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Ensuring Michigan kids are ready for school pays big dividends, new study shows

*Investments in early childhood programs result in savings
for taxpayers, schools, the economy*

LANSING – State spending over the past 25 years to educate Michigan children before they even get to kindergarten saved taxpayers \$1.15 billion last year, an economic-impact study released today by St. Paul-based Wilder Research shows.

The study is the first of its kind in Michigan to document the economic benefits of adequately preparing low-income children over such a broad array of sectors, including K-12 education, government spending and tax revenues, public safety and health, and the economy.

“School success is a critical issue for any state trying to build a strong economy,” Michigan Superintendent of Public Instruction Mike Flanagan said at a Capitol news conference. “This study makes it clear that Michigan will continually lag behind its economic competitors unless it invests in the education of its youngest citizens.”

Chris Holman, Michigan’s Small Business Advocate and founder and publisher of Greater Lansing Business Monthly magazine, agreed: “Michigan must be strategic about its investment when it comes to human capital, if it expects to end up with competent citizens and skilled workers for the long haul. An investment in early childhood programs is absolutely critical to economic success.”

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Conducted by the research arm of the Minnesota-based Wilder Foundation, the study estimates the dollar value of benefits generated in 2009 by Michigan children currently in school who received early education services and by young adults who have been more successful as a result of those programs. It was commissioned by the Early Childhood Investment Corp. (ECIC), a public nonprofit corporation formed in 2005 to coordinate the state's programs and services for children from birth through age 5.

The estimated \$1.15 billion savings for Michigan includes:

- \$221 million in K-12 savings, including \$136 million in reduced spending on students repeating grades, \$69 million in reduced special education spending and \$16 million in reduced teacher-turnover costs related to student performance.
- \$584 million in reduced government spending and increased tax revenues, including \$214 million in juvenile corrections, \$106 million in reduced child abuse and neglect, \$94 million in adult criminal justice, \$66 million in welfare and Medicaid costs, \$40 million in reduced unemployment benefits, \$31 million in reduced child care subsidies because children are instead in early education programs and \$33 million in increased income tax and sales tax revenue due to higher worker productivity.
- \$347 million in reduced social costs, including \$259 million in reduced losses to victims of violent crimes, \$74 million in increased productivity and incomes of employed parents while their children are in early education programs, and \$14 million in health savings due to reduced alcohol and drug abuse.

The Wilder study comes on the heels of “The Costs of Disinvestment” report issued last week by the Washington, D.C.-based Pew Center on the States. That report presented scientific and other data showing that investments in early childhood programs are fundamental to achieving a globally competitive workforce and fiscal sustainability for states and the nation.

“These studies – and Wilder in particular – document that if the state's investments in early childhood programs were to be cut, future state budgets and the overall economy would suffer,” said Judy Samelson, CEO of ECIC. “Not investing in school readiness would cost Michigan much more over time than supporting these programs costs today.”

She pointed to Wilder study findings regarding the Great Start Readiness and Head Start programs, which currently serve more than 47,000 low-income 4-year-olds across Michigan with half-day or full-day educational programs. Another 35,000 children are eligible but not served.

The study estimates the ongoing cost of not preparing these children at \$598 million per year, including \$115 million in increased education costs, \$303 million in increased government spending and reduced tax revenues and \$180 million in increased social costs.

In contrast, the annual price tag for providing full-day programs for these children would be just \$236 million.

“Our findings indicate that early childhood education has contributed to the skilled, educated workforce that is the linchpin of the Michigan economy. Preparing its young children for success in school will be even more important to the state’s long-term success,” said Wilder researcher Paul Anton. “States must invest early to reap the benefits.”

That fact is apparently well-known among elected officials. The Pew report notes that among the states suffering the 10 worst budget shortfalls at the time of the study (measured as a percentage of the budget, Michigan is not among them), only Connecticut and New York approved a cut to early education programs.

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