

# Return on investment from Quality Early Childhood Education

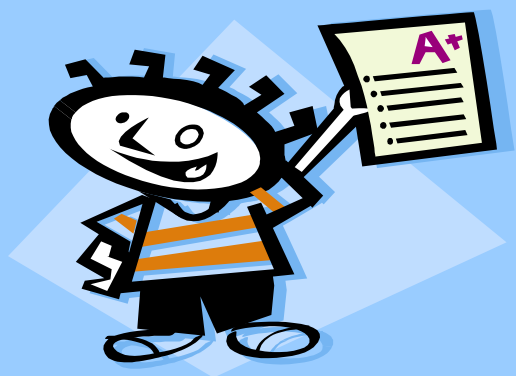
**Third Telluride Economic  
Summit on Early Childhood  
Investment**

*September 20-22, 2009*

*Telluride, Colorado*



Congressman Jared Polis



# Why is Access to Quality Early Childhood Education (ECE) So Important?

- IQ's
- Letters and numbers
- Behavioral problems
- Parental involvement with their school
- Brain Development
- **It is estimated that at least 1/2 of the achievement gap exists prior to children even entering kindergarten.**

What does the research  
tell us?



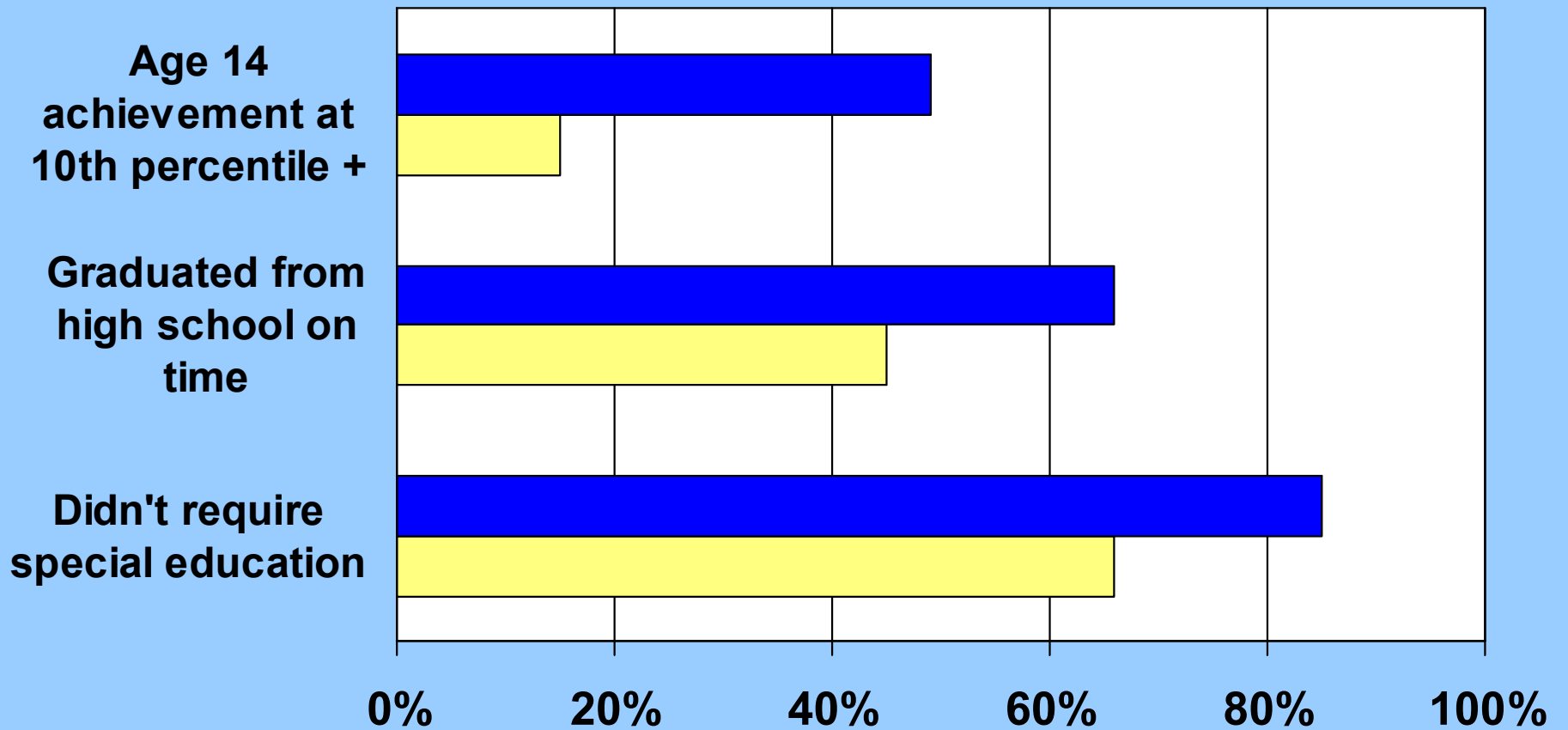
# Conclusive Research Findings

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- Numerous long term studies tracking outcomes for children receiving quality ECE
- Overwhelming evidence showing strong positive impact of ECE
- Studies include:
  - Perry Preschool Project
  - Abecedarian Project
  - Barnett Study of Studies
  - Entwisle Socialization Study
  - Federal Reserve Economic Impact Analysis

# Perry: Educational Effects

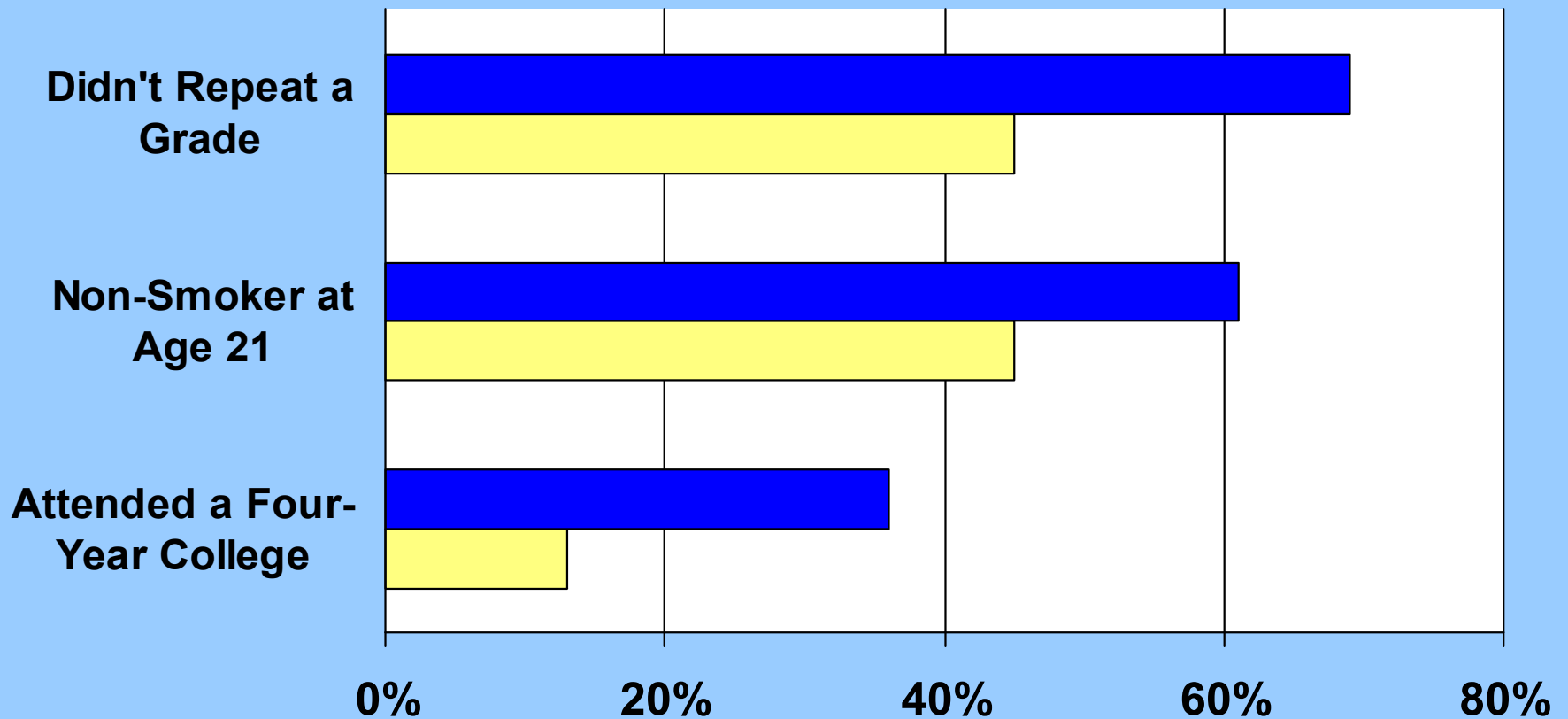
■ No-program group   ■ Program group



Source: High/Scope Educational Research Foundation

# Abecedarian: Educational and Health Effects

■ No-program group    ■ Program group

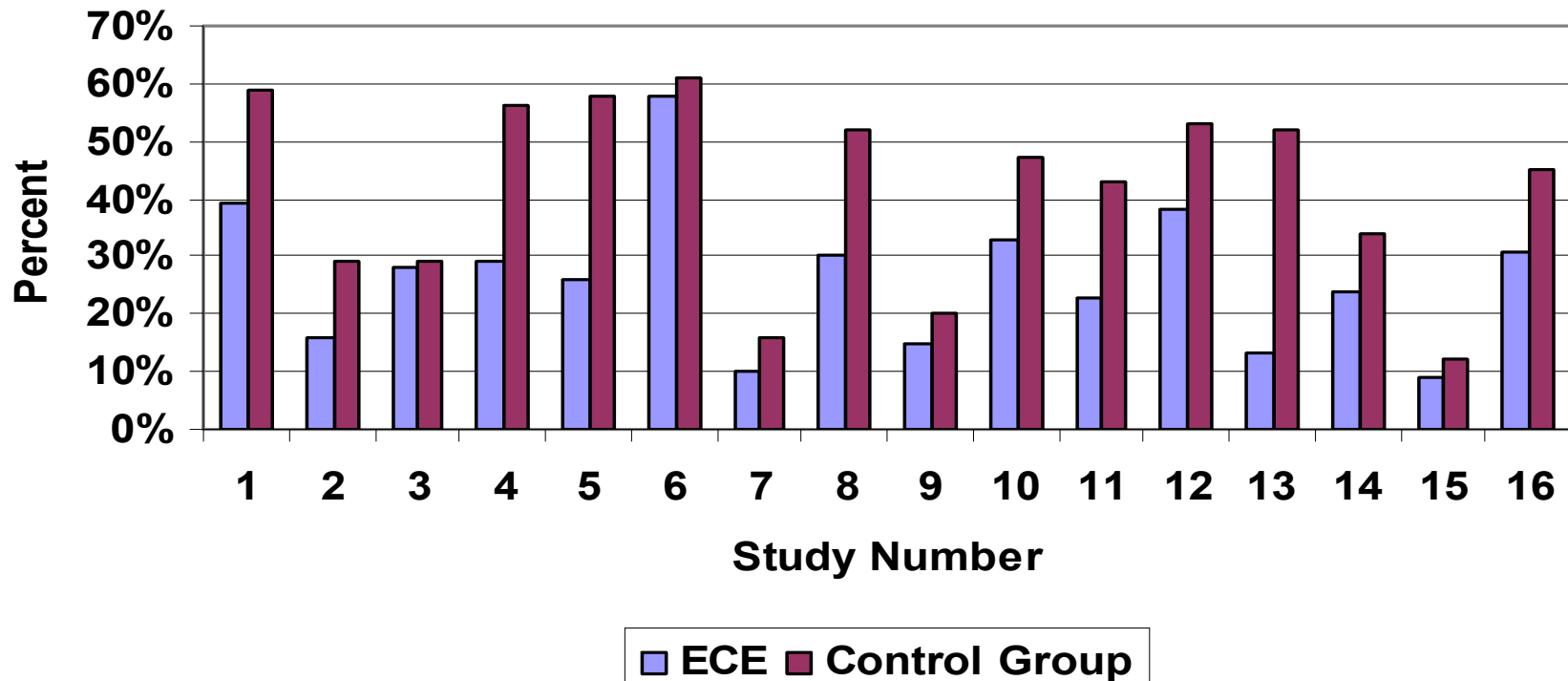


Source: Carolina Abecedarian Study

# Barnett Summary of Student Success

- Overwhelming evidence across all studies of long term student success

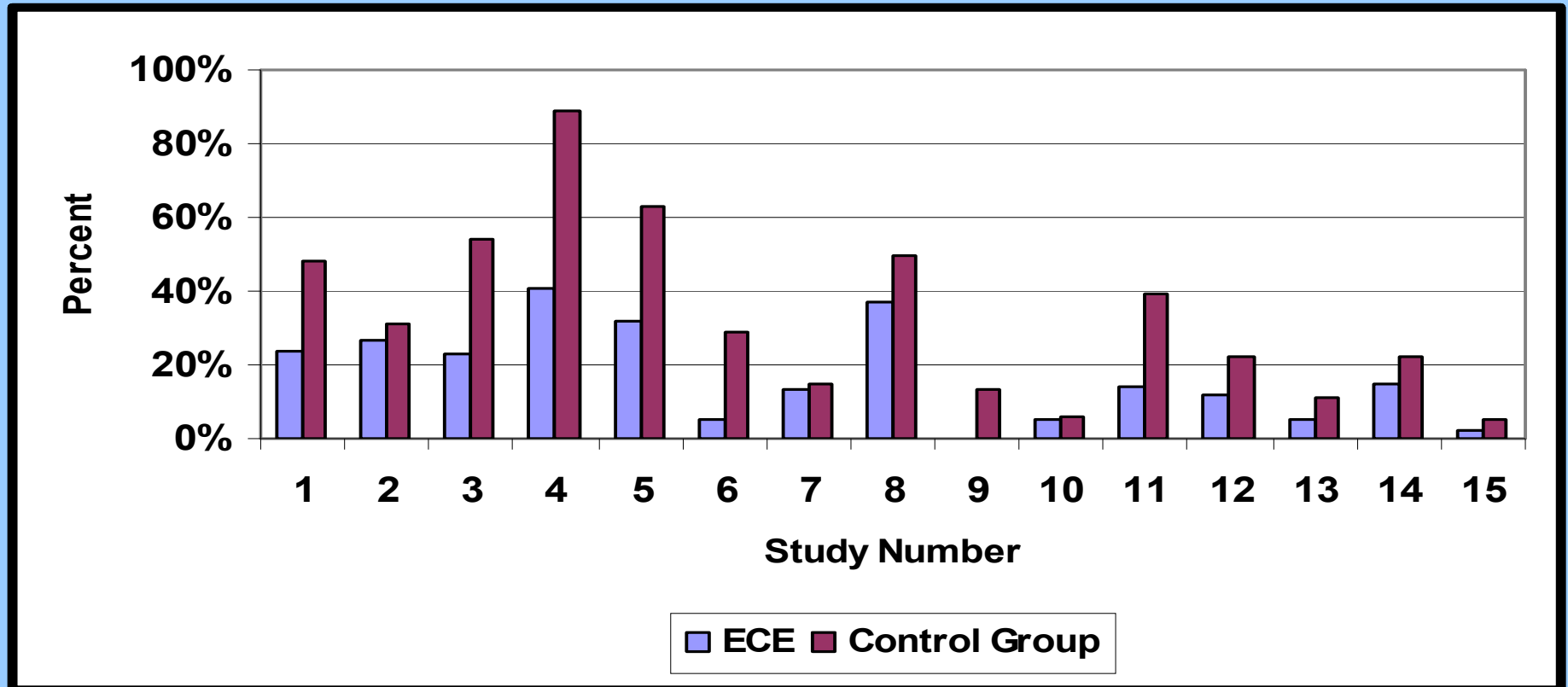
## Retention rates



# Barnett Summary of Student Success

- Overwhelming evidence across all studies of long term student success

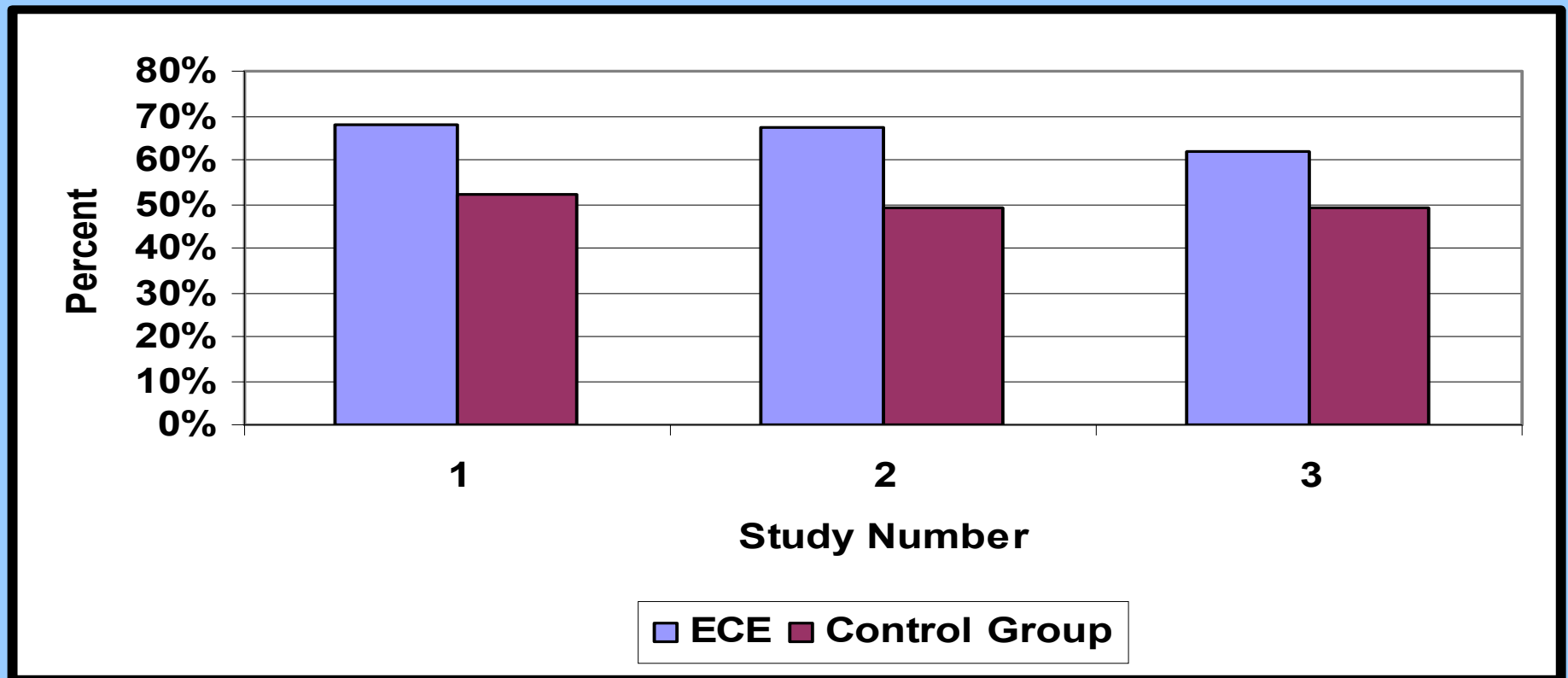
## Special education rates



# Barnett Summary of Student Success

- Overwhelming evidence across all studies of long term student success

## High school graduation



# Barnett Summary of Short Term Studies

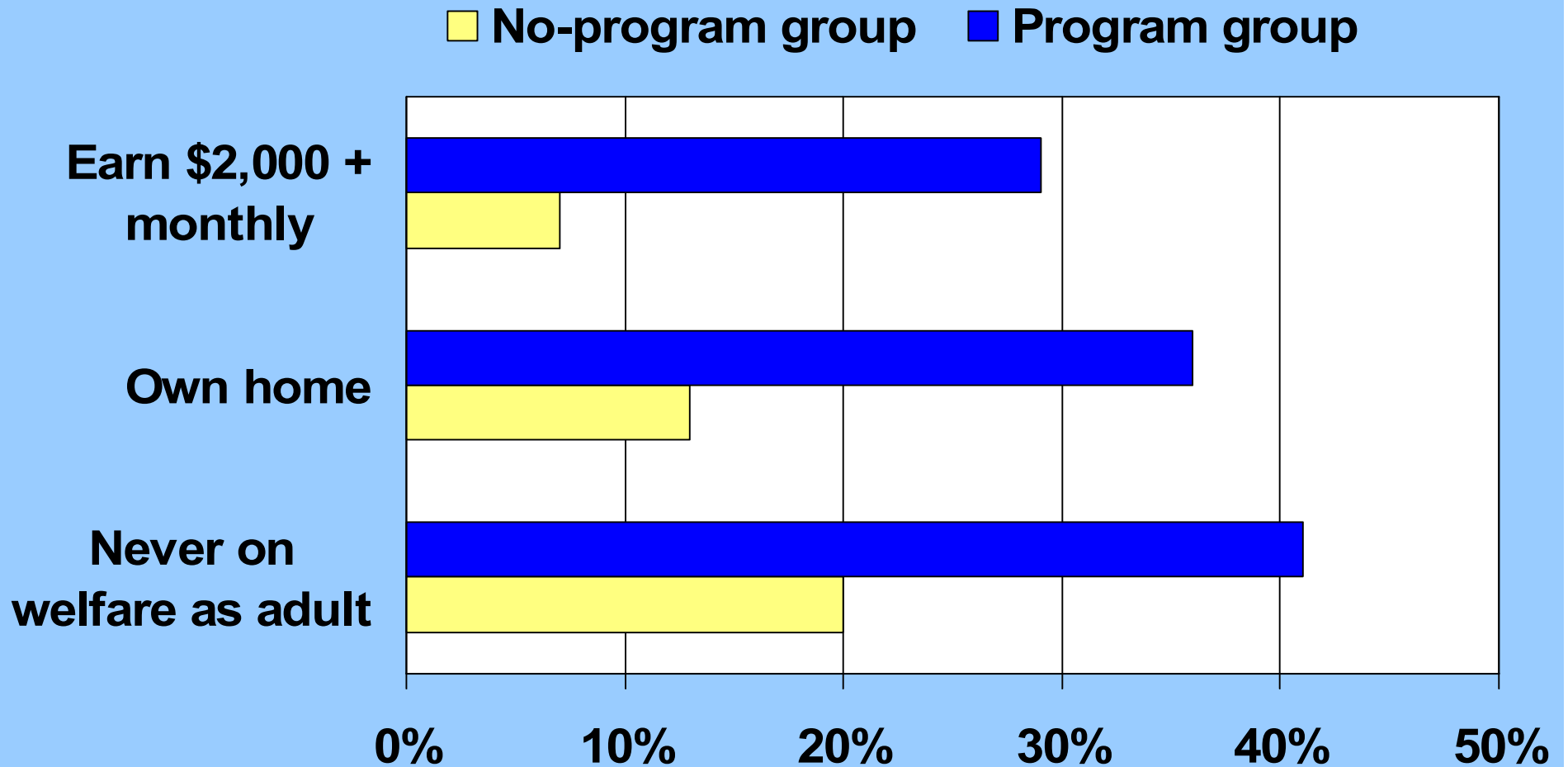
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- All show immediate IQ gains averaging 8 points
- All show positive impact on language skills and behavior
- Study with parental education component shows increased expectations for children

What is the economic  
impact of ECE?

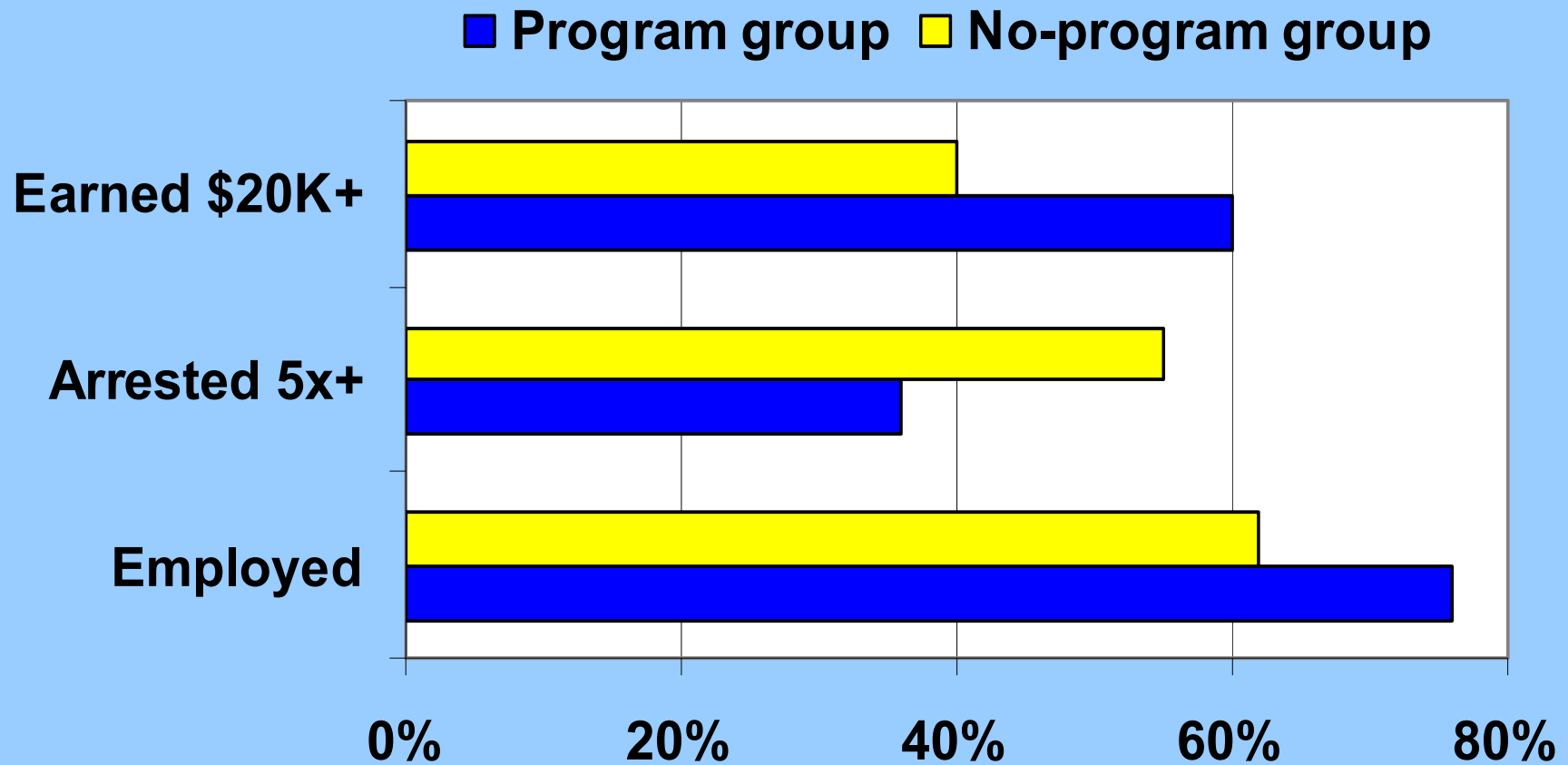


# Perry: Economic Effects at Age 27



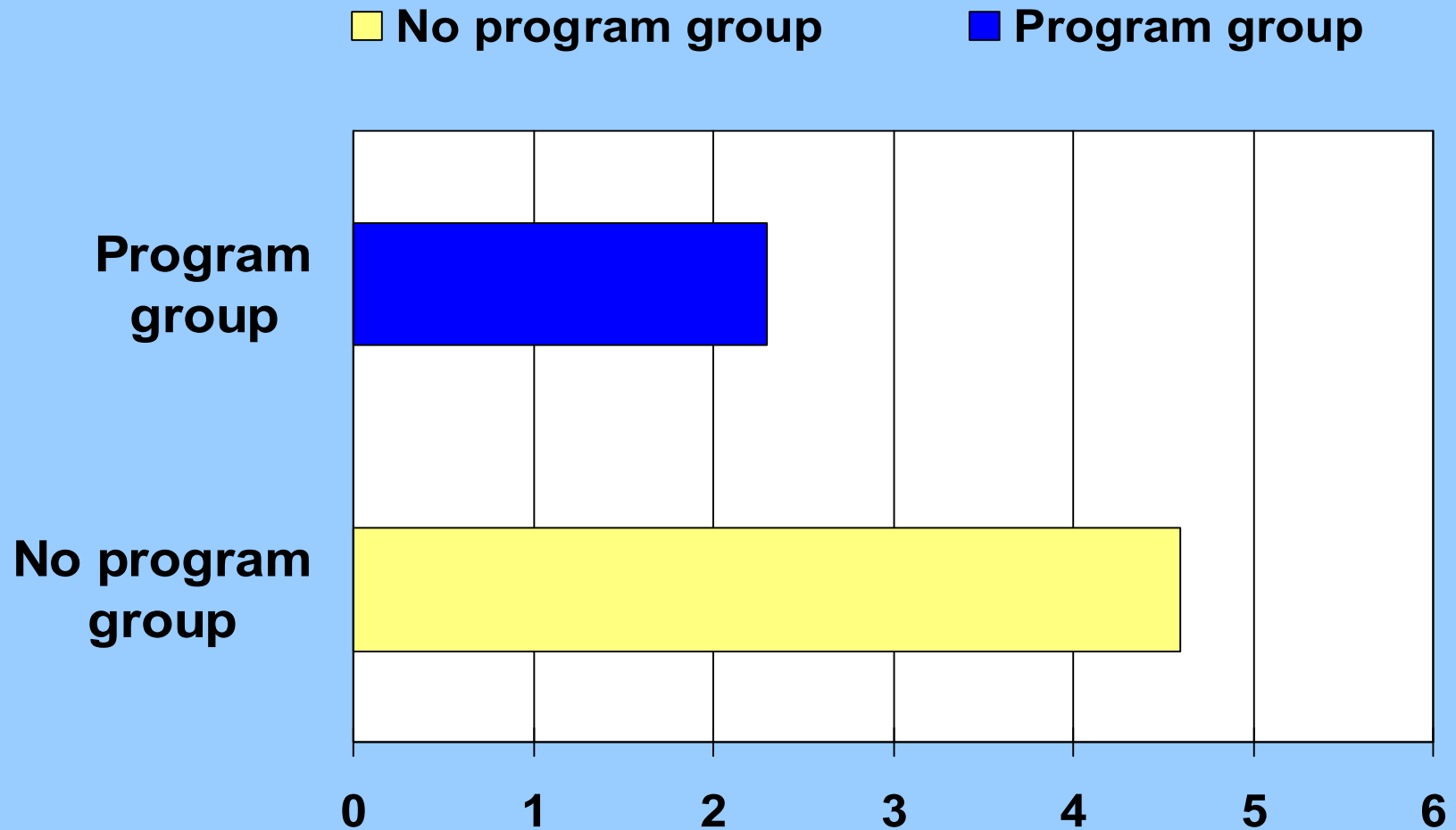
Source: High/Scope Educational Research Foundation

# Perry: Effects at Age 40



Source: High/Scope Educational Research Foundation

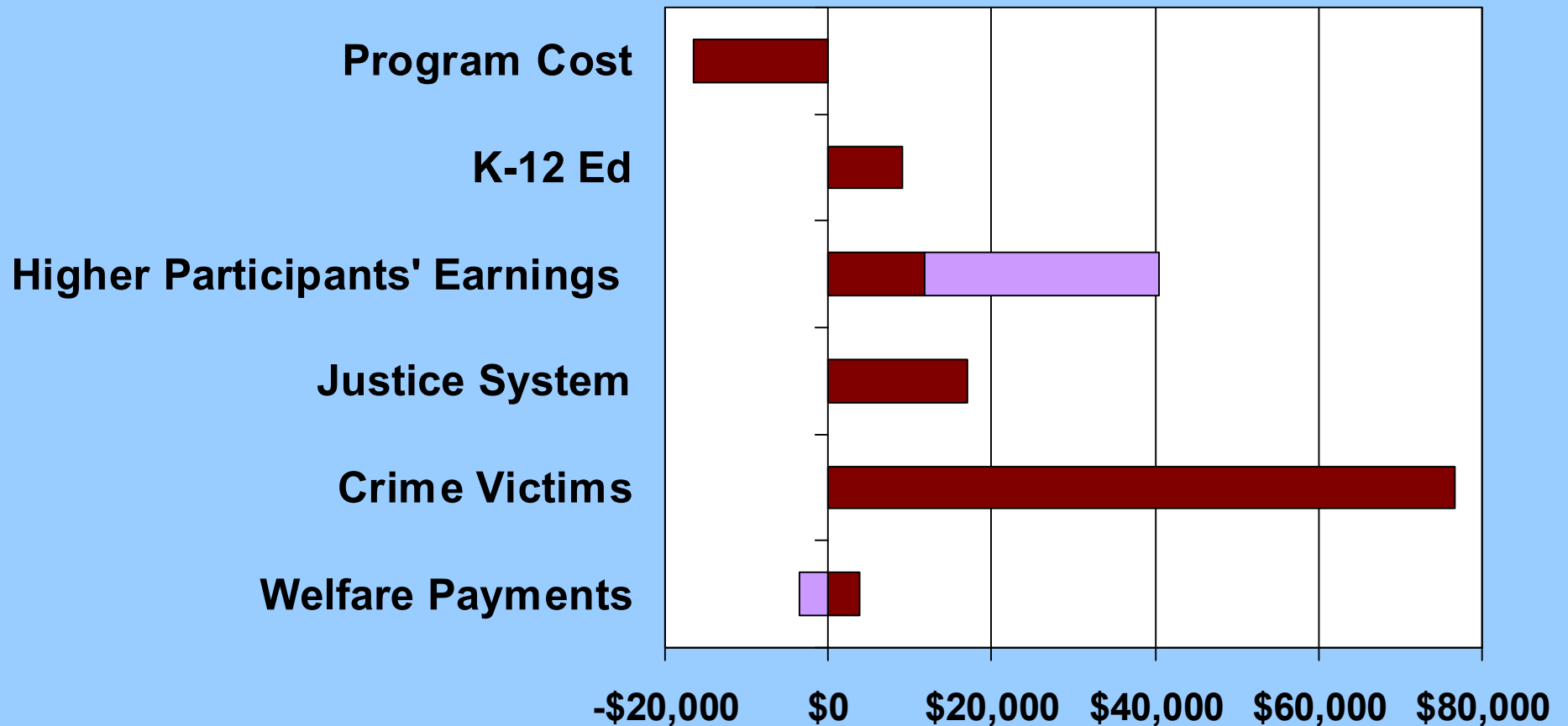
# Perry: Arrests per Person by Age 27



Source: High/Scope Educational Research Foundation

# Perry Preschool Costs and Benefits Over 27 Years

■ For Public ■ For Participant

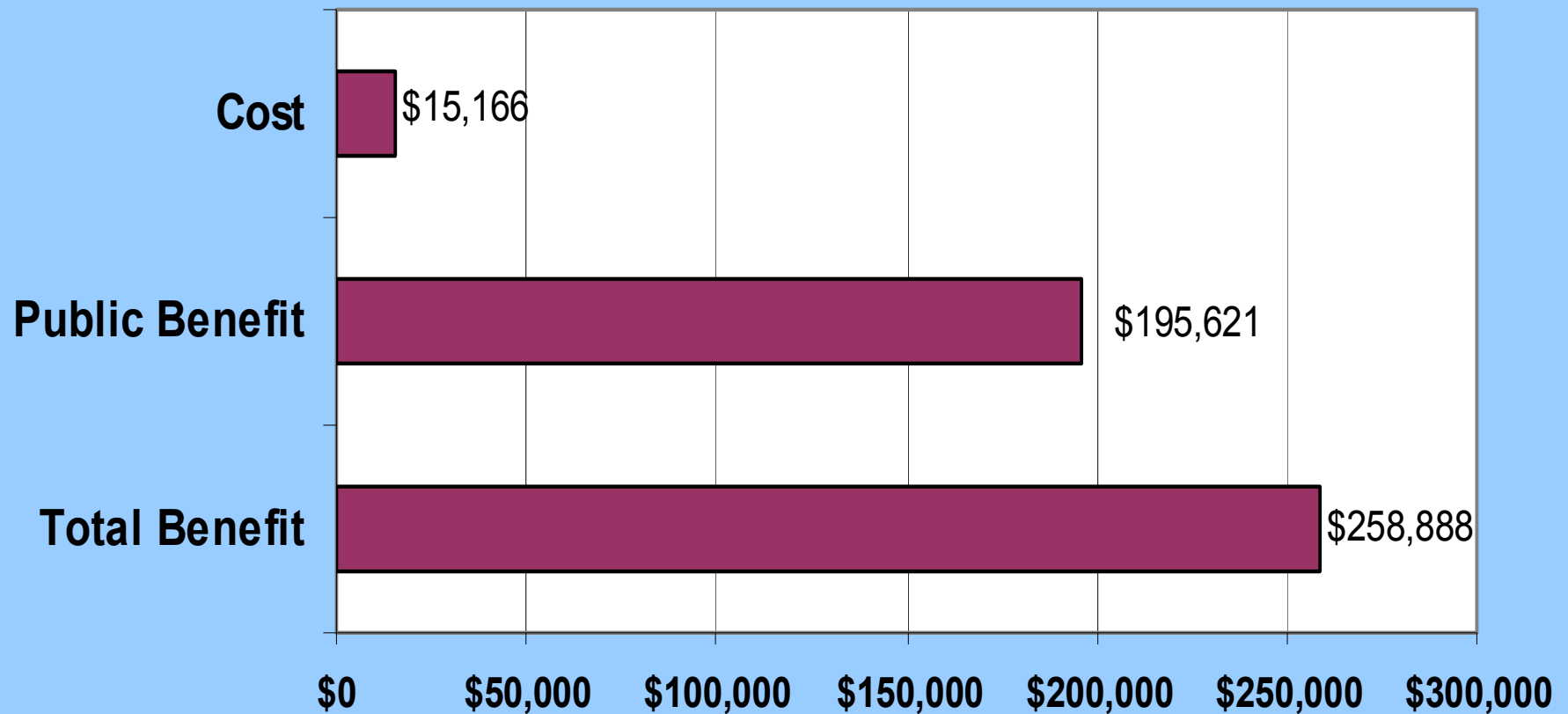


# Perry Preschool Return on Investment To Age 27

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- Total Benefit-Cost Ratio = \$8.74 to \$1
- Estimated Total Annual Rate of Return = 16%
- Public Rate of Return = 12%

# Perry Preschool Costs and Benefits Over 40 Years



# Perry Preschool Return on Investment To Age 40

- Public Benefit/Cost Ratio = \$12.90 to \$1
- Total Benefit/Cost Ratio = \$17.07 to \$1

# Conclusions from Research Studies



# Why Should We Care About Investment in ECE?

High educational impact

Dramatic socialization benefits for kids

One of the most effective tools in closing the achievement gap

Highest \$ return on any educational or human capital investment

All of which implies...

**Tremendous Opportunity for leveraging social change through investment in ECE!**

# New Solutions



# Linking Resources to Need

- Existing environment of underfunding
- Limited Philanthropic capacity
- Lack of political will for major public investment

*What funds investments in physical infrastructure?*

Private capital

Examples: School bonds, municipal bonds, Treasury bonds

# Creating investments vehicle for private investment in ECE

Demonstrated **public rates** of return on costs alone in excess of 12% over 20 years

Savings for public agencies including:  
School districts, municipalities, states, counties, judicial districts, and the federal government

# The Goal

To increase private funding for ECE by offering investors opportunities to share in the gains/savings that are realized over a 20-30 year time horizon from early investments in human capital.

# The Product

- A model for private investors to adopt a cohort of at-risk infants, underwrite the cost of their early childhood education, and recoup that investment plus variable interest over a twenty year period. The repayment would come from state and local government agencies whose costs of serving these children will be reduced as a result of the early interventions and would share a portion of the cost savings with the investors.
- If profitable returns can be generated and conveyed, this model provides a scalable source of resources for early childhood education nationally and internationally.

# The Opportunity

## Scalability:

Instantly meeting the entire accretive early childhood investment needs of the nation through capital markets

Also exportable internationally

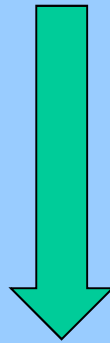
## Oversight and accountability:

- Self-interested and motivated oversight to ensure the quality of programs
- Accountability
- No taxpayer risk

# The Challenges

- Methodology of measurement metrics
- Methodology and implementation of conveyance of cost savings to investors
- Mobility, tracking and logistics
- Interagency agreements and enabling legislation
- Marketing to public and private stakeholders

**Funding + Incentive + Accountability**



**RESULTS**  
**RESULTS**

Thank you for thinking out of  
the box to ensure that every  
American has the opportunity  
to succeed!