

California Report:

ReadyNation 

Strengthening business through
effective investments in children and youth

More Than You Get ^ What You Pay For



High-quality early childhood education is key
to growing the California workforce

■ WHO WE ARE

READYNATION is the nation's preeminent business leader organization working to strengthen business through effective policies for children and youth. It operates under the umbrella of the non-profit Council For A Strong America. Our more than 1,100 members, including more than 120 in California, educate policymakers and the public about effective investments that will help businesses compete in today's global marketplace by helping children get on the right track to succeed in school and in life. Our members have contributed to victories for children at the federal level and in dozens of states.

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EXECUTIVE SUMMARY

As business leaders who realize that more and more California jobs require advanced education, we know California's preschools are essential for workforce development, to avoid a serious skills gap. We are also excited to see that this report shows that extending access to preschool to the remaining 31,500 low-income four-year-olds who should be served under the 2014-15 Budget Act could save California close to \$820 million per year.

Our own experience in business teaches us that we need a skilled workforce in order to prosper. We also must have a business plan that incorporates the latest research, industry standards and best practices. Another key factor in running a successful business is continuous quality improvement—ongoing, careful monitoring of how things are going and the wisdom and courage to make any needed adjustments. In short, investments in quality are essential for success in business.

So it is with early childhood education. We know high-quality pre-kindergarten can deliver very strong results. For example, a study of California state preschool programs found that state-funded pre-K in public schools produced substantial gains in vocabulary and math at kindergarten entry. There are also strong results in other states. In New Jersey, fourth- and fifth-graders who attended quality preschool at ages three and four were three-fourths of a year ahead of their peers who did not attend Pre-K in math and two-thirds of a year ahead in reading. They were also 31 percent less likely to need special education and 40 percent less likely to be held back. Michigan's Great Start Readiness preschool program reported a 35 percent increase in high school graduation among its participants. At-risk children randomly assigned to the Abecedarian early learning program in North Carolina were four times more likely to graduate from a four-year college and 42 percent more likely to be consistently employed as adults.

There are short-term economic gains as well: for every \$1 invested in early care and education, on average an additional \$1 is generated into the overall economy, for a total of \$2 in new spending in the state. Investments in quality also pay off handsomely for the economy over the long term: a well-respected, independent cost-benefit analysis of more than 20 different studies of high-quality state and local preschool programs showed that they can have, on average, a net return of more than \$26,000 in current dollars for every child served. Applied to the additional 31,500 children who would be served pursuant to the promise in the 2014-15 Budget Act, net savings to society could equal close to \$820 million a year.

California preschools meet only four out of 10 benchmarks for quality inputs spelled out by the National Institute for Early Education Research (NIEER). However, recent efforts to expand the Quality Rating and Improvement System (QRIS) statewide is helping early learning centers make needed progress in key areas. California should build on this success by ensuring that:

- Our preschool teachers in California must be well-trained and adequately compensated.
- Even though preschool classrooms incorporate play, instruction must be purposeful, with developmentally appropriate standards and an evidence-based curriculum.
- Careful assessments of the classroom must be utilized to determine which inputs are in place to produce high-quality experiences for all children. Further, programs must also evaluate outcomes and teachers and administrators must then act on that information and other knowledge from the field to continually improve the quality of their programs.

The bottom line: California must continue to improve preschool quality and fulfill the promise of the 2014-15 Budget Act, which would ensure that every low-income four-year-old has access to early education through the California State Preschool Program, Head Start, or Transitional Kindergarten. This will require the addition of approximately 10,000 new slots per year over the next three years. As a result, 31,500 four-year-olds would gain access to preschool and California would save close to \$820 million per year, given the \$26,000 lifetime net savings of preschool for each low-income child. That is a solid investment in our state's future.



High-Quality Early Childhood Education Benefits Our Children and Our Economy

As we strive for lasting economic security, we must create an infrastructure that will better ensure a more educated and higher-skilled future workforce. Training and re-training the current workforce must be implemented to begin to address today's widening skills gap.

However, a long-term problem also requires a long-term solution. High-quality early care and education is a proven approach that can help lay the foundation children need for success in school and to enter the workforce with the skills employers require to compete in a global marketplace. And there is an additional short-term bonus: High-quality early learning programs will provide a big boost to California's businesses and economy today.

SHORT-TERM ECONOMIC GAINS

California businesses do not need to wait 18 years to experience economic gains from investments in early care and education. For every \$1 invested in early care and education, on average an additional \$1 is generated, for a total of \$2 in new spending in the state.¹ This strong economic boost for local businesses is as high as or higher than investments in other major sectors such as construction, retail trade, manufacturing, transportation and utilities. Inversely, every dollar cut from early learning programs in California eliminates \$2 in local economic activity.

Early learning investments generate this additional local economic activity

in two ways: Early learning centers purchasing local goods and services to operate their programs; and early learning teachers and staff spending their wages on local goods and services. The early care and education sector has one of the highest economic output multipliers because such a high proportion of the spending by early learning programs and staff is spent locally. Much of the investment in early learning goes to teacher wages, and the person-to-person nature of this service means that it must be provided and delivered locally, since early learning teachers work directly with children in local programs.

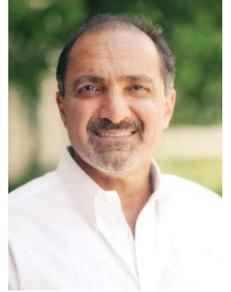
EARLY CHILDHOOD EDUCATION IS WORKFORCE DEVELOPMENT

Abundant research has shown that high-quality early childhood education generates benefits for young people and for our economy. For example:

- Children in Redwood City who received high-quality pre-kindergarten for two years actually outperformed their more well-off peers: by second grade, 74 percent of children in the program for two years were proficient in reading compared to 55 percent of the students who did not attend (most of whom attended private preschool programs).⁵
- Children in the Preschool for All program in San Francisco, compared to

“Early learning programs improve the productivity of our companies.

Access to these programs reduces absenteeism and turnover, and increases productivity and retention. That’s good for the bottom line.”



Darius Assemi
President, Granville Homes

children who had not received the program, showed gains of three months in early literacy and gains of three to four months in early mathematics. Effects on self-regulation skills were even stronger.⁶

- A study of California state preschool programs in Fresno, Los Angeles and Sacramento by researchers at NIEER found that state pre-K in public schools produced substantial gains in vocabulary and mathematics (applied problem solving) at kindergarten entry.⁷
- Boston's universal preschool program improved mathematics, literacy and language skills among participating children equivalent to seven months of additional learning,

Early Care and Education in California: A Neglected but Crucial Business Sector

Given that 61 percent of children under the age of six in California have both parents or their only parent in the workforce, early education and care is an important industry in the state, generating nearly six billion dollars each year.² In California there are an estimated 11,100 child care centers and 33,400 licensed family child care homes.³ Combining child care and preschool, the sector employs between 140,000 and 170,000 teachers, staff and administrators.⁴



compared to children who did not participate.⁸

- By fourth and fifth grades, New Jersey children who attended high-quality preschool at ages three and four were three-fourths of a year ahead in math and two-thirds of a year ahead in reading, compared to children who did not attend. They were also 31 percent less likely to need special education and 40 percent less likely to be held back.⁹
- Michigan’s Great Start Readiness preschool program reported a 35 percent increase in high school graduation among its participants.¹⁰
- At-risk children randomly assigned to the Abecedarian early learning program in North Carolina were four times more likely to graduate from a four-year college and 42 percent more likely to be consistently employed as adults.¹¹

QUALITY IS KEY

In our businesses, it’s important to know what quality elements make a difference and are worth the investment.

Research indicates that in early childhood, several quality elements are especially important and should be the focus of our quality improvement efforts:

Teacher-Child Interaction

The heart of any program is the interaction between the teacher and the child. As with business, in order to attract and retain the best employees, early childhood teachers must be well-trained and adequately compensated.

Play, with a Purpose

Programs must nurture all aspects of children’s development—physical, social, emotional and cognitive. And quality early learning programs are fun for children – they have play, but play with a purpose, with developmentally appropriate standards and an evidence-based curriculum delivered with fidelity.

Enough Time

Even great teachers can only do so much if they see children for only a few hours a week. Research suggests that high-quality early learning programs should be full-day. A randomized trial showed that children who participated in a full-day preschool program (8 hours) improved more on vocabulary

and math assessments than did children in a part-day (2.5 to 3 hours) program (11 to 12 points versus 6 to 7 points, respectively).¹² A more recent study found that children who attended preschool full-day had higher school readiness scores (language, math, socio-emotional development, physical health) and better attendance than children who attended preschool part-day.¹³ The California State Preschool Program provides a combination of half-day and full-day programs, and the 2014-15 Budget Act prioritizes expansion of full-day, full-year programs to meet the needs of working families.

Mean Annual Wages in California

Preschool teacher	\$34,000
Kindergarten teacher	\$63,000



Data and Accountability

More recent efforts to hone in on what produces strong results in preschool have focused on data collection and accountability. For example, recent studies focus on what actually happens in the classroom, including the quality of teacher instruction.¹⁴ High-quality early learning programs that are getting strong results collect data to see how they are performing, at every level: district, program, teacher and student. These data are then used to improve program performance and to ultimately improve child outcomes.

ENSURING QUALITY CHILD OUTCOMES THROUGH “QRIS”

California is currently implementing a Quality Rating and Improvement System (QRIS) across the state, thanks in large part to a federal Race to the Top grant awarded in 2012. In the QRIS, early learning programs are rated on three research-based elements: the quality of instruction, assessments of child development and readiness for school, and program and environment quality. In order to meet local needs, through the federal grant there are 17 “Regional Leadership Consortia” voluntarily participating in QRIS who are in charge of evaluating and providing support to early learning programs. In addition to the ratings, the Consortia provide support services to programs, such as training and technical assistance for providers and professional development for teachers, to improve the quality of care.¹⁵

Hundreds of early learning programs are currently participating in the QRIS pilot and state officials expect full participation by June 2016. As of



January 2015, **child care and early learning providers in 30 out of the state’s 58 counties were participating in QRIS, covering 90 percent of California’s children under age five**—significant progress for a program that just began in 2012.¹⁶

The 2014-15 Budget Act is helping strengthen these efforts by providing \$50 million for a new ongoing QRIS Block Grant dedicated to the California State Preschool Program. The QRIS block grant awards funds primarily to preschool programs with high QRIS ratings to help them maintain their high quality—for example, by keeping ratios low, paying for qualified staff, and supporting strong teacher-child interactions. A small portion of the funds is being used to raise the quality of programs not yet receiving high ratings. The State Department of Education awarded QRIS grants in 2015 to Consortia representing 28 counties.¹⁷

Assessment and accountability are essential for first-rate child outcomes: careful assessments of the classroom can determine which inputs are in place to produce high-

quality experiences for children. As mentioned, quality teacher-child interactions have been shown to be especially crucial.¹⁸ Further, programs must evaluate outcomes and then teachers and administrators must be ready to act on that information and other knowledge from the field to continually improve their programs. Just as in business, none of this can be taken for granted.

INVESTMENTS IN QUALITY PAY OFF

An independent cost-benefit analysis by the Washington State Institute for Public Policy shows the immense payoff California can expect from investing in high-quality early childhood education for its disadvantaged young children.¹⁹ Examining results from more than 20 different studies of state and local programs, investigators found that high-quality early childhood education can have, on average, a net return (after subtracting program costs) of over \$26,000 for every child served.

FURTHER EXPANSION OF PRESCHOOL WOULD SAVE CALIFORNIA CLOSE TO \$820 MILLION PER YEAR

As a result of the 2014-15 Budget Act, every low-income four-year-old in California should gain access to early education through the California State Preschool Program, Head Start or Transitional Kindergarten. Business leaders encourage policymakers to fulfill this promise through the addition of approximately 10,000 new slots per year over the next three years.

As a result, 31,500 four-year-olds would gain access to preschool in California. Applying the estimated \$26,000 in lifetime net savings per child served by preschool means that serving these children would result in **savings to our state of close to \$820 million for each graduating preschool class.**

THE BOTTOM LINE

California has been a leader in both providing high-quality early childhood education and workforce development. Now we must increase our commitment to helping our state become more competitive by expanding access to high-quality early childhood education to more of our children and continuing to focus on improving quality. Only then will our state fully realize the benefits for our children and our economy.

“High-quality early childhood education can have, on average, a net return of over \$26,000 for every child served.”

ENDNOTES

- 1 ReadyNation has conducted a number of studies examining the short-term return on investment for early childhood education. ROI has ranged from approximately \$1.75 to \$2.50 for every dollar invested, with an average of approximately \$2. See, for example: Schaefer, S., Gates, S. L., & Warner, L. (2012). *Boosting Maine's economy short- and long-term economic gains through quality early learning*. Washington, DC: America's Edge / ReadyNation. Retrieved from: <http://readynation.s3.amazonaws.com/wp-content/uploads/ME-AE-Early-Ed-Quality-Report.pdf>
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ReadyNation is a membership organization of business leaders that operates under the umbrella of the non-profit Council For A Strong America.

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