

# The Economic Promise of Investing in High-Quality Preschool

## Using Early Education to Improve Economic Growth and the Fiscal Sustainability of States and the Nation

### EXECUTIVE SUMMARY

Preschool programs have long prepared children for early educational success, but investing in high-quality early education also offers promising ways to strengthen the future economic and fiscal position of states and the nation. High-quality preschool programs have long-lasting effects, improving students' outcomes well into their adolescent and adult years. Economically, the long-term impacts of high-quality preschool programs translate into significant public and private benefits, with returns far exceeding the costs.

In the future, ensuring U.S. economic competitiveness and growth will require a highly educated and skilled workforce. Without improvements in education, demographic changes will make it difficult to cultivate the skilled workforce needed. Fragile state budgets and the deteriorating federal budget situation only compound the need for a strong labor force.

Today's business leaders see that early childhood education is important to future U.S. economic competitiveness and a worthwhile investment. A December 2005 poll of business leaders shows that more than 80 percent agree that public funding of voluntary prekindergarten programs for all children would improve America's workforce.

### Benefits of Preschool Programs

Investing in children early, during the preschool years, is crucial. Learning is cumulative, and children develop skills during their early years that facilitate later learning. Currently, America is wasting many of its education dollars on remediating past failures. Gaps in student ability are already apparent by kindergarten, and those gaps are often difficult and costly to correct later.

Children who participate in high-quality preschool demonstrate higher academic achievement, are less likely to repeat a grade or require special education classes, and are more likely to graduate from high school and enroll in college. Students are also less likely to participate in criminal activity during their juvenile or adult years, or be victims of child mal-



treatment or neglect. As adults, former preschool students are also less likely to be unemployed and more likely to have higher earnings than similar students who do not participate in preschool programs. Former preschool students are less likely to depend on public assistance, become teenage parents, or endanger their health by smoking.

### Economic and Fiscal Benefits of Preschool

The positive impact from preschool programs on students' lives increases the likelihood that these students will become net economic and social contributors to society. Implementing preschool programs for all students whose parents want them to attend is expected to generate significant public and private benefits, producing \$2 to \$4 in net present-value benefits for every dollar invested.

Federal, state, and local budgets will improve significantly when governments can dedicate more resources to productive endeavors, rather than to remediation, incarceration, and

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welfare. For every preschool dollar spent, states are projected to recoup 50 to 85 cents in reduced crime costs and 36 to 77 cents in school savings.

Sustained preschool investments are also a cost-effective way to improve long-term economic growth and living standards. By 2080, preschool programs could boost gross domestic product by 3.5 percent, as well as raise long-run state employment levels by 1.3 percent.

## Preschool Access, Quality, and Cost

Providing “preschool for all” benefits virtually all children, not just those at risk because of socioeconomic disadvantage. Poor educational performance extends beyond just low-income students, and gains in academic achievement from preschool programs are evident across income groups. However, providing universal access to preschool does not mean programs must provide uniform services. Diverse providers can offer all children a core early education program, while offering more intensive services to children with greater needs.

Quality is paramount if preschool is to deliver its promised benefits. The hallmarks of quality preschool programs include: well-trained and well-paid teachers; an age-appropriate curriculum that focuses on the academic, social, emotional, and physical development of children; small class sizes; low child/teacher ratios; adequate hours of instruction; and parental involvement.

Extending high-quality, publicly funded prekindergarten programs to all three- and four-year-old children will be costly, requiring \$16 billion to \$27 billion annually in new funding. Despite the early cost, not investing in preschool will likely cost far more later.

CED believes that broadening access to preschool programs for all children is a cost-effective investment that will pay future dividends. And while preschool is an economic and educational priority, it is also part of a continuum of necessary childhood investments, beginning in the prenatal months and spanning the infant, toddler, and later school years that together will have the greatest impact on children’s development, and ultimately, America’s economic well-being.

## CED Recommendations

**Communities, states, and the nation should make access to publicly funded, high-quality preschool programs an economic and educational priority.**

- The economic benefits of preschool will be greatest when all states implement high-quality, publicly funded early education programs and make preschool available to all three- and four-year-old children whose parents want them to attend.

- Preschool programs should provide adequate classroom hours to ensure improvements in student learning that will translate into economic benefits.
- States should embrace diverse providers that meet quality standards and the needs of the communities they serve.
- Maximizing program access and efficiency will require federal and state governments to coordinate publicly funded prekindergarten, Head Start, and child-care programs.
- Business should advocate preschool programs and other complementary childhood programs and services, emphasizing the strong returns on investment and the leveraging of current expenditures.

**Publicly funded preschool programs should meet the quality standards necessary to deliver their potential economic benefits.**

- To provide the greatest economic benefits possible, state prekindergarten programs and the federal Head Start program should assess their existing program standards and realign them with the factors known to contribute to improved early childhood learning and development.
- Preschool programs should adopt an age-appropriate, research-based curriculum that embraces whole-child development and is aligned with content standards in kindergarten and elementary education.
- All publicly funded preschool programs should employ high-caliber teachers with bachelor’s degrees and specialized early-education training.
- A national board should be created to review and report on state preschool standards.

**Federal, state, and local governments should consider the broad economic benefits of preschool when deciding how to allocate resources in the face of competing uses and demands.**

- Funding provided for preschool programs should be commensurate with the cost of providing a high-quality education to fully capture the economic benefits of these programs.
- Current state prekindergarten and federal Head Start budget allocations should be reviewed and, if necessary, revised to better support the critical elements of high-quality programs.
- Business should encourage states to fully fund preschool programs through a dedicated funding source.
- Preschool funding should allow for teacher compensation that is commensurate with the compensation of public elementary school teachers.