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Executive Summary

Only in the last 40 years have we begun to understand the importance of early childhood education. Research has demonstrated that quality education for children from birth to kindergarten yields spectacular payoffs at minimal investments. One study put the rate of return on early childhood education at as much as $16.14 per dollar invested in increased wages, more taxes paid, greater contribution to the community and less use of welfare, medical programs and the penal system. ¹

Its effectiveness is clear, yet our inability to properly and consistently fund early childhood education does not speak well of Minnesota. There is an array of programs offered in Minnesota, some run by the state Department of Human Services, some by the state Department of Education. Some programs teach parenting skills while teaching children how to read. Some ensure vaccinations are available and provide sight and hearing checks. Some try to help low-income moms and dads find the money to place their children in daycare so they can earn a living.

Money for programs such as Early Childhood and Family Education has dropped between 2003 and 2007, only now reaching its 2003 funding level, unadjusted for inflation. Aid for Head Start has dropped an inflation-adjusted seven percent since 2004 and School Readiness aid has dropped by more than 19 percent since 2003, adjusting for inflation.

The need for early childhood education will grow. As part of a 2008 review of early childhood education in the state, one report found Minnesota children age five and younger represent eight percent of the total population. Fifteen percent live in households with incomes at or below the poverty level, which for a family of four is an annual family income of $22,050 or less.² The Minnesota Children’s Defense Fund says more than 26,000 additional children fell into poverty in the first part of this decade. The total number of children in poverty in the next two years could top 200,000. ³

Children undergo tremendous mental growth and change in the first years of life.⁴ The quality of education a child receives during this time provides a strong indicator of a person’s future success. If these first few years of life include support for growth in cognition, language, motor skills and social-emotional functioning, the child is more likely to succeed in school and later contribute to society.

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⁴ Pathways from Brain Research to Public Policy: Highlights from the National Summit on America’s Children, U.S. Congress, 2008
Children who participate in early childhood education have a lower rate of grade retention, a higher rate of high school completion and are more likely to attend college. They also tend to earn more money and spend less time on welfare and in the legal system. Minnesota has several early childhood programs but its financial support for them has been steadily declining.

Early Childhood and Family Education offers educational opportunities for both parents and children. More than 126,000 children and 145,000 parents used the program in 2008. Despite its popularity and effectiveness, ECFE has seen its budget stay flat since 2003.

Head Start, which improves cognitive, social and emotional development of children from low-income families, had nearly 18,000 children and 23,000 parents participate in 2008. State funding has dropped nearly seven percent since 2004, adjusting for inflation.

Minnesota’s school readiness programs, which helped 32,693 children prepare for the transition to kindergarten, saw funding drop by an inflation-adjusted 19 percent in recent years.

The question isn’t whether or not these services are needed. They clearly are. Instead, we must ask: why is Minnesota compromising its future prosperity by failing to properly invest in early childhood education, in disregard of clear outcomes research? Early childhood education benefits everyone. Now it’s time for Minnesota to support these programs and help Minnesota’s children prepare for the 21st century.

**KEY FINDINGS**

- Early childhood education improves learning and societal prospects throughout a lifetime. Children provided early childhood education are more likely to proceed through school at grade level, have skilled jobs, attend college and earn more money. These children are less likely to spend time on welfare and in the legal system, use marijuana, and be regular smokers.

- Early childhood education is a financial boon for the entire state. It can realize a return on investment of as much as $16 for every dollar spent. Annual benefits of universal early childhood education would pay for themselves within 17 years and by 2050 exceed costs by 8.2 to 1.

- Minnesota’s current early childhood programs are insufficient to prepare children for school. Minnesota kindergarten teachers say only 52 percent of incoming kindergartners demonstrate proficient knowledge, skills, and behavior.
Despite the acknowledged societal and financial benefits, Minnesota has not adequately invested in several early childhood programs:

- Early Childhood and Family Education, which provides parents with valuable information and child education programs, helped 126,367 children and 145,246 parents in 2008. Its budget hasn’t been adjusted for inflation since 2003.

- Head Start, which targets school readiness and cognitive, social and emotional development of children from low-income families, had 17,779 children and 22,660 parents participate in the program in 2008. State funding has dropped nearly seven percent since 2004, adjusting for inflation.

- Minnesota’s school readiness programs, which helped 32,693 children improve their cognitive skills and early literacy skills to prepare for the transition to kindergarten, saw funding drop an inflation-adjusted 19 percent between 2003 and 2009.

**RECOMMENDATIONS**

Minnesota must have an educated, fully engaged workforce if we are to compete in the modern workplace. Early childhood education is the critical preparatory step. Each year that passes without quality early childhood education equals tens of thousands of Minnesotans who will be at a disadvantage in the 21st century, as well as millions of dollars lost from Minnesota’s economy as jobs shift to states and nations with better educated, more capable and more efficient workers.

We must improve and fully fund our programs that help parents learn the skills necessary to make sure their children are ready for kindergarten; provide full advantage of all early education opportunities for at-risk families; and improve the quality of all early childhood education suppliers across the state.
The Research Record

The groundbreaking research on early childhood development was the High/Scope Perry Preschool Study which examined 123 children in Michigan’s Ypsilanti School District who were living in poverty. They were randomly assigned to a program group that received a high-quality preschool program at ages three and four or a no-program group. Researchers collected their data 14 times from ages three through 40.

The study found that the program group surpassed the no-program group in school success, adult employment rates and earnings, and had half as many lifetime arrests and criminal convictions.

The study’s cost-benefit analysis indicates that, in constant fiscal year 2000 dollars, the economic return was $244,812 per participant on an investment of $15,166 per participant – $16.14 per dollar invested. Of that return, 80 percent accrued to the general public and 20 percent went to each participant in the form of increased lifetime earnings. Of the public return, 88 percent came from...
savings in criminal and legal costs; one to seven percent came from each of the following categories: education savings, increased taxes due to higher lifetime earnings, and welfare service savings. Ninety-three percent of the public return through age 40 was due to males because of the program’s large reduction of male crime, the report stated.  

Another study, the Carolina Abecedarian Project, examined whether early childhood education could increase the intelligent quotients of children born into poverty. The study examined four cohorts totaling 28 children admitted to the program between 1972 and 1977, giving one group more adult attention and a prescribed education program while the other group received regular childcare. The study found that reading and math scores increased for the program children throughout school.

The project also found that young adults with preschool treatment were almost three times as likely to attend a four-year college or university as the preschool control group – 35.9 percent to 13.7 percent. Those with preschool treatment were more likely to be engaged in skilled jobs – 47 percent to 27 percent. Marijuana use within the past 30 days was significantly less among the treated individuals – 18 percent to 39 percent. Those with preschool treatment were less likely to describe themselves as regular smokers – 39 percent to 55 percent.

Economists have calculated benefit-cost ratios per child related to the Abecedarian program’s findings:

- Given that program children were more likely to attend college, an increased cost of higher education was estimated at $8,128. With increased educational attainment, the benefits of increased lifetime income were estimated to be $37,522.
- The program was estimated to increase the earnings of future generations (i.e., children of the participants) by $5,700 due to such factors as enhanced cognitive functioning and achievement, greater educational attainment, and timing and spacing of when the children were born.
- An estimated benefit of $68,278 was found due to increased earning of the mothers of the program participants. Having their children receive free, high-quality care from infancy through age five allowed the mothers to make greater progress in terms of their own educational and occupational success.
- Cost savings were also found for K-12 schooling in the forms of reduced special education placements and fewer grade retentions resulting in an estimated benefit of $8,836.
- An estimated benefit of $17,781 resulted due to the reduced smoking rates.
- Finally, an estimated benefit of $196 was found for reduced costs from welfare administration.

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All totaled, the estimated benefits per child were calculated at $158,278 giving an estimated benefit-cost ratio of 2.5 to 1.\(^6\)

In 1985, Arthur Reynolds began the Chicago Longitudinal Study which examined the effects of the Chicago Child-Parent Centers program. The study examined 1,539 low-income children, 989 who had been in the CPC program and 550 who had not. Families in this study went to their neighborhood schools, and children were not randomly assigned to groups.

Preschool-program group members attended a part-day preschool program when they were three and four years old, while the no-preschool-program group did not. The preschool-program group did significantly better than the no-preschool-program group in educational performance and social behavior, with lower rates of grade retention and special education placement, followed by a higher rate of high school completion and lower rates of school dropout and juvenile arrests.

Analysis of the costs and benefits of the program indicates that, in fixed FY 2000 dollars, the program cost $6,956 per child and yielded benefits of $49,564 per participant, a $7.10 return per dollar invested.\(^7\)

A review of research by Robert G. Lynch and Everett E. Nuttle of the Department of Economics at Washington College shows that a voluntary, high-quality, publicly funded, universal pre-K program would begin to outstrip the annual costs of the program within nine years. By the year 2050, the annual benefits would total $779 billion, including $191 billion in government budget benefits, $432 billion in increased compensation of workers, and $156 billion in reduced costs to individuals from less crime and child abuse. These annual benefits in 2050 would exceed the costs of the program in that year by a ratio of 8.2 to 1.\(^8\)

These studies lead two experts at the Minneapolis Federal Reserve – Regional Economic Analyst Rob Grunewald and recently retired Senior Vice President and Director of Research Arthur J. Rolnick – to study the financial benefits of early childhood development.

In the study “Early Childhood Development: Economic Development with a High Public Return,” the authors say it is a mistake not to view early childhood development programs as economic development initiatives. They first make the point that “investment in human capital breeds economic success not only for those being educated, but also for the overall economy… Prior to 1983, the wages of a worker with an undergraduate degree exceeded a worker with a high school degree by roughly 40 percent. Currently, that difference is close to 60 percent. … Prior to 1985, the wages of a worker with a graduate degree exceeded those of a worker with a high school degree by roughly 60 percent. Today, that difference is [more than] 100 percent.”

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They argue that public investments such as company headquarters, office towers, entertainment centers, and professional sports stadiums and arenas don’t result in the economic return that early childhood development investment offers. The return from early childhood development would result in better working public schools, more educated workers and less crime. 9

In another paper, Grunewald and Rolnick put specific numbers to early childhood development. While a person who participates in an early childhood development program could see as much as a 16 percent personal return on investment, the broader economy also benefits because these people have greater skills than they otherwise would and contribute productively to the economies. “Thus, it’s estimated, the annual public return to good ECD programs is 12 percent,” they wrote. 10

Each year since 2002, the Minnesota Department of Education surveys the school readiness of incoming kindergartners. In 2009, the study involved 6,392 kindergartners from 105 elementary schools representing 10 percent of students entering kindergarten. The study rates a child’s performance as “Proficient,” “In Process” or “Not Yet” on key indicators in the five developmental areas. 11

The 2009 report found the following proficiency levels by area:

<table>
<thead>
<tr>
<th>Domain/Result</th>
<th>Not Yet</th>
<th>In Process</th>
<th>Proficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Development</td>
<td>3%</td>
<td>32%</td>
<td>65%</td>
</tr>
<tr>
<td>The Arts</td>
<td>6%</td>
<td>42%</td>
<td>53%</td>
</tr>
<tr>
<td>Personal and Social Development</td>
<td>8%</td>
<td>39%</td>
<td>53%</td>
</tr>
<tr>
<td>Mathematical Thinking</td>
<td>10%</td>
<td>40%</td>
<td>51%</td>
</tr>
<tr>
<td>Language and Literacy</td>
<td>9%</td>
<td>42%</td>
<td>49%</td>
</tr>
</tbody>
</table>

The department combines “In Process” and “Proficient” pupils and claims Minnesota is doing a good job preparing students for school; however, Ready 4 K, a St. Paul-based nonprofit organization that advocates for early childhood education, correctly states that only about half of Minnesota’s children are prepared for school. 12 The organization says “In Process” means a student is still in the process of learning and should not be considered as being able to succeed in those areas.

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Current Programs and Financial Status

Early education programs are administered both by the state Department of Education and the Department of Human Services. MDE programs include Early Childhood Family Education, health and developmental screening, school readiness, Head Start, early childhood special education, and early childhood intervention services. At the local level, school districts have the primary role in administering most of these programs. DHS, through its county agencies, administers social services that include child care assistance and child care licensing.

In addition, the state legislature created an Early Childhood Advisory Council in 2008, which is responsible for making recommendations on effectively leveraging state and federal funds for early childhood and child care programs so that all children are school-ready by 2020.

Ready 4 K, the St. Paul nonprofit mentioned earlier in this report, does not receive public funding. Its mission statement is simple: “Every young child in Minnesota enters kindergarten encouraged, supported, and fully prepared for learning success.” The group says only about half of all Minnesota students are ready for kindergarten when they begin school. It tries to rectify this with information as well as community organizing and legislative lobbying. While its efforts in the 2010 legislative session resulted in no increased funding for early childhood services, it also resulted in no permanent cuts to the services. Ready 4 K also shepherded a $2 million bonding proposal through the legislature for the Early Childhood Facilities Program, which Gov. Tim Pawlenty vetoed.

The Minneapolis Foundation is continuing to collaborate with seven other Minnesota foundations to align existing efforts that promote and fund early childhood education. The foundation lobbied the state legislature for the creation of an Office of Early Childhood Learning that would become a central location in state government to promote and detail all initiatives and research about the issue. It and other groups such as Ready 4 K also work on developing a quality rating system for early childhood programs, as well as a statewide report card on early childhood education.

During the 2008 and 2009 legislative sessions, the state legislature followed the lead of Ready 4 K and the Minneapolis Foundation and considered bills to create a state office to oversee early childhood education, but none of these bills have been enacted.

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13 ibid
14 Interview with Karen Kelley-Ariwoola, Vice President, Community Philanthropy, Minneapolis Foundation, Conducted 2/26/10
EARLY CHILDHOOD FAMILY EDUCATION (ECFE)  

ECFE’s goal is to provide parent education, early childhood education and opportunities for parent-child interaction. The program is open to children birth to kindergarten and their parents, expectant parents and relatives. Most classes meet weekly for two hours during the school year. Licensed early childhood teachers and licensed parent educators run parent discussion groups, parent-child activities, learning activities for children that promote development, home visits, special family events and information on community resources. Programs operate primarily in schools but also in community settings and homes. As of 2008, there were 126,367 children and 145,246 parents participating in ECFE.

In 1984, the legislature made it possible for any school district with a community education program to establish an ECFE program. By 2008, all school districts offered ECFE.  

ECFE is funded through state aid and local levies up to the ECFE entitlement of $22.1 million. Districts take the number of children age five or under as of September 1 and multiply that number by $120 to determine the amount of aid to be received. Local property tax values are used to determine the local contribution. If local taxes meet the entitlement, then no state money is sent to the district. If local property tax values aren’t enough to meet the entitlement, the state makes up the difference. This procedure ensures that children across the state get equal access to ECFE, and children in poor districts don’t receive less money than others.

Here’s the catch: Since 2003, that $22.1 million figure has not been indexed for inflation, so the actual amount received by the districts is about $18 million in 2009 dollars.

Also, the $120-per-child figure has fluctuated during recent economic crises. In 2009 and 2008, the aid was set at $120 per child as it was in 2003 and 2004. In 2005 that figure was $96, in 2006 $104 and in 2007 $112.

HEAD START

Head Start improves school readiness and cognitive, social and emotional development of children from low-income families. Funds go to community organization grantees. In Minnesota, there are 35 Head Start sites including community action agencies, tribal governments, nonprofit agencies and one school district. Twenty-one Early Head Start programs serve pregnant women and families with infants and toddlers. One program serves migrant families with children ages birth to five years.
Head Start services include education, health, nutrition, mental health and social services. Head Start serves three and four year olds from low-income families, and some agencies provide programs for infants, toddlers and pregnant mothers. All local Head Start programs must reserve at least 10 percent of enrollment for children with disabilities. Programs use a developmentally appropriate curriculum and must measure child outcomes at least three times over the program year. Programs are offered in Head Start centers, community centers, schools, family child care homes, child care centers and home visits.

The program is available to children ages birth to five years and expectant mothers from families at or below the federal poverty line or participating in Minnesota Family Investment Program (MFIP), who are homeless or in foster care. In 2008, 17,779 children participated in Head Start.

Head Start began as a federal program in 1965 and was most recently reauthorized and amended in December 2007. In 1988, the Minnesota legislature first appropriated supplemental state funds. State funded Head Start programs are required to comply with federal Head Start requirements. 19

Head Start is funded primarily by the federal government. In 2008, the federal government paid $84.8 million while $20.1 million came out of Minnesota’s general fund. When adjusted for inflation, the state allotment for Head Start has dropped 7 percent between 2004 and 2008.

**SCHOOL READINESS**

The School Readiness program was established in 1991 to help children prepare for kindergarten. The program is based on early childhood research that is focused on children’s cognitive skills and early literacy skills to prepare children for the transition to kindergarten.

A school district or group of districts can open a school readiness program. To enroll, children must be at least three years old and have had a developmental screening. Most school districts offer half-day preschool programs from one day to five days per week. Program supervisors are licensed early childhood teachers or licensed parent educators. School districts may operate their own programs or contract with community early childhood programs. In 2008, 28 percent of participants had household incomes of less than $30,000. In Minneapolis and St. Paul, 78 percent had household incomes of less than $30,000. 20

The state offers about $8 million per year distributed by the number of participating children. In 2008, 32,693 children participated, as did 26,357 parents. Funding for this program has dropped an inflation-adjusted 19 percent since 2003. The state had been providing $9.5 million in 2003, but now offers an inflation-adjusted $7.6 million.

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19 Minnesota Departments of Education and Human Services. “Inventory of Early Childhood Services, Early Care and Education Programs,” January 2010

20 Ibid
OTHER PROGRAMS

There is a kaleidoscope of programs that help preschool children find day care, get vaccinated or help their parents find support. Here’s a list of them: 21

**Educate Parents Partnership** – www.parentsknow.state.mn.us – is run by MDE and provides parent education information, child development resources and activities to parents of young children. It receives $50,000 from the state general fund.

**Intervention for Infants and Toddlers with Disabilities (Part C)** coordinates a multidisciplinary system to provide early intervention services for infants and toddlers with disabilities and their families. Services are provided by licensed Early Childhood Special Education teachers, speech/language pathologists, occupational therapists, physical therapists, nurses, social workers and others. The program is funded through the federal government with some funding through state special education aid, the general fund and third-party billing. In 2008, 4,579 Minnesota children participated.

**Preschool Special Education** provides handicapped students with special instruction and related services. Services are provided through Minnesota’s school districts by licensed Early Childhood Special Education teachers, speech/language pathologists, occupational therapists, physical therapists, nurses, social workers and others. Funding is provided through state special education aid, general education revenue, third-party billing, federal IDEA Part B allocation and a local education levy. In 2008, 8,287 children participated.

**Building Child Care Quality** consists of a variety of programs that seek to increase the quality of early care and education. The programs include Child Care Resource and Referral (CCR&R) regional grants, which provide grants for child care and other early childhood and school-age programs; a pilot Parent Aware Quality Rating System which will develop a quality rating system program for child care and early education programs; programs to support child care programs to help them become accredited; and facility loans to improve child care facilities, start up or expand services. The programs are funded through a variety of federal and state funds as well as grants from local foundations.

**The Child Care Assistance Program** subsidizes child care costs for low-income families to ensure that their children are well cared for while their parents work or attend school. CCAP serves families currently or recently receiving cash assistance through Minnesota Family Investment Program and Transition Year child care. In 2008, the federal government paid $101,298,886 to the program while the state paid $88,828,391 and local levies contributed $2,941,235. In 2008, 25,760 families and 47,285 children were served.

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21 ibid
The Family, Friend and Neighbor Grant Program, established in 2007, will have state funding through 2011. FFN provides early literacy, healthy development and school readiness services to at-risk children in family, friend and neighbor child care settings. There are an estimated 150,000 households in Minnesota that provide family, friends or neighbor child care. There have been 196 events/activities for FFN providers with 3,051 FFN providers since 2007. The program is supported with $200,000 from the federal CCR&R and $368,252 from the state general fund.

Licensed child care centers are monitored by the Department of Human Services through regular licensing visits and licensing variances, conditional licenses, denials and revocations and processing appeals. The program sets standards for licensing child care centers including programs that provide child care, preschool/nursery programs, Head Start programs, night care, drop-in and sick care for fewer than 24 hours a day in a setting that is not a residence.

Using 2004 figures, of the estimated 203,251 children in Minnesota age birth through two:

- 26 percent use no child care;
- 36 percent used FFN providers;
- and 43 percent use center-based or licensed family child care.

Of the estimated 191,258 children in Minnesota age three to five in 2004:

- 21 percent used no child care;
- 21 percent use FFN;
- and 69 percent use center-based or licensed family child care.

*In 2009, federal funds paid $638,000 for these services and $843,000 came out of the state general fund.

The state pays $507,000 and the federal government pays $284,000 forLicensed Family Child Care, which sets standards for licensing family child care homes. This program governs licensure of providers of child care in residential settings, usually the provider’s residence, for 14 or fewer children, for fewer than 24 hours per day.

Federal Block Grant Funding provides $292,153 and the state pays $196,000 for Migrant Child Care, which provides and coordinates child care services for migrant children and families through licensed family child care homes and licensed child care centers. In 2009, 1,043 children participated.
Conclusion

In June 2009, the Minnesota Department of Education conducted a school readiness survey of kindergarten teachers. That survey found that more than half the state's kindergartners are not prepared for school.

We know the advantages of early childhood education. Research has proven that children who have quality care in their earliest years are more likely to attend college and earn more money during their lifetime and are better off in a whole host of measurements, including crime rates, smoking statistics, and reduced use of welfare programs.

For the state to remain home to multinational companies as well as nimble, innovative startup businesses, Minnesota must train every student to compete in the 21st century global workplace.

Early childhood education can realize a return on investment of as much as $16 for every dollar spent. A Minneapolis Fed report found that early childhood investment results in greater economic return than public spending on such things as company headquarters, office towers, entertainment centers, and professional sports stadiums. Yet, Minnesota’s policymakers have refused to properly fund early childhood education. Money for main programs has dropped since the early years of this decade.

Minnesota must have the political will to help children prepare for school. In doing so, we not only see a strong return on our public investment, but we also help hundreds of thousands of young Minnesotans who would otherwise see their quality of life suffer.

Early childhood programs are critical to brain development and arming youngsters with the cognitive skills necessary to advance through their years of learning. Failing to provide children with a strong foundation early on undermines all other public education investments we make over the course of their lives. From generational studies to the Minneapolis Federal Reserve report, the research is clear; we must invest in early childhood education to assure Minnesota’s growth as a strong and competitive state. Neglecting our obligation to maintain and expand well-funded early childhood programs compromises Minnesota’s future prosperity.

We owe it to our children not to let that happen.
Minnesota 2020 is a progressive, non-partisan think tank, focused on what really matters.

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