



Enriching Children, Enriching the Nation Ohio Summary

In his new study, economist Robert G. Lynch examines the costs and benefits of high quality pre-kindergarten programs and their positive impact over time on federal and state budgets, crime, and achievement and earnings of children and adults. In the highlights below, *targeted* refers to a voluntary, high-quality pre-K program serving 3- and 4-year-old children from families in the lowest quarter of income distribution. *Universal* refers to a similar program available to all 3- and 4-year-olds.

Costs & Benefits

- Nationally, a universal program would begin to pay for itself within nine years and would do so by a growing margin every year thereafter.
- By the year 2050, the national annual benefits of a universal program would total \$779 billion, exceeding the costs of the program (\$95 billion) in that year by a ratio of 8.2 to 1. The benefit to Ohio would be even greater. Here benefits will exceed costs by a ratio of 8.8 to 1.
- Nationally, the total annual benefits of a targeted program would surpass costs within six years and would do so by a growing margin every year thereafter.
- By 2050, the nationally annual benefits of a targeted program would total \$315 billion, exceeding the costs of the program (\$26 billion) in that year by a ratio of 12.1 to 1. The benefit to Ohio is again greater – here benefits would exceed costs by a ratio of 16.7 to 1.
- Pre-kindergarten investments present much higher returns than the stock market. A 2—3 Federal Reserve Bank of Minneapolis study found that the total annual inflation-adjusted rate of return on public investments in the Perry Preschool program exceeded 16%. The highly touted real rate of return on the stock market between 1871 and 1998 was just 6.3%.

Government Budget Benefits

- By the year 2050, a universal program would generate national government budget benefits of \$191 billion. The benefits to the Ohio budget would be \$6.2 billion.

- Comparing public budget benefits alone (excluding benefits to individuals from less crime and higher compensation) to program costs, a universal program would pay for itself within 17 years nationally. By 2050, the ratio of public budget benefits to program costs would be about 2 to 1.
- Even if states paid almost all costs of a universal program – with the federal government simply maintaining current commitments to pre-K – annual state government budget benefits after 44 years would outstrip annual state program costs by a ratio of 1.26 to 1. When crime reduction and compensation benefits are added to state budget benefits, total annual benefits in 2050 would exceed program costs in every state, and by more than 8.8 to 1 in Ohio.
- By the year 2050, a targeted program would generate government budget benefits of \$83 billion nationally and of \$2.5 billion in Ohio.
- Comparing government budget benefits alone (excluding benefits to individuals from less crime and higher compensation) to program costs, a targeted program would pay for itself within 9 years nationally. By the year 2050, the ratio of government budget benefits to program costs would be 3.18 to 1 nationally.
- Even if states paid almost all costs of a targeted program – with the federal government simply maintaining current commitments to pre-K education – the annual state government budget benefits of the program after 44 years would surpass annual state program costs by a ratio of 2.15 to 1. When compensation and crime reduction benefits are added to budget benefits, total annual benefits in 2050 dramatically exceed program costs in every state.

Increased Earnings

- Universal pre-K investment can increase future compensation (wages and benefits) of participants and their guardians. Total national increased compensation by 2050 will be \$432 billion total. In Ohio, compensation increases will be \$13.9 billion, larger than all but seven other states.
- By the year 2050, a targeted pre-K program would increase the combined compensation of workers who participated as children by \$156 billion. In Ohio, compensation increases will be \$4.7 billion, more than all but ten other states.

Crime Reduction

- Investments in pre-K programs are likely to substantially reduce crime rates and the extraordinary costs of criminality. The crime-related savings to individuals from a universal pre-K program would total \$156 billion nationwide in 2050 and would exceed \$5.2 billion in Ohio.
- The crime related savings to individuals from a targeted pre-K program would total \$77 billion nationally in 2050 and would exceed \$2.4 billion in Ohio.

Benefits of Pre-kindergarten investments by the year 2050 in millions of 2006 dollars					
Universal program for all 3- and 4-year olds					
	Government savings	Increased *compensation	Individual savings from reduced crime	Total budget, *compensation and crime reduction benefits	Ratio of total annual benefits to program costs
Nation	\$191,109	\$431,959	\$155,736	\$778,804	8.2
Ohio	\$6,178	\$13,953	\$5,204	\$25,336	8.8
Ohio rank	8	8	9	8	19 (tied)
Targeted program for 3- and 4-year olds in lowest quarter of income distribution					
Nation	\$82,659	\$155,519	\$76,969	\$315,147	12.1
Ohio	\$2,477	\$4,652	\$2,442	\$9,571	16.7
Ohio rank	11	11	10	10	9 (tied)

*Compensation includes wages and benefits

“This new research shows that Ohio and the nation can benefit enormously by investing in our youngest learners today,” said Amy Hanauer, Executive Director of Policy Matters Ohio, which co-released the report locally. “Over the long run, universal or targeted preschool investments will save government money, boost individual earnings, reduce crime and improve community well-being.”

“This study affirms the new commitments that Governor Strickland and the Ohio House made to pre-kindergarten,” said Amy Swanson, Executive Director of Voices for Ohio’s Children. “Ohio is taking some good first steps for early education and this report should help us make additional strides in future budgets.”

Robert G. Lynch, an Economic Policy Institute Research Associate, is the Everett G. Nuttle professor and chair of the economics department at Washington College. He holds a B.A. in international and development economics from Georgetown University, and earned his master’s degree and Ph.D. in economics from the State University of New York at Stony Brook.

This analysis is based on data on the Chicago Child-Parent Center Program, which provides center-based, comprehensive education, and family support services to economically disadvantaged children from pre-kindergarten (ages three or four) to early elementary school (up to grade three/age nine). It is the oldest federally funded pre-kindergarten program in the nation after Head Start, and the oldest extended early-childhood program.

Major funding for this project came from the Foundation for Child Development, the W.K. Kellogg Foundation, and from The Pew Charitable Trusts.

*The **Economic Policy Institute** is an independent, nonprofit, nonpartisan research institute. **Policy Matters Ohio** is a nonpartisan policy research institute.*

***Voices for Ohio’s Children** is a nonpartisan group of organizations concerned about children.*

Contact the Economic Policy Institute at news@epi.org or 202-775-8810
Policy Matters Ohio at ahanauer@policymattersohio.org or 216-361-9801, or
Voices for Ohio’s Children at aswanson@vfc-oh.org or 216-881-7860