

**Investing in Young Children:
The First Step on the Path to Economic Prosperity in Michigan
January 30, 2010**

**A White Paper on How Michigan's Next Governor and Legislature
Can Rebuild Michigan's Economy by Giving Every Michigan Child a Great Start**

A path out of Michigan's economic decline.

The next Michigan Governor and Legislature face extraordinary challenges when they assume leadership in January of 2011. As the rest of the country begins to emerge from a recession that created some of the greatest economic threats since the Great Depression, Michigan continues to struggle with one of the highest unemployment rates in the country and an expected budget deficit in the fiscal year 2010-2011 of at least \$1.6 billion.

Once a relatively high income and prosperous state with its base in the automobile and manufacturing industries, Michigan was ranked 37th in per capita income in 2008. Analysts predict that Michigan will be among the 10 poorest states when 2009 data are released.¹

Clearly, a new and bold direction is needed.

Fortunately, political, business and community leaders agree that there is a path to prosperity for Michigan—one that is based in the state's ability to build a workforce that can compete for the increasingly complex and technological jobs of the 21st Century.

The key to success in the 21st Century economy is a highly educated workforce. Unfortunately, today only 25% of Michigan adults ages 25 and older have bachelor degrees, giving Michigan a ranking of only 34 out of the 50 states, and more than 20,000 (14%) of Michigan young people leave school each year without a high school diploma. For some children, disproportionately African American, Hispanic or Latino children, dropout rates are over 25 percent².

The bottom line: Talent trumps all. Michigan is lagging behind the nation because of slow growth in the dynamic, high-wage sectors of a knowledge-driven and entrepreneurial economy.³ Michigan has begun to address its future workforce problems through education reform, including strengthened high school graduation requirements and increased public school accountability. Missing so far from the economic recovery arsenal have been the investments needed to ensure that all Michigan children enter the schoolhouse doors ready to succeed in school and ultimately in the workplace.

Early childhood education and care is the one investment that economists, brain scientists and social scientists agree has the greatest payoff in both the short and long-term for the individual, community and state.

Reaping the benefits of investments in the first 2,000 days of life

¹ Crary, J.P. and Fulton, G.A. The U.S. and Michigan Outlook for 2010-2011 (January 11, 2010). Research Seminar in Quantitative Economics, University of Michigan.

² Kids Count in Michigan: County Profiles of Child and Family Wellbeing, 2009 Data Book. (January 2010). Michigan League for Human Services.

³ A New Agenda for a New Michigan. (June 2006). Michigan Future, Inc.

The most aggressive efforts to rebuild Michigan's economy and reform education will ultimately fail if Michigan doesn't invest in its future workforce from the start—from the very earliest days of life. Why is this true? Why is early childhood so critical?

According to kindergarten teachers, too many children enter school so far behind that they are unlikely to catch up even with the best instruction and supports. In a recent survey, Michigan kindergarten teachers said that on average, only 65 percent of children entering their classrooms are ready to learn, and that the lack of opportunity to attend a preschool program is a primary factor for children starting school already trailing behind their peers.

When so many children are not prepared for kindergarten, all children in the classroom are disadvantaged. Nearly 9 of every 10 kindergarten teachers report that the time needed to work with students who are academically behind when entering school has an impact on their ability to teach the rest of the students.⁴

Brain science confirms teachers' daily classroom experiences. **By the time children reach school age, as much as 85 percent of the intellectual and emotional wiring of their brains has been set for life.** A child's earliest experiences affect the very *architecture* of the brain. Early experiences that are nurturing and challenging actually thicken the cortex of an infant's brain, spurring neuron connections that determine intelligence and behavior. Sadly, when a young child's life is marked by poverty, deprivation and toxic stress, the brain fails to grow at its optimum rate, and the damage can be long-lasting.

How are Michigan's youngest citizens faring?

Most Michigan children are born healthy, have their basic needs for food and shelter met, and thrive under the competent and loving care of their parents. But for an unacceptable number of children, the early years are marked by the deprivation that has been shown to thwart their physical, intellectual and emotional growth and potential. The data are sobering.

- More than one of every five young children in Michigan (22%) under the age of five lives in poverty, and for some groups of young children, poverty rates are much higher. Nearly half (47%) of Native American children, more than 4 of every 10 (44%) African American young children, and over a third (38%) of Hispanic and Latino young children are poor.
- Nearly 1,000 Michigan infants die in the first year of life, with African American infants being three times more likely to die. Michigan is ranked 33rd among the states in infant mortality, largely because of the disproportionate number of African American infants that do not survive their first year.⁵
- Two of every three children in publicly subsidized child care in Michigan are in unregulated child care settings where little is known about safety or quality, a rate much higher than other states.⁶
- Too many infants and toddlers are the victims of child abuse and neglect. In 2008, over 180,000 Michigan children (8%) lived in families that were investigated for child abuse and

⁴ Michigan Kindergarten Teacher Opinion Survey: Key Findings. (August 2009). Early Childhood Investment Corporation.

⁵ 2009 Kids Count Data Book. Annie E. Casey Foundation.

⁶ Types of Subsidized Child Care by Race. (March 2008). Early Childhood Investment Corporation.

neglect, an increase of 13 percent over the 2000 rate. Over 29,000 were confirmed victims—up 16 percent. The youngest children are more likely to be victims.⁷

Michigan’s early childhood foundation is threatened.

Michigan has a history of public, private and bipartisan support for innovative early childhood programs, but the state’s ongoing economic and budget woes have placed more children at risk, eroded basic services, and put in peril the state’s nascent efforts to build an early childhood system.

Since Michigan’s economy began to decline in 2001, many critical early childhood programs have been cut or eliminated, with the greatest losses in programs for vulnerable children at the highest risk of school failure. State lawmakers closed a \$2.8 billion deficit in the fiscal year 2010 state budget in part by reducing child care subsidies for low-income working parents, cutting preschool programs for more than 2,200 low-income at-risk four-year-olds, jeopardizing access to basic health care for young children insured by Medicaid by cutting provider reimbursements, and further reducing family preservation and supports programs that help parents become their children’s first and best teachers.

Many states have struggled to maintain funding for early childhood education and care programs despite their fiscal challenges because they appreciate the programs’ power in creating a competitive economic advantage down the road. A recent study showed that 27 of the 38 states with state-funded preschool programs maintained or increased funding for early education in their 2010 budgets.

Michigan was one of ten states that reduced funding for preschool programs, along with some of the deepest child care cuts in the nation. The authors pointed to Illinois, Ohio and Michigan as states where “a failure to make tough choices that put proven programs ahead of politics will cost thousands of young children the opportunity to enter kindergarten better prepared.” They further noted that cuts in early childhood programs will “leave families without essential supports and lead states astray from the path to recovery”.⁸

Why Michigan’s new leaders must invest in young children.

Michigan’s new Governor and Legislature will face many seemingly overwhelming and pressing problems when they take office in January of 2011, including the state’s ongoing structural budget deficit, growing health care and corrections costs, and school funding crises. In the face of all these pressures, why should lawmakers make investments in young children a priority?

The answer lies in the growing body of evidence that early investments not only have short-term benefits as children enter school ready to learn and succeed, but also longer-term payoffs that include better student achievement, lower dropout rates, reductions in juvenile and adult crime, increased college access and lifetime earnings, and reduced welfare dependence.

The bottom line for the state: a more educated workforce, a stronger economy, and reduced costs for taxpayers.

The case for the early childhood investments.

⁷ 2009 Kids Count in Michigan Data Book, Michigan League for Human Services.

⁸ Votes Count: Legislative Action on Pre-K Fiscal Year 2010, The PEW Center on the States (October 2009).

To compete in a global economy, Michigan needs a well-trained workforce, and early childhood investments are the necessary springboard for educational achievement.

Social scientists have demonstrated that high quality early childhood programs make a difference in educational achievement and later life success. Evaluations have consistently shown that children who participate in high quality early childhood programs have higher academic achievement; are less likely to repeat a grade or require special education or remedial classes, are more likely to graduate from high school, and are more than twice as likely to enroll in a four-year college.

The best predictor of a state's prosperity is the proportion of adults with a four-year degree or more, and Michigan has much more work to do to prepare, retain and attract the talent it needs to fuel its economy.⁹ In addition to K-12 reform and greater access to higher education, Michigan must begin with a long-term investment in the earliest years of life, where the investment has the greatest payoff.

The costs of school failure are far-reaching:

- Only 4 of every 10 high school dropouts (ages 19 to 64) in Michigan is employed, compared to 62 percent of high school graduates, and 70 percent of college graduates.
- High school dropouts earn 60 percent less than college graduates.
- Each high school dropout in Michigan costs the state an average of \$3,269 per year, compared to graduates who contribute over \$4,000 more in taxes than they use in services.¹⁰

The biggest loss to the state is the reduced economic output that results from a less educated workforce. Overall, increased earnings and taxes that can be attributed to early education programs and related school success exceed program costs by up to \$4 for every dollar invested.¹¹

The return on investment in the first five years is unprecedented.

There is a growing body of research showing that early childhood programs can generate savings that more than repay their cost, and that produce returns for schools, state governments, taxpayers and the public.¹²

Research on the High/Scope Perry Preschool Program shows that every \$1 invested in high quality early care and education services for low-income children reaps a return to society of more than \$17, with benefits to the individual participants as well as to the community as a result of savings on welfare, the criminal justice system, special education and other social expenses. For participants in the Chicago Child-Parent Centers, through age 15, there was a \$7 return for every \$1 spent on quality child care.

Returns like these have convinced the country's leading economists that investing early pays off. James Heckman, a Nobel Laureate in economics at the University of Chicago has found that investments in early childhood bring far higher returns than investments later in the life span. High quality programs that serve the very young prepare the way for sustained long-term payoffs, first upon

⁹ Glazer, L. *Michigan's Transition to a Knowledge-Based Economy: Second Annual Progress Report*, Michigan Future (April 2009).

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¹¹ *Cost Savings Analysis of School Readiness in Michigan*, Wilder Research (November 2009).

¹² *What Does Economics Tell Us About Early Childhood Policy?* Research Brief, Rand Corporation (2008).

school entry and later in the labor market because, in Heckman's words, "Skill begets skill; motivation begets motivation. Early failure begets later failure."

Art Rolnik and Rob Greenwald, economists with the Federal Reserve Bank of Minneapolis, echo Heckman's conclusions, noting that because the contributions a child makes to society as an adult can be traced back to the first few years of life, "dollars invested in early childhood development yield extraordinary public returns." In the venture capital world, Rolnik points out, a 16 or 17 percent return like that found in the Perry Preschool Program would not go unfunded for long.

A new study found that Michigan saved \$1.1 billion in 2009 alone due to investments made in the state's school readiness efforts over the past 25 years. The savings, which are conservative because they primarily reflect early education programs rather than the range of services young children need, accrue from:

- \$221 million in savings in K-12 education, including reduced spending on students repeating grades, special education, and teacher turnover costs.
- \$584 million in reduced government spending and increased tax revenues, including savings on juvenile corrections, child abuse and neglect, criminal justice, welfare and Medicaid, unemployment benefits, child care subsidies, and increased income and sales tax revenues due to higher worker productivity.
- \$347 million in reduced tangible losses to crime victims due to reduced crime, increased productivity and incomes of employed parents while their children are in early education programs, and health savings due to reduced alcohol and drug abuse.

A Vision for Michigan's Early Childhood System.

To grow and thrive in school and beyond, children need their basic needs met, including adequate housing, nutrition, health care and early learning opportunities. Because children have multiple needs, communities must work to provide services that are seamless for children and families, not convenient for bureaucracies. The focus must be on the whole child: sick, hungry and homeless children cannot learn.

Michigan's leaders must embrace reforms that help move the state from an array of disconnected programs to an accountable early childhood system. What exists today is a patchwork of more than 85 publicly-funded early childhood services and programs that are available to a limited number of families based on varying and sometimes confusing eligibility requirements. The result: too many children slip through the cracks.

BOX:} Essential Components of Great Start¹³

- *Physical Health.* Comprehensive physical health and child development services including screening, assessment, and intervention, as well as timely and appropriate referral for specialized developmental, behavioral and social-emotional assessments and interventions.
- *Child Care and Early Education.* Child care and early education programs, and services that maintain and increase child care providers' and early learning professionals' abilities to support children's early learning, health, social and emotional development and wellbeing.

¹³ Adapted from Early Childhood Comprehensive System Project System Infrastructure Work Group Report, Project Great Start, Lansing, MI (November 2004)

- *Parenting Leadership.* A continuum of programs, services and supports ranging from parent education for parents in the critical role they play in the healthy development of their young children, to parents as leaders who advocate for their own children as well as the needs of other young children.
- *Social and Emotional Health.* Specialized screening, assessment and intervention services designed to promote the social-emotional well-being of all infants and young children, including infants and young children at-risk of developing emotional disturbances and infants and young children with diagnosed emotional disturbances.
- *Family Support.* Programs and services that help parents develop and use available resources that enable them to nurture and support the healthy development of their children. Family support services range from providing information about early learning, to helping families to access economic security benefits and connect with other families and community services. {END BOX }

Building the system

Fortunately, Michigan has already taken a number of steps toward early childhood systems reform. In 1999, a bipartisan group of legislators, advocates, philanthropists and private sector leaders created the Michigan Ready to Succeed Partnership (RTSP) that launched a statewide media campaign addressing the importance of early childhood. Spurred by the RTSP, a group of legislators formed the bipartisan, bicameral Michigan Legislative Children’s Caucus to build awareness and support for early childhood among their legislative peers; and in 2004, the Michigan Legislative Black Caucus launched an initiative to expand early childhood programs, in part by calling for universal access to high quality, voluntary preschool programs.

During that same period, Michigan received federal funding to develop a partnership of state government officials, advocates, parents and community leaders to determine the potential elements of a system of early childhood services in Michigan. Thousands of Michigan citizens contributed to the dialogue through electronic “community conversations,” while others participated in local and state-level work groups to develop a blueprint for Michigan’s comprehensive approach to early childhood.

In 2003, the Great Start initiative was proposed with the mission of ensuring that all Michigan families have the resources and supports they need to provide a great start for their children from birth to age five. In 2005, the Early Childhood Investment Corporation (ECIC) was created as a public/private initiative of government, business and the foundation community to build a statewide early childhood system—the Great Start system—and increase investments in young children, the state’s most valuable resource. The ECIC is taking the lead in developing Michigan’s comprehensive early childhood system, and supports 55 local Great Start Collaboratives through Intermediate School Districts (ISDs) covering every county in the state, and supporting more than 770,000 children under the age of 6.

The Challenge to Michigan’s New Governor and Legislature:

With challenge and change—as painful as they may be—comes great opportunity. In 2011, Michigan’s elected officials will have an historic opportunity to strengthen the state’s economy and quality of life by ensuring that all children arrive at school healthy and ready to succeed.

The imperative for action is clear: learning begins at birth and state elected officials can help turn the tide by reforming public policies and investments to make the most of the narrow window of

opportunity from birth to age five. The costs of waiting and trying to play “catch-up” when children enter the schoolhouse doors, or as they move into high school, are too high.

The public understands the importance of early childhood. **A 2009 poll of Michigan voters showed that most (83%) see early childhood development and education programs as an absolute necessity for their communities.** The majority also favor making the funding investments necessary to ensure that all children arrive at school ready to learn—even if it increases their taxes. Further, a majority of voters would cast their vote based on a candidate’s positions on early childhood investments.¹⁴

An Early Childhood Agenda for Michigan’s Next Governor and State Government Leaders

- **Hold children harmless as you work to balance the state budget and resolve Michigan’s fiscal and economic problems.** Michigan has many of the components of an early childhood system already in place, and should, whenever possible, build on to that foundation, not further weaken it.
- **Make investments in the services that all young children need to thrive a top state priority.** Michigan’s elected officials have the power to be champions for new public and private resources for early education and care, and work with their colleagues to invest those scarce resources in programs that have been shown through research to be effective. The existence of a clear state commitment and policy agenda supporting prevention and early childhood will help the state and communities raise private dollars to get the job done.
- **Focus on the most vulnerable children.** Michigan’s goal should be equal opportunity for *all* children, so the priority for limited resources should be supports for low-income and other at-risk children and families. Research is clear that the greatest return on tax payer dollars comes from investing in vulnerable children.
- **Engage communities, parents and the public.** Parents and communities must be strong partners in Michigan’s early childhood system.
- **Address the quality of services offered.** It is very clear that children and families will benefit from services only if they are of high quality, so Michigan must rigorously address the issue of quality.
- **Support changes in state government that would require departments to work together to meet the needs of young children and their parents.** The new Governor and Legislature should make it a goal to coordinate services and funding for young children and their families, with the goal of moving Michigan towards its vision of a comprehensive system of early childhood services *that is linked to Michigan’s public K-12 education system.*
- **Support effective governance and oversight at the local level.** Through local Great Start Collaboratives, Michigan is currently developing an infrastructure in communities to meet the needs of children, and that work must continue.
- **Make a long-term commitment.** While investments in young children today will help children make a successful transition to school, to address the longer term need for a competitive workforce, Michigan must made a long term commitment to early childhood.

¹⁴ Research conducted for the Early Childhood Investment Corporation by the Lake Research Partners (June 25, 2009).