

Testimony

2015 Joint Legislative Hearing

Economic Development Committee

Submitted by ReadyNation New York

February 9, 2015

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Thank you, Members of the Committee, for providing the opportunity to testify.

ReadyNation leverages the voices of more than 150 business leaders across New York State in support of proven investments in children. So why are we testifying at a hearing on economic development?

We urge you to work across funding silos and budget tables. **We want you to consider early learning as an economic development strategy.** The following national organizations endorse this position: U.S. Chamber of Commerce, The Manufacturing Institute, and The Business Roundtable.

And the research tells us that this is the case. A decade ago, two federal economists came to the conclusion that **“the most efficient means to boost the productivity of the workforce 15 to 20 years down the road is to invest in today’s youngest children”** and that such spending would yield “a much higher return” than most government-funded economic development initiatives.

But we don't have to wait 15 to 20 years to see an investment in early learning pay off. We know that there are immediate economic benefits, as well.

For example, **every \$1 spent on high-quality early learning generates \$1.86 in revenue that *stays in the community*.** These are better returns than:

- Construction (\$1.86)
- Retail (\$1.83)
- Manufacturing (\$1.72)
- Mining, Oil, Gas (\$1.67)
- Utilities (\$1.53)

In addition, access to quality early learning decreases absenteeism among parents – which costs U.S. businesses \$3 billion annually – because their children are in stable and reliable programs.

We are not saying that New York State should not repair its roads and bridges, or build new convention centers. We are saying that any investment in infrastructure (not bricks and mortar, in this case) must include an investment in human capital—particularly in the education of young children.

Research shows that **75% of brain development and 85% of intellect, personality, and social skills are set *before age five*.** Yet our investment in the earliest years is inverse

(see chart on brain growth versus public expenditures). We cannot continue to ignore the data.

High-quality early learning (and it must be high-quality) prepares children for success in school and in life. We know that children who participate in programs like maternal, infant, and early childhood home visiting; child care; and Pre-K see some of the following outcomes:

- 39% more likely to graduate from high school;
- 40% less likely to need remedial services;
- 200% more likely to go to college; and
- learn the soft skills (communication, collaboration, etc.) that businesses say are lacking in the current workforce.

These are results that directly impact our ability to fill jobs. The children who participate in these programs will help us close our skills gap. They will, in fact, help to eliminate it.

While New York State has made strides in recent years, current investments are not enough. We need to invest in the early learning workforce. We need to invest not only in access, but in quality. We need to spend what funding we have more wisely, more thoughtfully, and with much more intent. We need to look across systems and silos and begin investing in what really works.

Therefore, ReadyNation requests that every Regional Economic Development Council in New York State not only add early learning to its list of priorities, but take concrete steps to fund infrastructure-building. This will look different for every Council, every community. Our business leader members stand ready to assist you.

Thank you.

Budget Request

- \$150M for full-day Pre-K for four-year-olds outside of NYC
- \$70M for full-day Pre-K for four-year-olds in NYC
- Ensure all districts awarded full-day Pre-K grants receive the State funding on a predictable payment schedule, in the year services are delivered
- \$100M for child care subsidies
- Invest at least \$3 million in QUALITYstarsNY, the State's early childhood quality rating and improvement system

Business Case for Early Childhood Investments



“In business, we rarely have the luxury of making an investment decision with as much evidence as we have to support the economic value of investing in early childhood development and education... Put bluntly, in my terms, they are a financial no-brainer. The only question is ‘how strong is the ROI?’ The answer: Two or three or more to one.”



John Pepper,
former CEO,
Procter & Gamble

“By age 5, it is possible to predict, with depressing accuracy, who will complete high school and college and who won’t.”

David Brooks
Columnist, *The New York Times*

Businesses need employees who are job-ready, team-capable, and well-prepared – but we’re not getting them:

- The majority of fourth and eighth graders are not proficient in both math and reading in all 50 states and D.C.
- In 2012, U.S. 15-year-olds ranked 27th among 34 developed countries in math, 17th in reading, and 20th in science.
- Only 25% of young people ages 17 to 24 would qualify to serve in the U.S. military. The rest could not meet the physical, behavioral, or educational standards for service – standards similar to those employers use.

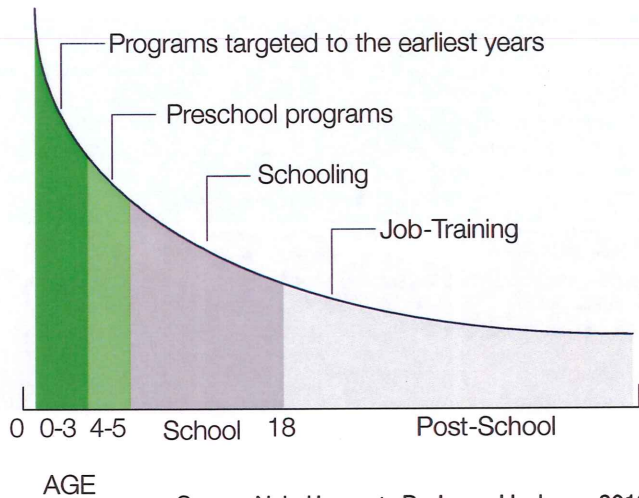
This failing workforce pipeline can be repaired, but we have to start early.

- The foundation of many skills needed for 21st-century jobs is established in the earliest years.
- Young children’s brains develop 700 synapses – neural connections that support learning and skills – every second.
- By age 3, a child’s brain has reached about 85% of its adult weight.
- The learning gap between advantaged and disadvantaged children shows up as early as 9 months of age. Disadvantaged children can start kindergarten as much as 18 months behind their peers. Many of these children never catch up, and are at an increased risk of dropping out of high school.

WHO WE ARE

ReadyNation is the preeminent business leader organization based in the U.S. working to strengthen business and the economy through effective investments in children and youth. Find us at www.ReadyNation.org

Rate of Return to Human Capital Investment at Different Ages



Evidence-based early childhood programs protect children's health and help them succeed:

- The Chicago Child-Parent Centers (CPC) preschool and the Nurse Family Partnership (NFP) home visiting program both cut abuse and neglect in half.
- Children in the CPC were 29% more likely to graduate from high school, and the Perry Preschool Project children graduated 44% more often.
- By age 30, individuals served by the Abecedarian preschool program were four times more likely to graduate college (and 42% more likely to be consistently employed).

- Children not served by NFP had more than twice as many convictions by age 19. Those not served by CPC were 70% more likely to be arrested by age 18, while those not served by the Perry Preschool Project were five times more likely to be chronic offenders with five or more arrests by age 27.
- A study from UCLA and Johnson & Johnson found that providing basic health care education and tools for at-risk families reduced emergency room visits by 42%, saving individual families around \$500 per year. These efforts also reduced the number of missed school days by 29%.

Investments in early childhood programs yield short- and long-term returns:

- An independent analysis of NFP concluded that it produced a benefit-cost ratio of almost three to one and average net savings of almost \$17,000 per family served. The same analysts reviewed 49 preschool studies and found that the average benefit-cost ratio was over four to one, and average net savings were \$25,000 per child served.
- Child care and pre-K professionals generally spend most of their earnings locally. States realize roughly \$2 in local spending for each federal child care dollar spent.
- An overview of 56 studies across 23 countries in Europe, Asia, Africa, and Central/South America found impacts of early childhood programs on health, IQ, and emotional development.

BUSINESS LEADERS MAKING A DIFFERENCE

Ken McNeely, president of AT&T California, helped lead a successful effort to expand pre-K in that state in 2010: "If we invest now, we can put children on the right path. If we wait 10-12 years, saving these kids becomes more expensive and may be impossible.

In 2011, support from the Vermont Business Roundtable helped the General Assembly pass legislation opening the state pre-K program to all children.

The Ohio Business Roundtable was a key supporter of the state's successful 2011 Race to the Top – Early Learning Challenge Fund application.

In 2011, a business group in Erie, Pennsylvania created a scholarship fund for early education, to enable children from low-income families to attend high-quality learning centers.

Virginia executives from companies such as Capital One and Dominion include early childhood in their list of issues to raise in meetings with state policymakers. In 2013, state funding for a comprehensive kindergarten readiness assessment pilot was part of the governor's education agenda.

Boeing has a history of investing in programs designed to improve early childhood programs, including the Illinois Early Childhood Fellowship

and the PBS show *Sid the Science Kid*, which engages young children in science.

In 2012, the Grand Rapids (Michigan) Chamber of Commerce and Iowa Association of Business and Industry each supported successful legislation to improve home visiting in their states.

In 2014, former Procter & Gamble CEO John Pepper testified before a U.S. Senate committee in support of expanding federal pre-K funds.

Business organizations are partnering with ReadyNation to call for investments in early childhood:



ReadyNation has worked in many states to engage business. Partners include:

- ▶ Business Council for Alabama
- ▶ Los Angeles Area Chamber of Commerce
- ▶ Executives Partnering to Invest in Children (Colorado)
- ▶ Iowa Business Council
- ▶ Kentucky Chamber of Commerce
- ▶ Grand Rapids Chamber of Commerce (Michigan)
- ▶ Ohio Business Roundtable
- ▶ Early Learning Investment Commission (Pennsylvania)
- ▶ Maine State Chamber of Commerce
- ▶ Massachusetts Business Roundtable
- ▶ New Mexico Business Roundtable
- ▶ Oklahoma Champions for Early Opportunities (OKCEO)
- ▶ New Carolina: South Carolina's Council on Competitiveness
- ▶ Vermont Business Roundtable

“Kentucky must invest in early childhood education and make greater investments in enhanced childcare programs.”

2012 Kentucky Chamber Legislative Agenda

WHAT YOU CAN DO – AND HOW READYNATION CAN HELP

WHAT YOU CAN DO:

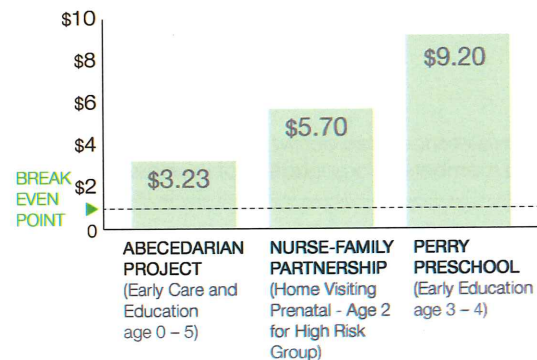
- ✓ Tell your elected officials and the media about the value of early childhood investments.
- ✓ Adopt family-friendly practices at your business.
- ✓ Provide time, volunteers, expertise, and funding to local early childhood programs.
- ✓ Host an event to share information with business and civic groups.
- ✓ Encourage your local business organizations to develop formal positions on the benefits of effective early childhood programs.
- ✓ Give your employees information about the importance of childhood and what they can do.

HOW WE CAN HELP:

Business people who become members of ReadyNation (at no cost) can receive a variety of supports to speak out. You can:

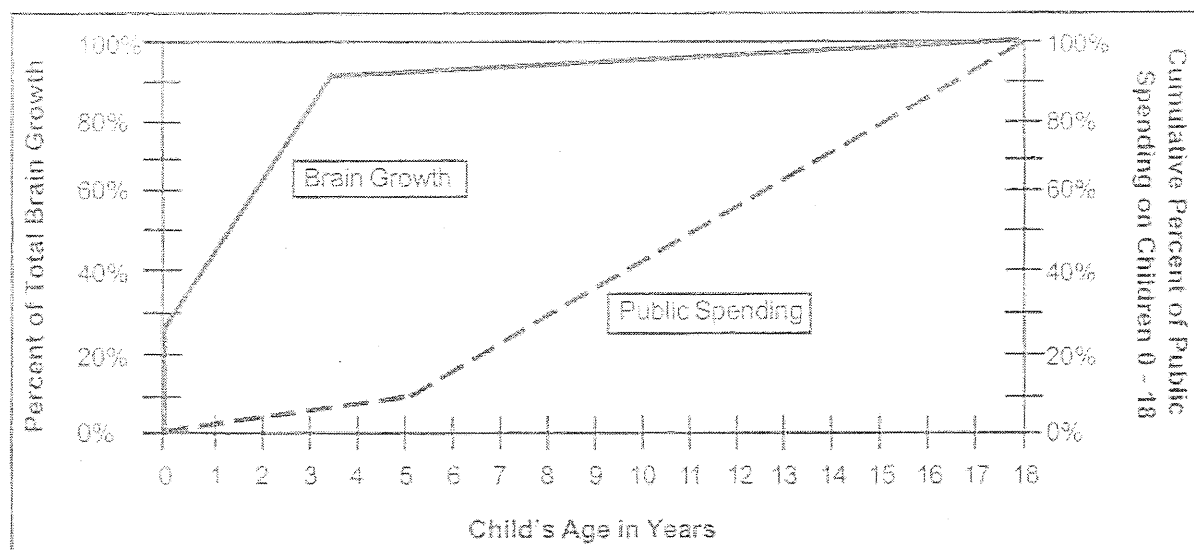
- ✓ Distribute our free materials.
- ✓ Receive our monthly e-newsletter to learn about new evidence, business networking events, and champions.
- ✓ Contact us to find speakers as well as sample speeches, op-eds, talking points, and other communications materials.
- ✓ Get support for policymaker communications.
- ✓ Attend our conferences or connect with the national network of business leader advocates and learn more about championing early childhood programs.

Quality Early Care and Education Pays Off: Cost/Benefit Analyses Show Positive Returns



Source: Nobel Laureate Dr. James Heckman

Child Development and Public Expenditures: Are Public Investments in Line with Investment Opportunity?



This chart, developed by the RAND Corporation, shows the timing of brain development versus public spending on children. Research demonstrates that 90 percent of a person's total brain growth occurs by age three. The highest level of responsiveness to environmental influences occurs at these earliest ages. During these first three years, however, less than five percent of public spending occurs. Per child public spending averages \$1,472 per year (in 1992 dollars) for children 0 - 5 (on early childhood development, welfare programs, and health care). For children 6 - 18, public spending averages \$6,567 per year (on K - 12 education, criminal justice, youth employment, and other programs). RAND researchers indicate that the relationship between the two curves poses a challenge for policy makers: "What is the optimum time-profile of public spending on children? At what age and in what form would public expenditures on children have the greatest return on investment?"

Sources: Chart courtesy of researchers at the RAND Corporation (see *Investing In Our Children* in Section 4). Brain development curve from Figure 2.4 in D. Purves, *Body and Brain*, Harvard University Press, 1988. Public spending on children from Table 1 in R. Haveman and B. Wolfe, "The Determinants of Children's Attainments: A Review of Methods and Findings," *Journal of Economic Literature*, Vol. 33, December 1995.

Sources for More Information:

Carnegie Corporation of New York, Carnegie Task Force on Meeting the Needs of Young Children. (1994). *Starting Points: Meeting the Needs of Our Youngest Children*. Carnegie Corporation: New York.

Shore, R. (1997). *Rethinking the Brain: New Insights into Early Development*. Families and Work Institute: New York.

Families and Work Institute. Website: www.familiesandwork.org

I Am Your Child Campaign. Website: www.iamyourchild.org

