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Report: Huge Payoff to Taxpayers from Early Investment in Kids – and Huge Losses from Current Neglect

Connecticut child advocates say state budget must change direction on early care and education investments

New Haven – On the eve of Connecticut's Week of the Young Child, a new report released by the Washington DC-based Economic Policy Institute (EPI) in partnership with CT Voices for Children demonstrates the high payoff to taxpayers of public investments in high quality preschool programs. Unfortunately, Connecticut has failed to take advantage of this high-return investment, according to Connecticut Voices for Children. Even worse, recent state budgets have actually decreased overall funding for programs for young children. Pointing to signs of growing momentum, however, the research-based advocacy group expressed optimism that the state may be turning the corner in recognizing the value of early childhood investments.

The EPI study, entitled *Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development*, documents a growing consensus among conservative economists, business leaders and children's advocates that early public intervention to improve young children's health, development, family environment and readiness for school represents one of the best and most productive uses of public funds. The study points out that these kinds of investments produce proven returns to the public treasury and to the long-term health of the economy over a reasonable length of time. Specifically, the study finds that:

- A publicly funded, quality preschool program for poor children *nationwide* would cost billions of dollars annually, but would create much larger budget savings over time. In fact, by the 17th year of the program, the direct savings would exceed the costs. In 25 years, the budget benefits would exceed costs by \$31 billion (in 2004 dollars). In 45 years, the net savings would reach \$61 billion (in 2004 dollars). These savings accrue in the form of reduced welfare and crime costs, and increased earnings.
- The substantial fiscal payoffs from investing in young children *now* would come just as the surge of baby boomer retirements puts the greatest pressure on government resources. Within 25 years, the government-wide budget savings would be enough to offset about one-fifth of the projected deficit in the Social Security trust fund.

- By improving the skills of a large fraction of our future workforce, preschool programs would raise the Gross Domestic Product (GDP), reduce poverty and strengthen U.S. global competitiveness. Within 45 years, the increase in earnings due to preschool investments would likely boost GDP by nearly one-half of one percent, or \$107 billion (in 2004 dollars).

The report also finds that *failure* to invest in high quality preschool programs results in significant long-term costs to taxpayers and society as these children go through school and then enter the workforce (or often the criminal justice system) unprepared to be productive workers and citizens.

EPI's findings complement those of earlier studies:

- Reputable longitudinal studies of the benefits of early childhood programs show that every dollar invested in quality preschool generates as much as \$8 in economic returns.
- An analysis by Art Rolnick and Rob Grunewald of The Federal Reserve Bank of Minneapolis calculated that investments in quality preschool yield an inflation-adjusted 16% annual rate of return. In contrast, the U.S. stock market has produced a 6.3% real rate of return on investment over the last 130 years.

Unfortunately, despite these dramatic benefits and substantial cost savings from quality early childhood development programs, in recent years Connecticut has failed to adequately fund those programs, according to CT Voices for Children. Between 15,000 and 18,000 at risk preschoolers are waiting for a space in Connecticut's nationally recognized school readiness program. Moreover, since Fiscal Year 2001, funding for the Care 4 Kids program, which provides child care subsidies to lower-wage working families so they can afford higher quality child care, has been cut by 36%.

CT Voices for Children pointed to signs of hope that momentum is building in the state to reverse these recent trends:

- Governor M. Jodi Rell has declared the week from October 24 through October 30 Connecticut's Week of the Young Child. A series of speakers and forums sponsored by organizations throughout the state will draw attention to the importance of investments in early childhood development during this week. A schedule of events and speakers is available at www.readysctgrowctkids.org. The Governor also has called for the development of plans and recommendations by mid-November to expand and finance early childhood programs across the state.
- The Connecticut Early Childhood Alliance continues to add members, and has been working to educate the public and policymakers about the importance of investing in early childhood development
- Through the Ready Set Grow... CT Kids! campaign (www.readysctgrowctkids.org), over 2,400 people have signed on as a "friend" of the campaign, supporting the public goal of ensuring that all Connecticut children born beginning in 2004 enter kindergarten healthy and ready for school success.

"We have long known the benefits of quality preschool for children's intellectual and social development," said Shelley Geballe, President of Connecticut Voices for Children. "Now we

have clear evidence of the economic benefits to taxpayers as well. Quality preschool that is affordable and accessible is a 'win-win' for our children and our pocketbooks.”

“This report confirms earlier findings that investing in children is essential for the economic health of our state,” comments Ellen Scalettar, Senior Policy Fellow at Connecticut Voices for Children. “Providing the basics - like nutrition, health care, pre-K education, and programs to prepare and support parents – is not only good for kids, it also provides a real return to the taxpayers. The sooner Connecticut makes investments in early childhood programs, the sooner our state can realize the economic benefits. Taxpayers can't wait, and children can't wait.”

The report was released by the Economic Policy Institute (EPI), a nonprofit, nonpartisan economic think tank (www.epinet.org) and by Connecticut Voices for Children, a statewide, research-based policy and advocacy organization committed to promoting leadership, policy change, and investment on behalf of all of Connecticut’s children and youth (www.ctkidslink.org). Connecticut Voices for Children is a state partner in the Economic Analysis and Research Network (EARN), a collaboration between EPI and state-level economic research organizations.

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