



Using Economic Evidence to Promote
Early Childhood Investments and
Strengthen the US Economy:
Partnership for America's Economic Success

Advancing Social Policy-Making through Benefit-Cost Analysis:
Challenges and Opportunities

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Cost-Benefit Analysis will become more important..!



- Global conditions are becoming more competitive and Federal and state budgets are tightening
- Cost-benefit, measurement and performance analysis will become more and more important
- PAES is preparing by documenting the economic returns on early care and education prenatal to age five



Our focus today --



We will discuss –

- ✓ The “lines crossing problem” and the need to use resources wisely
- ✓ The Partnership for America’s Economic Success
- ✓ The Proposed Telluride Principles



Lines Crossing Problem – US revenues exhausted



- Within 15 years all federal revenues will be absorbed by national debt interest payments, Social Security and Medicare and other entitlement payments, and federal tax expenditures.
- Tax expenditures includes subsidies and loopholes granted to politically powerful interest groups through the tax system – everything from the home mortgage interest deduction put in place to subsidizing housing, to private jet-aircraft subsidies to support the US aircraft industry.

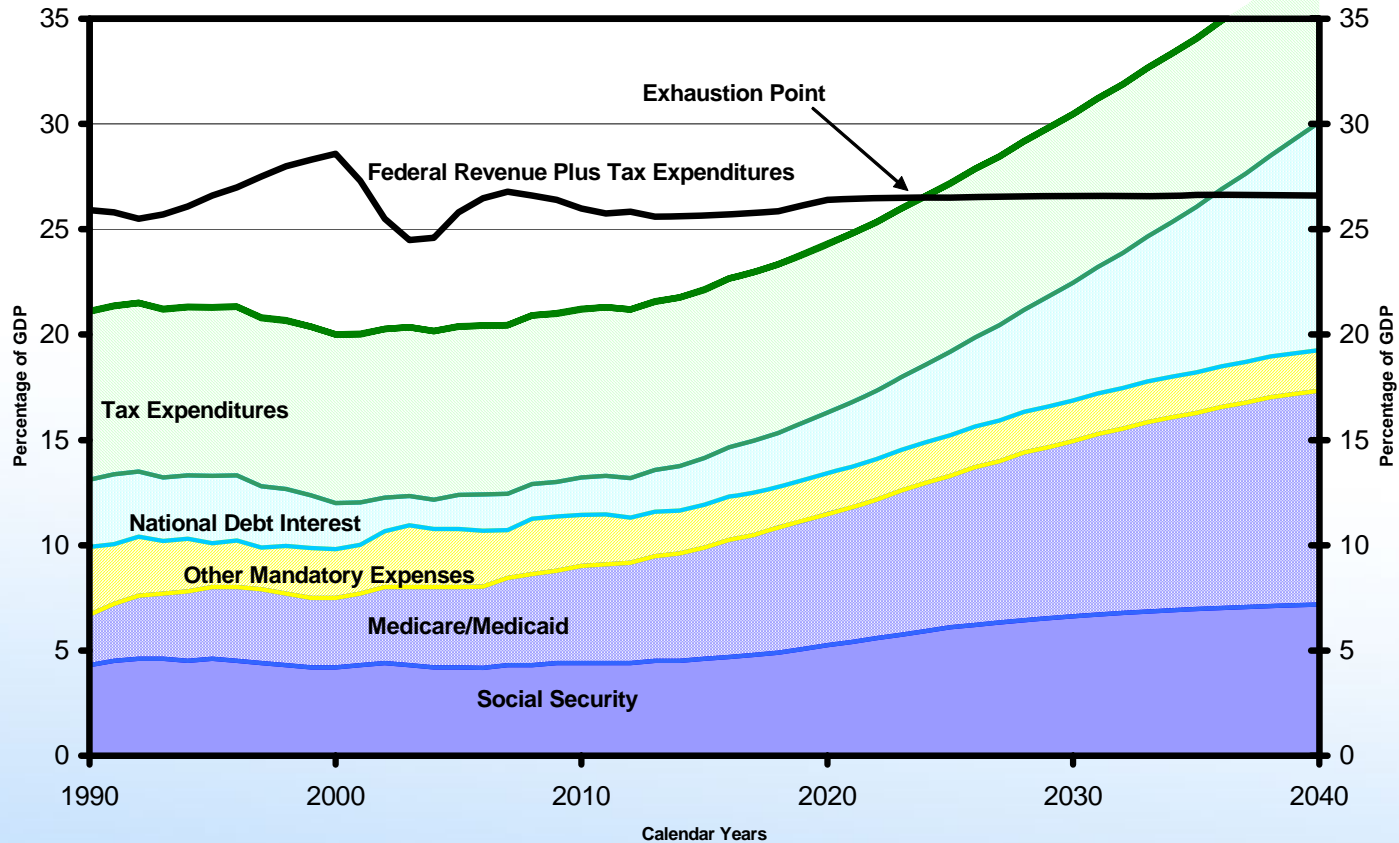


Lines Crossing Problem – All US revenues exhausted



Total Mandatory Spending Will Exhaust All Federal Revenue Resources by 2024

(Note: Tax expenditures are added back to federal revenue and shown separately as an expense to clarify their size and significance)



Source: Government Accountability Office, Long-Term Fiscal Simulation, January, 2008, alternative fiscal scenario, which assumes continuation of current policy. Other Mandatory spending, CBO March, 2008 baseline and 1.9% of GDP after 2018. Tax expenditures are assumed to be 8.0% of GDP throughout.



LCP – Will trigger a national focus on cost-benefit analysis



- When the “lines cross”, federal resources for “discretionary spending” will be exhausted absent large tax or deficit increases or spending cuts.
- “Discretionary spending” includes everything the US government does except for interest payments on the national debt, benefit payments for Social Security and Medicare and other mandated entitlements, and federal tax expenditures.
- There will be no money for national parks, for Head Start, or the Army or the Navy. No money for hundreds of government services and functions. No immigration control. No federal court system. No Homeland Security. No college scholarships.



LCP – US will be a very different and unpleasant place



- Well before the lines cross the United States will become a very different and very unpleasant place.
- In five years -- just 60 months -- there will be as much as 30% less money for much of what the government now does.
- In ten years, the figure will be nearly 60% less.
- As the fiscal oxygen diminishes, people and businesses will fight for air.



LCP means CBA needed more than ever...!!



In this crisis of diminished budget resources, effective cost benefit analysis, goals specification, program measurement, and performance evaluation will be urgently needed to assure scarce resources are put to best economic and social use..!



LCP – National Principles might read something like



1. US spending choices will need to be based on highest evidence-based long-term economic returns
2. Spending will need to have measurable goals and be based on best practices
3. Spending will need to have performance evaluation built into programs and policies before they are funded



LCP – New legislation has tougher CBA provisions



- June 18th, the House Education and Labor Committee approved the Education Begins At Home Act HR 2343.
- This legislation has extensive thorough cost-benefit and performance evaluation language
- This kind of language will be needed for all Federal spending.





The Partnership for America's Economic Success was established to respond to –

- ✓ Heightened US competitiveness challenges
- ✓ Evidence of declining US youth education and job performance outlooks
- ✓ Worsening federal and state budget trends





The Partnership for America's Economic Success was established to provide –

Cost-benefit documentation needed to facilitate accurate resource allocation decisions within early care and education programs and among all government spending choices



Partnership for America's Economic Success



- Intensifying **global competition** and steadily growing fiscal imbalances are important American challenges.
- 20% of workers are functionally illiterate; we need children to become adults who are **literate, numerate, job-ready, team-capable**.
- Many (not all) of the traits that make **good employees, neighbors and citizens begin in the first five years of life**. The brain reaches 85% of its adult weight in the first five years of life.
- Bottom line: For best results, start early *and* keep going.





Background

- Established in 2006 by a collaboration of 12 (now 13) funders, business leaders, economists and early childhood experts.
- Robert Dugger of Tudor Investment Corporation is co-founder and Advisory Board Chair.
- Managed by and housed at The Pew Charitable Trusts; director is Sara Watson of Pew.
- Purpose: Make all children's successful development the top economic priority for the nation.
- Strategy: Strengthen U.S. competitiveness and achieve fiscal sustainability through evidence-based investments in young children *prenatal to age five*.



Research Agenda: Five Areas of Focus



1. **Microeconomics** – Economic gains from specific interventions



Health



Housing



Parental income



Parenting



Early education



Nutrition

2. **Macroeconomics** – Economic growth, job creation, fiscal sustainability, and global competitiveness implications of proven investments

3. **Sector Analysis** – Size of the “youth human capital development” sector

4. **Finance Policy** – Best ways to pay for proven investments commensurate with economic impact

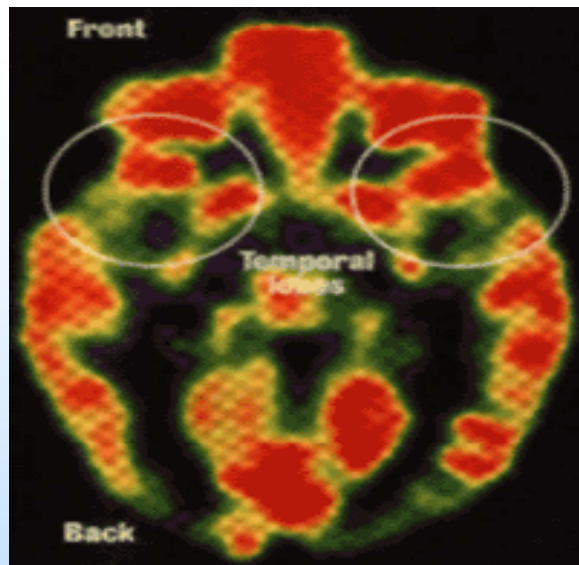
5. **Communications** – How to communicate findings and inform policy discussion



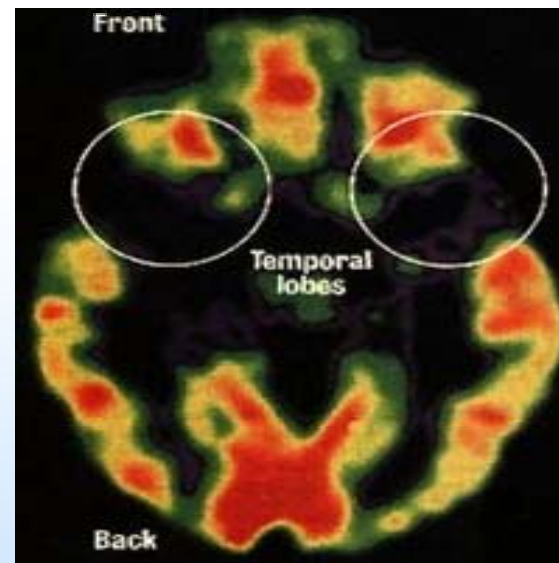
Why should business care?



Scan of normal
three-year-old
brain



Scan of three-year-
old brain after severe
neglect





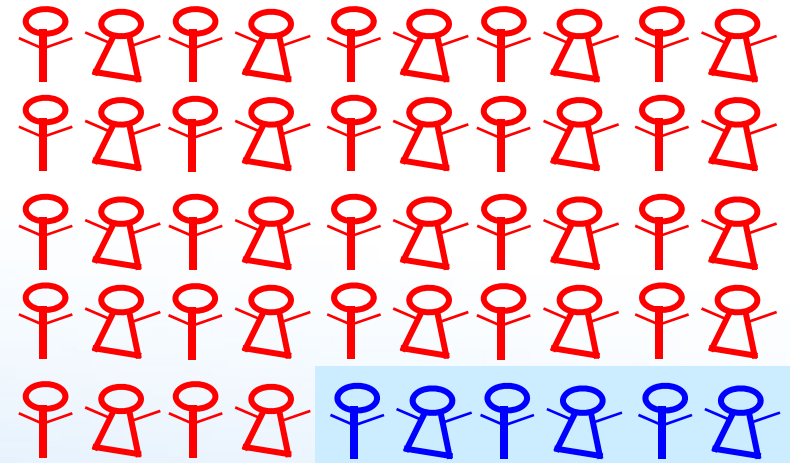
Why should business care?

Children who start behind too often stay behind

If 50 1st graders have problems reading, then 44 of them still have problems reading in 4th grade.



First Graders



Fourth Graders



Despite These Results, We Are Not Investing



Urban Institute/New America Foundation (Gene Steuerle)

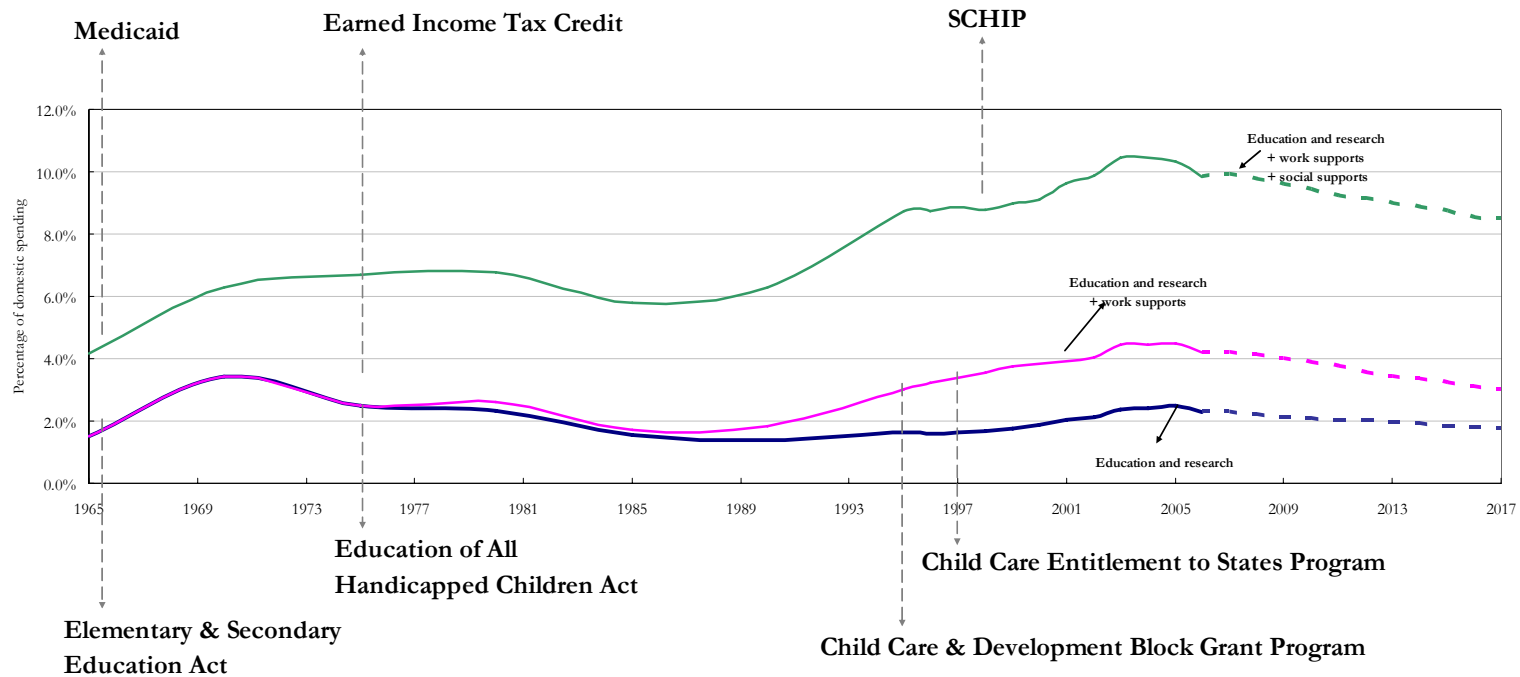
- Federal investments in children are projected to decline by 14 to 29 percent as a portion of federal spending over the next decade
- Federal spending will rise by \$650 billion, but investments in children will see only .01 percent of this increase
- Federal focus on consumption rather than investment programs jeopardizes our economic growth



Urban Institute: Failing to Invest in Children



Federal Investments in Children: Education, Parental Work Supports, and Social Supports, 1965-2006, and Projections to 2017



Source: C. Eugene Steuerle, Adam Carasso, and Gillian Reynolds, The Urban Institute, 2007. Based on data from *Federal Budget: Analytical Perspectives*, various years; *Appendix*, various years; *Historical Tables*, various years; *Health Care Financing Review* 2005.



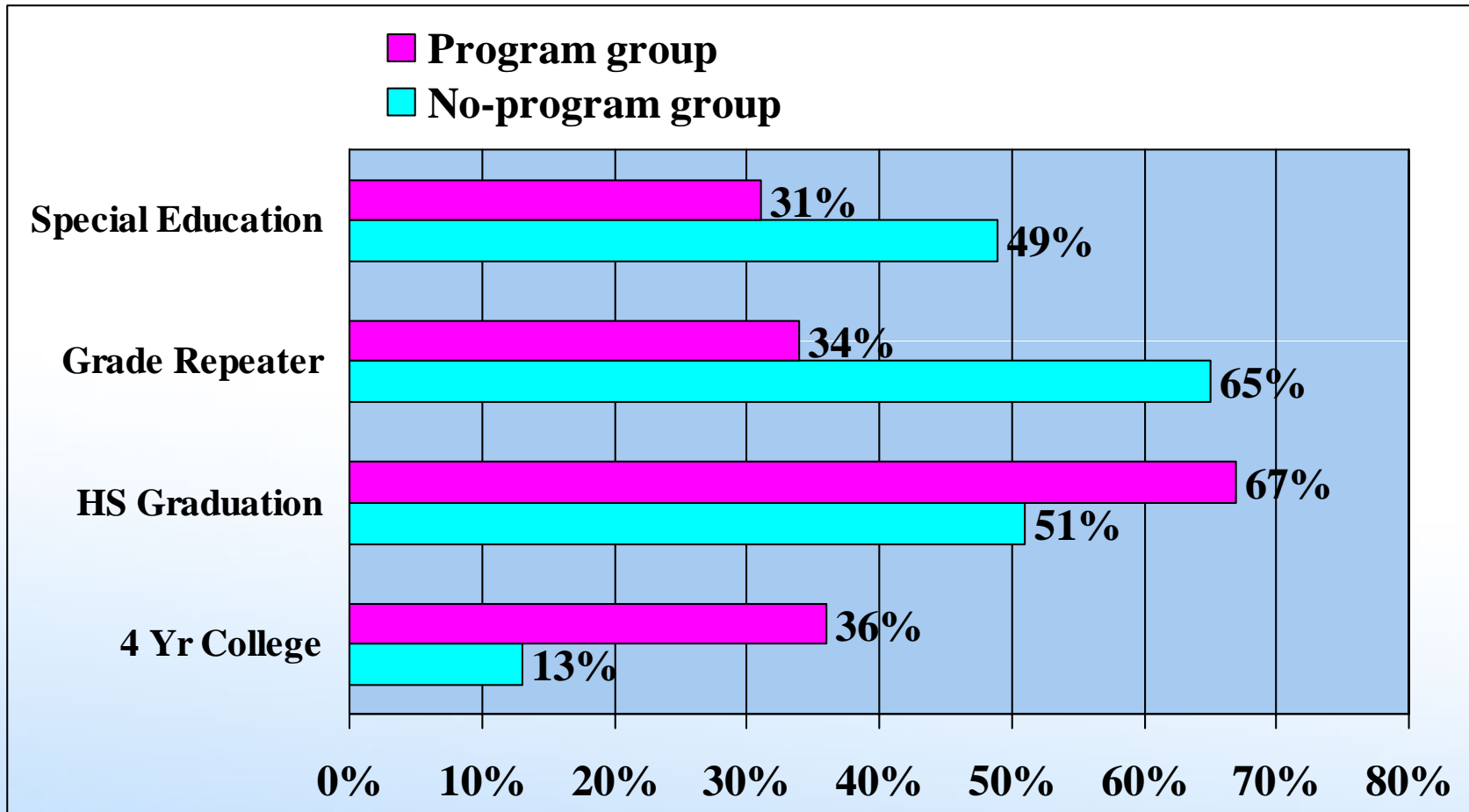
How Cost-Benefit Analysis Can Help



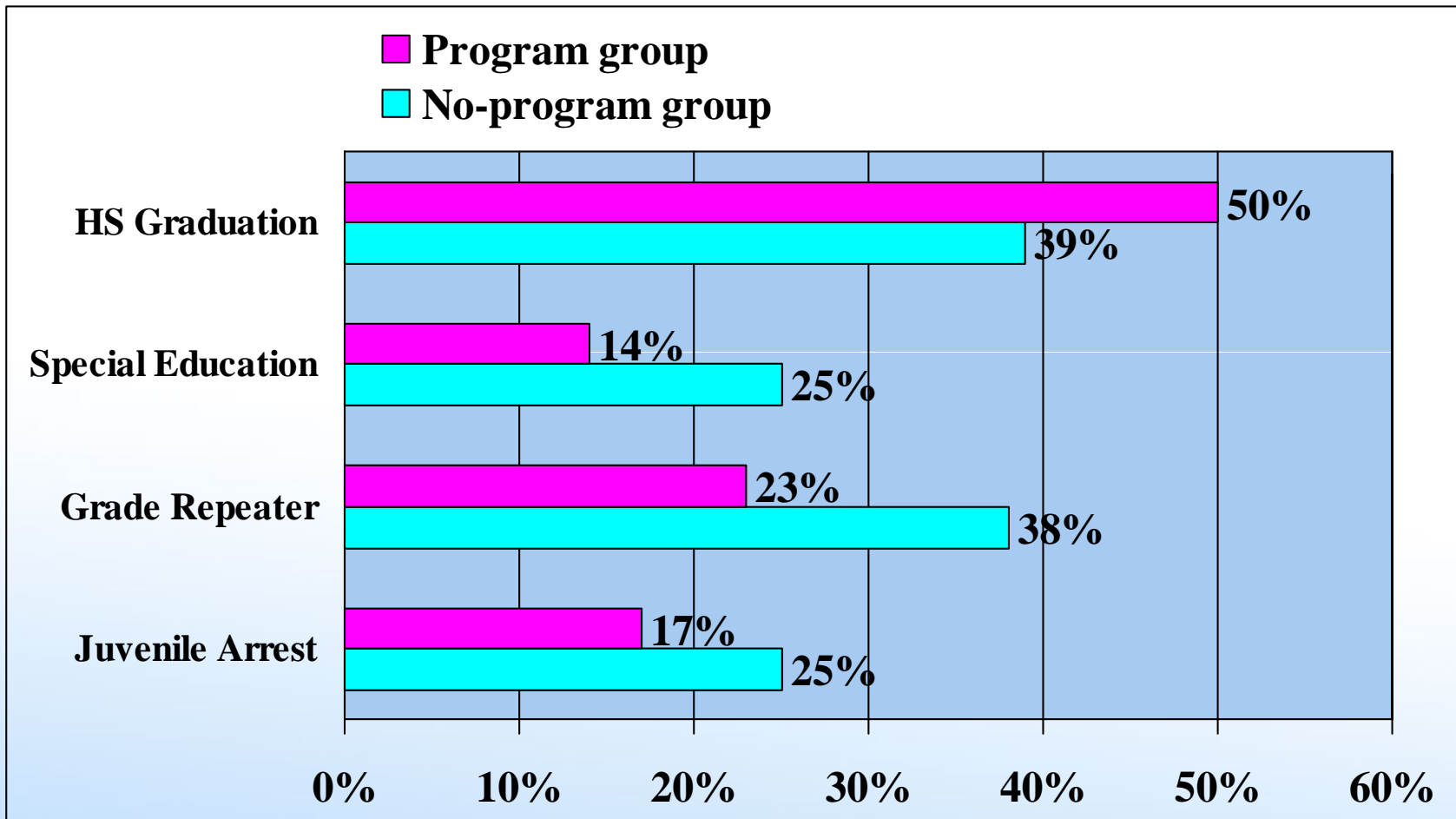
- Given research re importance of children's early years, policy makers not investing appropriately.
- Why?
 - Budgets tight at federal, state, local levels
 - Don't believe early interventions are investments
- CBAs can
 - Help reallocate dollars to more effective uses
 - "Prove" that early interventions really are investments



Abecedarian: Academic Benefits



Chicago CPC: Academic, Social Benefits at School Exit



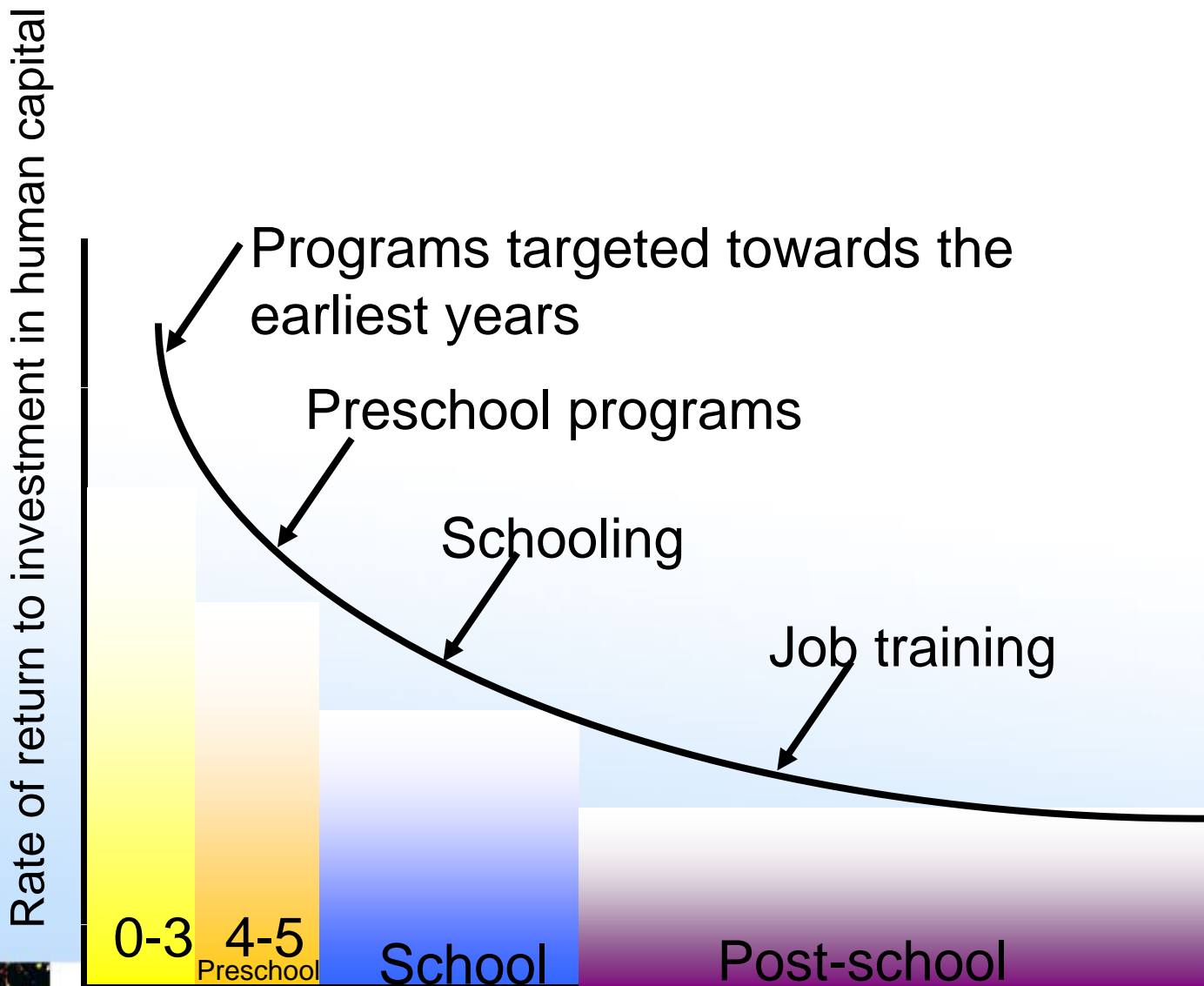


Economic Returns to Pre-K for Disadvantaged Children (2002 dollars, 3% discount rate)

	Cost	Benefits	B/C
▪ Perry Pre-K	\$15,386	\$262,642	17.1
▪ Abecedarian	\$35,864*	\$130,666	3.6
▪ Chicago CPC	\$ 7,384	\$ 74,981	10.1
▪ Nurse Family P.	\$ 9,118	\$ 26,298	2.9



Human Capital: Return for an Extra Dollar, by Age



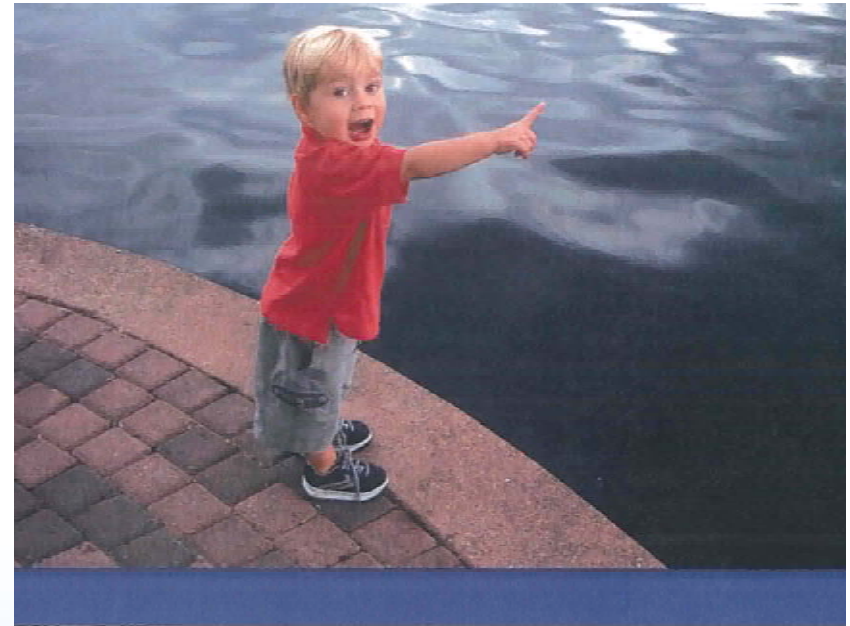
Using the Message in Seattle, Illinois, Minnesota



At two, they learn their ABCs.
At twenty-two, they execute your IPO

Good for Kids, Good for the Economy

Health Coverage for
All Kids in Illinois



**ISN'T HE JUST THE CUTEST
ECONOMIC DEVELOPMENT
PROGRAM EVER?**



The Message is Getting Out



Research over the past few decades ...shows that **children who emerge from attentive, attuned parental relationships do better in school and beyond.** They tend to choose friends wisely. They handle frustration better. They're more resilient in the face of setbacks. **They grow up to become more productive workers....** The question, of course, is, **What can government do about any of this?** The answer is that **there are programs that do work to help young and stressed mothers establish healthier attachments.**

The Circle of Security program has measurably improved attachments and enhanced social skills. **The Nurse-Family Partnership program, founded by David Olds, has produced rigorously examined, impressive results. Children who have been in this program had 59 fewer arrests at age 15.**

“A Critique of Pure Reason,”
David Brooks, *The New York Times*





Business leaders in South Dakota are taking an interesting approach to economic development. They're using money set aside for recruiting new businesses and investing it in preschool education. Studies show that every dollar spent on early education saves seven dollars down the road, on potential welfare and incarceration costs.

“South Dakota makes preschool a form
of economic development”
Cara Hetland, Minnesota Public Radio



Business Leader Support



- Jim Rohr, CEO of PNC Bank, leading \$100 million PNC Grow Up Great
- Chamber of Commerce CEOs from Maine to California
- George Kaiser, CEO of Kaiser-Francis Oil, major supporter of early care and education in Oklahoma
- Ed Basha, CEO of Basha's Grocery Stores, led fight in Arizona for early childhood ballot initiative
- Massachusetts Strategies for Children campaign business leaders: Mara Aspinall, CEO of Genzyme Genetics; Ronald Sargeant, CEO of Staples; Richard Lord, CEO of Associated Industries of Massachusetts
- CEO's of Federal Reserve Banks in Richmond, Cleveland and San Francisco made statements in support of early investments as economic development
- **Fed Chairman Ben Bernanke – “high returns that early childhood programs can pay” – 2007 speech to Omaha Chamber of Commerce**



Policy Progress on Investing in Children



- In 2007:
- Illinois commits to pre-k for all 3 AND 4 year olds; health care for all; AND increased \$ for infant programs.
- Ohio approves over \$200 million for pre-k, child care, mental health, etc.
- As part of prison reform effort, Texas raises home visiting funds by \$7.9 million, \$4.3 to reach 2000 new families “reinvested” from prison budget





Join Us!

Sign up for Listserve at www.PartnershipforSuccess.org

- **Commissioned Research** – Read and use over 20 studies on economic benefits of investments prenatal - 5
- **Monthly Discussion Forums** – come by phone or in person to hear about new findings, leaders, messages, campaigns
- **Fourth Annual PAES Conference** – next month, July 9-10, 2008 at U.S. Chamber of Commerce in Washington, DC
- **Other venues and conferences – we have presented for**
 - Georgia Partnership for Educational Excellence
 - Partnership for Wisconsin's Economic Success
 - Milken Global Conference, Santa Monica
 - University of Miami Forum on Costs of Inadequate Education



Telluride Summit and Proposed Principles



- Telluride Summit is an annual “Davos-style” early care and education discussion forum
- Last year participants decided there is a need for a universally understood context for discussing ECE policies and programs for business, government and service providers



Cost-Benefit Framework: Proposed Telluride Principles



- ❑ Proposed Telluride Principles are intended to provide a framework for successfully negotiating funding for early care and education investments
- ❑ Developed by participants at the September 2007 Telluride Summit and will be ratified at the next summit in September 21-23, 2008.
- ❑ May be usefulness for early care and education advocates in building child development sector collaboration.



Proposed Telluride Principles



- 1. Maximizing the life success of every American child is our highest priority.**
- 2. Parent and family involvement are key to a child's life success.**
- 3. High quality child development services need to have clear goals and measurement, rigorous evidence of likely success, and draw on best practices.**
- 4. Rigorous, regular performance evaluations are essential for long-term program success.**
- 5. Child development programs should be scalable and take advantage of private and public incentives and market processes.**



Proposed Telluride Principles



- 1. Maximizing the life success of every American child is our highest priority.**
 - Every child should have an equal opportunity to achieve their full potential.
 - The cultural diversity of every child should be respected and supported.
 - The earliest investments in a child's wellbeing are the most effective and will have the greatest impact if support continues through adolescence.



Proposed Telluride Principles



- 2. Parent and family involvement are key to a child's life success.**
 - Parents and families should be involved wherever possible in child health, nurturing and education.
 - Parents and families should have good quality options in obtaining services for their children.
 - Ending generational cycles of ineffective parenting is crucially important.



Proposed Telluride Principles



3. **High quality child development services need to have clear goals and measurement, rigorous evidence of likely success, and draw on best practices.**
 - Goals and measurements are essential to understanding program effectiveness.
 - Resources should be allocated on the basis of the best evidence of child outcomes.
 - Proven best practices should be relied upon to assure benefiting from others' experience.
 - Policies and programs should be flexible and adaptable (including shifting resources) as new evidence and better ways to provide services become available.



Proposed Telluride Principles



4. **Rigorous, regular performance evaluations are essential for long-term program success.**
 - Performance evaluations can assure goals are being attained. It is best if they are built-in from the beginning of program design and use good experimental design techniques.
 - Policy makers, project managers, service providers, and parents should be explicitly accountable for meeting and not meeting success measurements.
 - Funding sufficient for success and accurate, appropriate data are prerequisites for effective performance evaluations.



Proposed Telluride Principles



- 5. Child development programs should be scalable and take advantage of private and public incentives and market processes.**
 - Success metrics and performance evaluations are more effective where there are many points of comparison. For this, scaling upward is essential.
 - Programs that can be replicated in multiple communities or expanded regionally or nationally are more desirable.
 - The personal aspirations of parents and families, and the social and revenue incentives of for-profit, non-profit, and government health, nurturing and education providers, are powerful forces. They should be used for the benefit of every child.



US Economy Needs Effective Cost Benefit Analysis



We need solid CBA and performance evaluations to –

- ✓ Make the US competitive
- ✓ Get beyond current problems
- ✓ Enable every American child to be the best they can be..!

