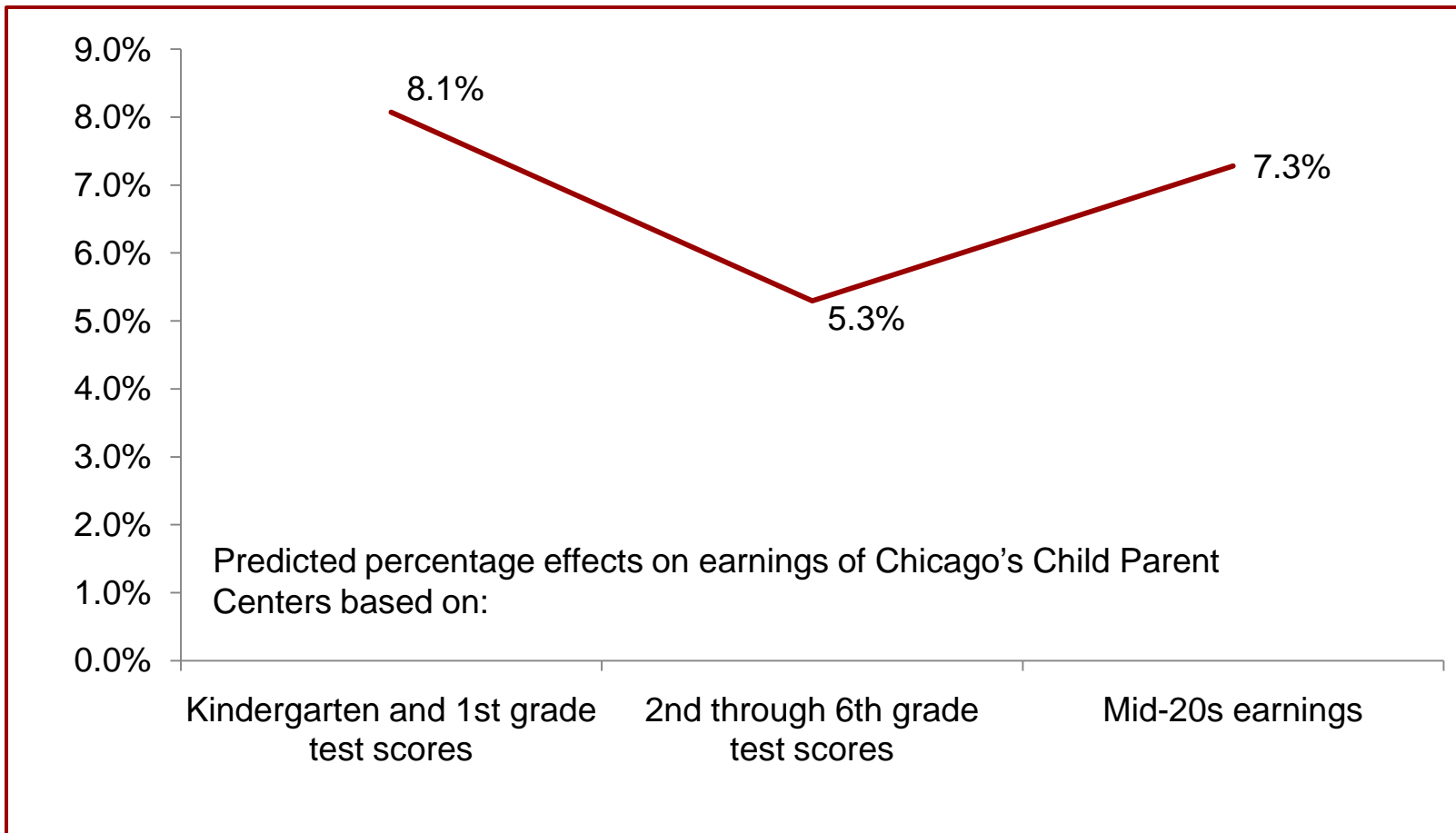
# Responding to Skeptics 1:

## Why should I believe these claims that early childhood programs work?

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- Because of limited access to early childhood programs, comparison groups are better than in most program evaluations
- Recent evidence for large-scale effectiveness from Oklahoma, West Virginia, South Carolina, New Mexico, New Jersey, Michigan, Chicago, North Carolina
- Even when test score effects fade, effects of early childhood programs re-emerge in adulthood due to soft skills

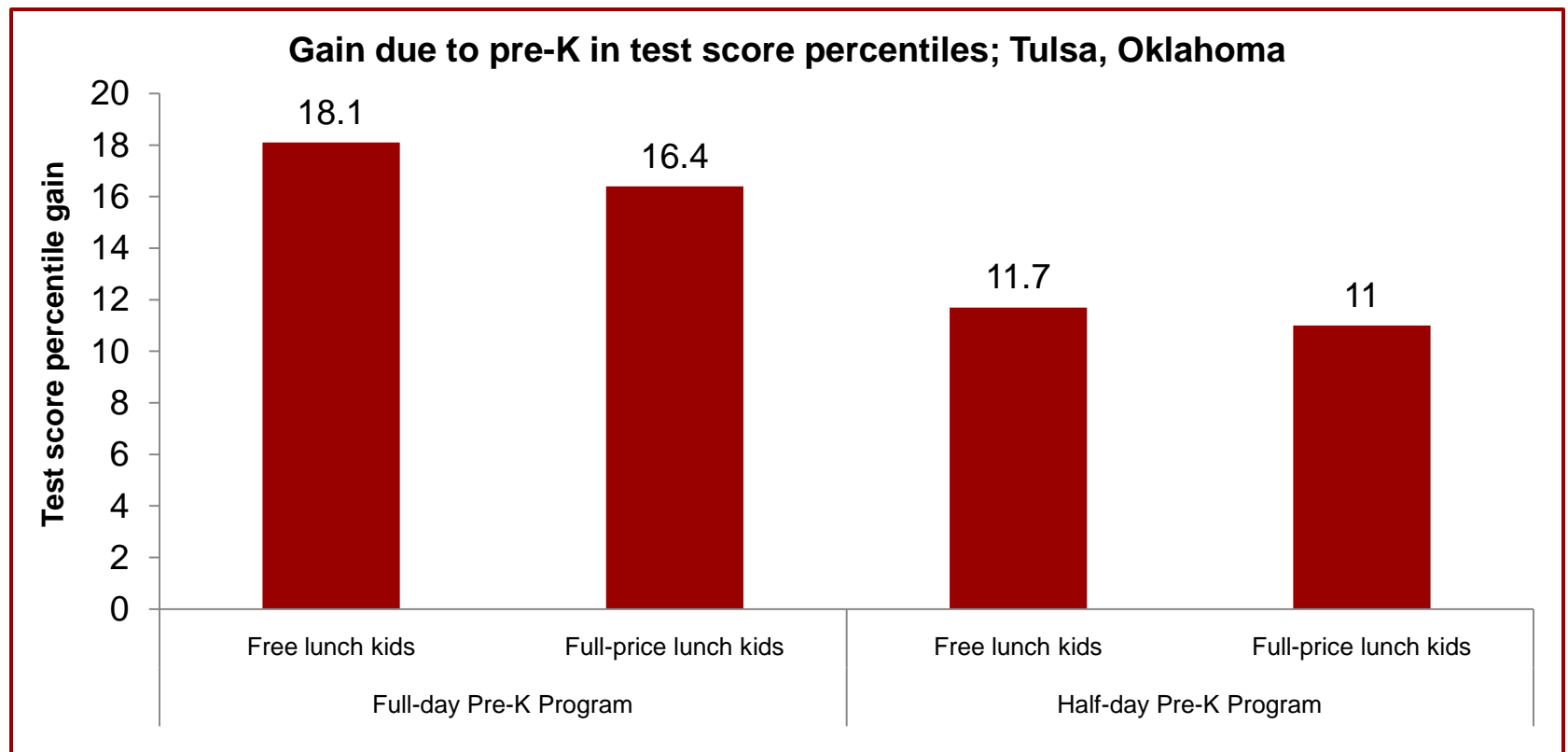
# Re-Emergence of Pre-K's Effects Suggests Importance of Soft Skills



# Responding to Skeptics 2:

## Are early childhood programs just needed for the disadvantaged, or do other groups gain?

Response: Available evidence suggests similar gains for middle-class

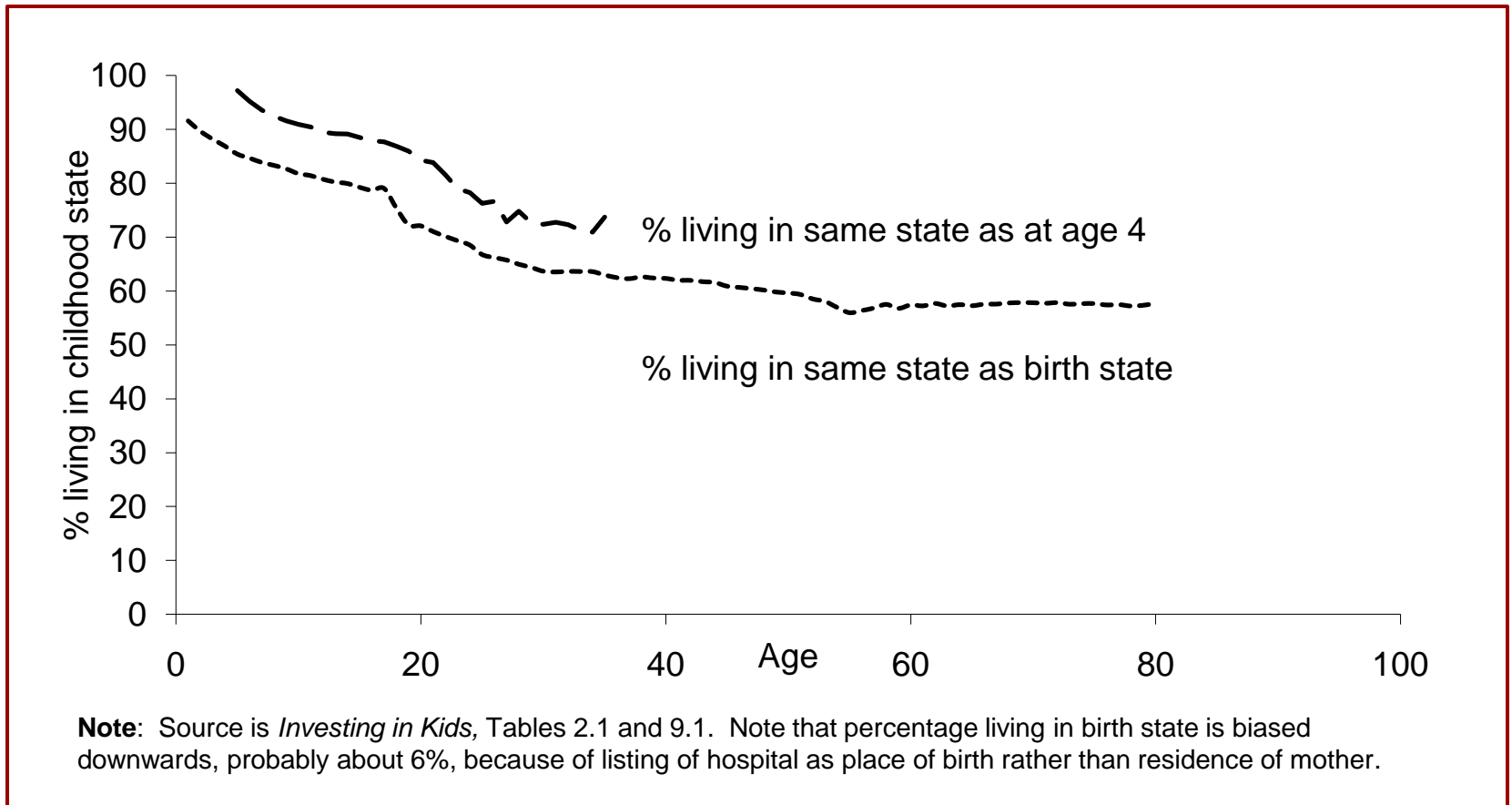


Source: Bartik, Gormley, & Adelstein, 2011.

# Responding to Skeptics 3:

## Will this really benefit not only local participants, but the entire local economy?

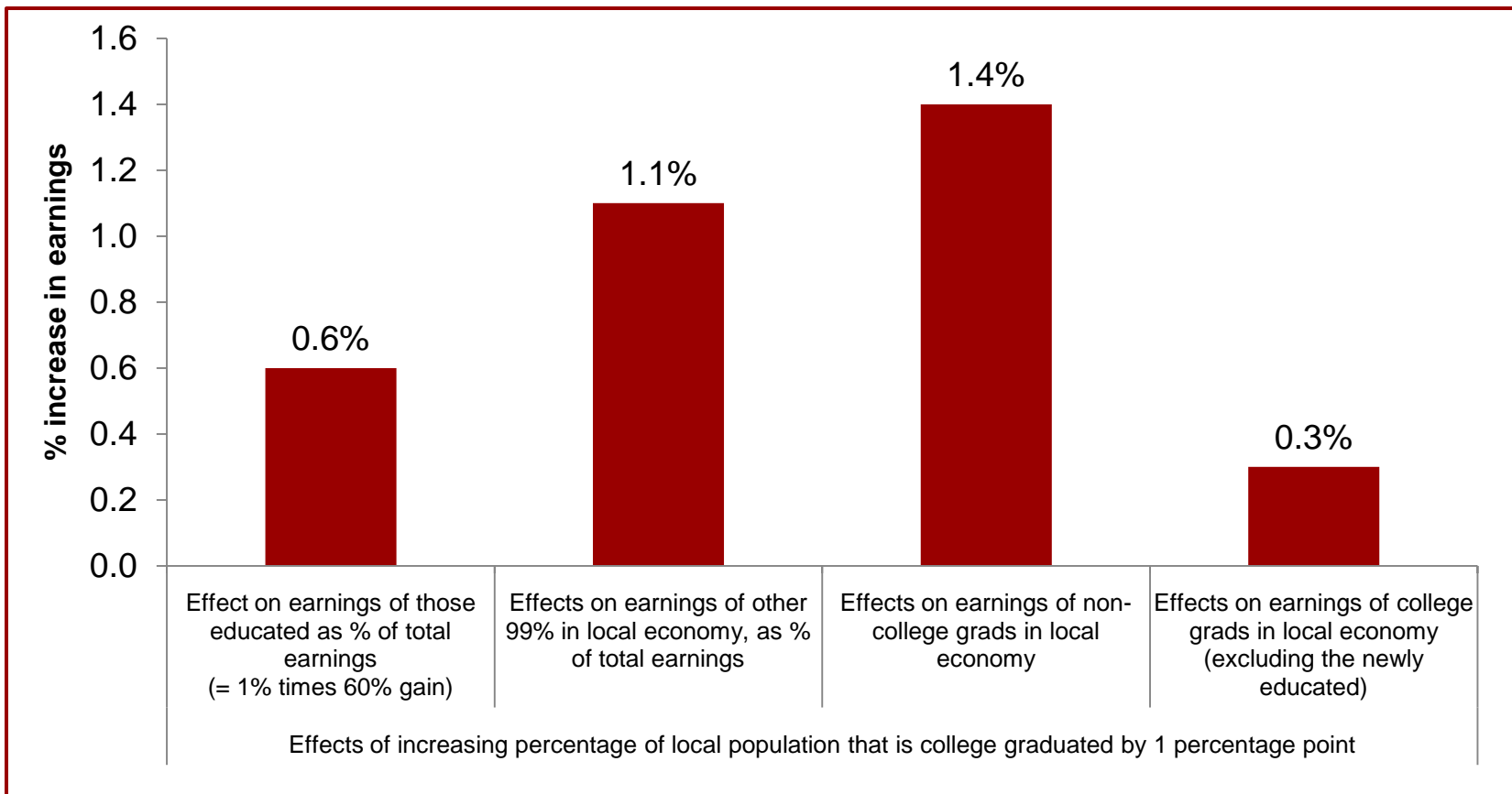
**Point 1:** Most participants will stay, even in smaller or distressed areas



# Responding to Skeptics 3:

## Will this really benefit not only local participants, but the entire local economy?

**Point 2:** The skills of “other people’s children” matter to my wages



Source: Moretti, 2004.



# Responding to Skeptics 4:

## Are early childhood program benefits only long-term, or are there also short-term benefits?

**Point 1:** Parents will be attracted, increasing property values

### Effects of Preschool on Property Values

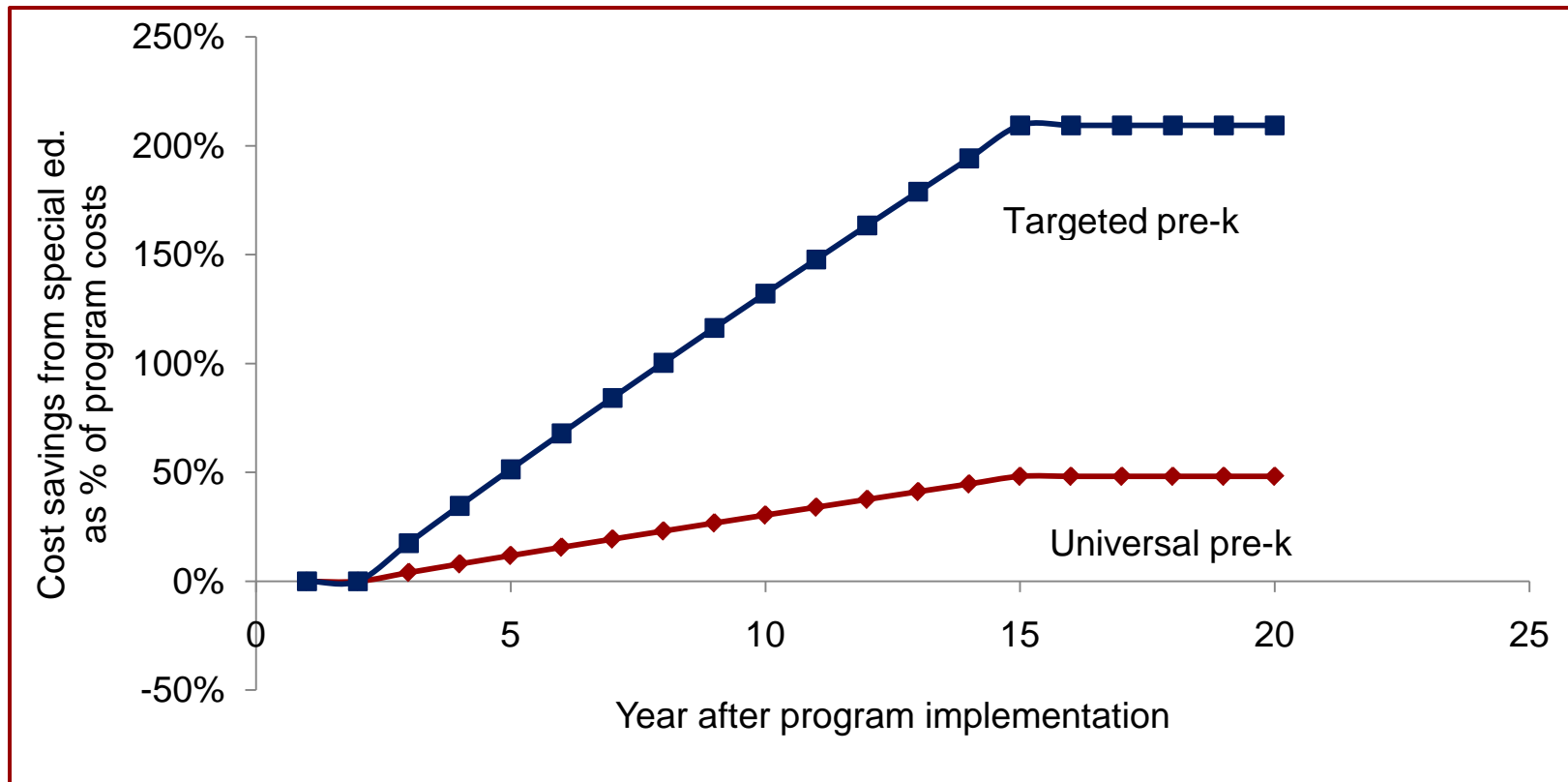
	Based on effects on elementary test scores	Based on assumed full capitalization of earnings effects, 4.7% discount rate
% effect on property values	0.8%	5.1%
Ratio of property value increase to annual program costs	13	81

Source: Table 7.3, *Investing in Kids*

# Responding to Skeptics 4:

## Are early childhood program benefits only long-term, or are there also short-term benefits?

**Point 2:** Savings in special education costs



# Summary of Business Case for Early Childhood Programs

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- High-quality early childhood economies can pay off for entire local economy in stronger growth in per capita earnings
- Costs are modest: e.g., universal pre-K for 4-year-olds costs about \$40 per capita, less than 3% of what we pay for K-12
- Business community is key to political viability of expanded early childhood program investment

# What Should Be Going On?

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- Universal pre-K: \$40 per capita
- Other flexible early childhood programs: On order of \$20 per capita to match Smart Start in North Carolina
- How to finance: possibility of “PKSE” financing for some of this
- Key is business community support
- Business community can and should insist on flexible system with accountability for results