

More Than Just Pre-K: The Positive Economic Impact of Preschool in Los Angeles County

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EXECUTIVE
SUMMARY

(about this report)

The Institute for Child Success commenced work on this report in response to discussions between LAUP, County Supervisor Hilda Solis and critical early childhood education stakeholders in Los Angeles County regarding the economic impact of early education investments in the county. It is designed to serve as a resource for the broad network of policymakers, practitioners and others who are committed to the role quality early education has in the lives of young children and their communities. It notes the extraordinary achievements of LAUP and First 5 LA over the past ten years and their lasting positive impact. Over those 10 years, LAUP has known the funding from First 5 LA would conclude. LAUP has worked to find alternative sources of funding and the challenge in doing so speaks to a stark reality: to achieve universal access to quality early care and education opportunities in L.A. County, we need our policy makers to make investing in our young children a priority. Less than half of 4-year-olds in Los Angeles County are being served and for younger children, the need is far greater. To completely and comprehensively address the issue of access in L.A. County and throughout the state of California, early learning advocates, including LAUP and First 5 LA, need to make the case for sustainable funding from federal, state and local governments and private philanthropy. This report underscores the economic impact and widespread benefit such sustainable funding could have. It is our hope that this report inspires the creation of advocacy and policy recommendations as it reminds us all that no one funding source can do it all. The alignment of multiple funding sources is required.

Headquartered in Greenville, South Carolina, the Institute for Child Success is an independent, nonpartisan, nonprofit research and policy organization dedicated to the success of all young children. They have prepared similar reports across the country for a number of state and local agencies.

(executive summary)

Despite the economic recovery and the commitment by many state leaders to provide preK to all eligible children, Los Angeles is on the brink of losing 10,738 high-quality public preK slots, because funding is no longer available.

The impact on high-quality public preK from LA's highest-need communities will be a significant loss of jobs; the financial imperilment and likely closure of numerous small businesses; the loss of affordable child care for thousands of working parents; and, most importantly, diminished chances of success in school and life for ten thousand children.

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These impacts will not be readily undone, even if funding is restored in subsequent years, as would happen if public preK were expanded statewide. The years between birth and age five are a critical period of intense brain development. To deprive a child of preK during this time is to sacrifice a unique and brief opportunity to vastly improve their chances for long-term social and economic success. Similarly, the economic damage to families, providers, and communities caused by a break in the flow of preK funding cannot be quickly or cost-effectively repaired.

The School Readiness Language Development Program (SRLDP), a popular and effective Los Angeles Unified School District (LAUSD) preK program specially designed for English language learners, has been cut repeatedly since 2011 and is slated for elimination in the 2016-17 school year.

At the same time, the contract with First 5 LA that has funded Los Angeles Universal Preschool (LAUP) for the last ten years will expire in June of 2016 while no alternative funding has been secured to continue to fund spaces.

SRLDP was implemented in 1979 as part of the court-ordered integration of the Los Angeles public schools. Until 2011, SRLDP was a comprehensive preK program emphasizing oral language development, parent education and engagement, professional development for teachers, and evaluation. Since then, a series of budget cuts have systematically dismantled the program, eliminating parent involvement and professional development programs, cutting enrollment by over two-thirds, and increasing class sizes.

Cuts to SRLDP since 2011 have already cost Los Angeles County \$605 million in reduced economic activity and foregone long-term benefits. Loss of the remaining SRLDP slots will increase this cost by 59 percent.

Since 2005, LAUP has enabled over 100,000 children to attend affordable, high-quality preschool. During that time, over 650 programs have taken part in LAUP, generating \$6.9 billion in economic benefits, ten times more than the services cost to provide. LAUP's economic benefits have been distributed among the state, the county, school districts, local businesses, families, and



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the children themselves. Our analysis finds that benefits of \$1.2 million per classroom per year will be lost when LAUP's grant ends.

LAUP has both expanded and improved LA County's preschool network, helping to meet the need for affordable preK, enhancing the quality of the hundreds of preK programs with which it contracts, and setting a standard of quality for preK programs countywide.

In addition to LAUP and SRLDP, two other major public preK programs—Head Start and the California State Preschool Program (CSPP)—serve LA County 4-year-olds. LAUSD's Transitional Kindergarten (TK) and Extended Transitional Kindergarten (ETK) currently serve 10,200 and 2,300 4-year-olds respectively. Collectively, the six programs have the capacity to serve just over half of the county's 126,000 4-year-olds.

WHY LA NEEDS AFFORDABLE, HIGH-QUALITY PREK

One-in-four LA County high school students will fail to graduate, and many who do will be unprepared for college or the labor market. By 2020, two-thirds of US jobs will require at least some post-secondary education; but, at present, only 19 percent of LA County 11th graders are ready for English coursework at a California state college and only 13 percent are prepared for college coursework in math.

Over 27 percent of Los Angeles children grow up in poverty. Economic disadvantage in early childhood, particularly prolonged poverty, has been shown to compromise physical and emotional health well into

adulthood,¹ reducing an individual's workforce productivity and greatly increasing the chances that they will raise their own children in poverty.

An ever-growing body of research confirms that high-quality preK is one of the best investments government can make. Children who attend preK, particularly those disadvantaged by economic and/or social circumstances, do better in elementary school, are less likely to become teen parents, are more likely to complete high school and go on to college, have higher lifetime earnings, and pay more taxes. They are less likely to engage in crime or be victimized by it, have fewer incarcerations, and spend less time on welfare or relying on other forms of government assistance. PreK is a key tool to combat the issues of poverty and educational attainment facing LA County.

PROVEN EFFECTIVENESS

Program evaluations have documented LAUP's positive impact on kindergarten readiness and performance in elementary school. The percentage of children participating in LAUP programs who scored "proficient" or "near-proficient" on social, emotional, and cognitive skills essential for kindergarten success increased from 22 percent when they entered preschool in fall 2008 to 72 percent when they finished preschool in spring 2009. LAUP students scored higher than their non-PreK peers on both the Reading and Math California Standards Test in 2nd grade, and higher on the Reading test in 3rd grade. LAUP children were also less likely than other students to be classified as English Language Learners (ELL) or special needs, they attended more days of school, and were less likely to have repeated a grade or have been suspended.

Since 2011, successive budget cuts have eliminated many key features of SRLDP, including evaluation. However, a 1998 study of 4th graders who attended SRLDP documented significant, positive impacts in reading, language, and mathematics.

Universal Services

Although most LAUP and SRLDP families are low-income, neither program is strictly means-tested, meaning that they are available to families regardless of income. SRLDP targets services to English Language Learners (ELLs) and Standard English Learners (SELs). LAUP services are concentrated in low-income communities and are especially beneficial to low-income

working families who have income too high to qualify for CSPP or Head Start but can't afford several hundred dollars a month for private preschool.

Workforce Development

Both SRLDP and LAUP have helped meet LA's critical need for high-quality, culturally competent preK. Prior to the recent budget cuts, SRLDP prioritized ongoing staff development for teachers, paraprofessionals and other classroom support staff. Since 2005, LAUP has trained thousands of individuals from culturally diverse backgrounds to provide high-quality preK in a wide variety of settings.

Sustaining the Mixed Delivery System by Supporting Preschool Business Operations

LAUP's mixed delivery system offers preK in a diverse array of public and private settings in order to meet the differing needs and preferences of families. The staff and proprietors of the community-based centers and family child care homes that enroll LAUP children are truly representative of the communities they serve. Many small preK programs are owned and operated by minority women. PreK providers in immigrant communities are often immigrants themselves. Their close familiarity with the challenges faced by the families they serve enables these providers to establish the trusting relationships that are the foundation of high-quality early care and education.

LAUP fortifies the economies of the communities it serves by supporting small business development and local entrepreneurship. LAUP currently expends \$59.1 million annually on contracts with preK providers in a variety of settings including public, private, and charter schools, private child care centers, community-based programs such as Head Start centers, and family child care homes. To help its private preK contractors succeed, LAUP provides technical assistance to improve preschool business operations and meet reporting obligations.

ECONOMIC IMPACTS

PreK cuts have both short-term and long-term economic consequences. These consequences take three general forms:

Table I. Economic Impacts of Reduced PreK Funding

	Total	Per Classroom
Local Economic Impact (reduced output)	-\$109.8 million	-\$219,600
Parental Employment Impact (lost wages)	-\$24.9 million	-\$49,700
Long-term Cost Impact (higher public sector costs)	-\$462 million	-\$922,000
	-\$596.7 million	-\$1.2 million

1. Local economic impacts of reduced expenditures by LAUP—Job losses and business closures in early childhood education and the sectors that supply ECE businesses with goods and services.
2. Parental employment impacts—Reductions in parent employment and earnings due to the loss of affordable, high-quality child care.
3. Long-term cost impacts —Reductions in future workforce productivity and increases in long-term social costs due to diminished school readiness.

These three factors produce a combined annual impact of -\$596.7 million or -\$1.2 million per classroom.

Local Economic Impact: Job Losses and Business Closures

Early childhood programs have numerous linkages to other businesses and institutions within a local economy. ECE investments are particularly beneficial at the local level because early education is labor-intensive and most program revenue is returned to the community in the form of wages and salaries paid to ECE employees. Owners of private ECE businesses often live in the communities they serve, so proprietor income is also re-injected into the local economy. Finally, ECE programs tend to purchase their goods and services locally, often from other neighborhood small businesses. Thus, although the impacts of ECE funding cuts are felt countywide, they are experienced most acutely by individual communities and neighborhoods.

Parental Employment Impact

PreK also contributes to the economy by providing an affordable child care option for working parents, particularly low income families with limited access to high-quality early childhood programs. Subsidized early childhood programs have been shown to increase the duration of employment, the number of hours worked, and the earnings of working mothers.

Many parents would be unable to hold down a job without access to affordable child care. This is particularly true for mothers, both in single-parent and two-parent families. The loss of over 10,000 affordable preschool slots would impact an estimated 6,000 working mothers and reduce their time spent working by 1.5 million hours causing them to forego \$24.9 million in annual earnings.

Long-term Cost Impact: The Value of Improved Outcomes for Children

Many of preK's most significant economic benefits accrue over the course of many years. Documented long-term cost savings attributable to preK include: reduced grade retention and special education placements in primary school, increased rates of high school completion and post-secondary education, better employment outcomes, reduced likelihood of incarceration, and less dependency on government assistance in adulthood.

A cost-benefit analysis conducted in 2005 by the RAND Corporation concluded that providing high-quality, half-day, public preK to children from low-income communities throughout California would produce \$7.81 in benefits for every \$1 spent. The hypothetical statewide program modeled in the RAND analysis had standards very similar to those employed in LAUP classrooms.

Based on the benefit-cost ratio calculated by RAND, the loss of 7,000 LAUP slots would cost residents of California about \$462 million annually in:

- Increased spending on public education interventions including grade retention and special education placement;
- Higher social costs due to child maltreatment, crime, and delinquency;
- Foregone income due to lower rates of high school completion and reduced college attendance;
- Diminished tax revenue.

The costs of not supporting preK in Los Angeles County will well exceed the program dollars saved. State and local leaders must either re-examine their funding priorities to find the resources to preserve these programs within existing budgets or actively explore new sources of revenue for high-quality preK.



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- Proposing smart public policies, grounded in research.
- Advising governments, nonprofits, foundations, and other stakeholders on strategies to improve outcomes.
- Sharing knowledge, convening stakeholders, embracing solutions, and accelerating impact.
- Fostering the next generation of leaders.