

FACTS & FIGURES

Enriching Children, Enriching the Nation



In his new research study economist Robert G. Lynch examines the costs and benefits of high quality prekindergarten programs and their positive impact over time on federal and state budgets, crime, and the achievement and earnings of children and adults. In the highlights below, *targeted* refers to a voluntary, high-quality pre-K program serving 3- and 4-year-old children from families in the lowest quarter of income distribution.

Universal refers to a similar program available to all 3- and 4-year-olds.

Costs & Benefits

- The total annual benefits of a universal program would begin to pay for itself within nine years and would do so by a growing margin every year thereafter.
- By the year 2050, the annual benefits of a universal program would total \$779 billion, exceeding the costs of the program (\$95 billion) in that year by a ratio of 8.2 to 1. By state, that ratio would vary from 6.1 to 1 for residents of Alabama to 11.4 to 1 for those in Wyoming.
- The total annual benefits of a targeted program would surpass costs within six years and would do so by a growing margin every year thereafter.
- By 2050, the annual benefits of a targeted program would total \$315 billion, exceeding the costs of the program (\$26 billion) in that year by a ratio of 12.1 to 1. By state, that ratio would vary from 8.1 to 1 for residents of Alabama to 29.1 to 1 for those in Delaware.
- Prekindergarten investments present much higher returns than the stock market. A Federal Reserve Bank of Minneapolis (2003) study determined that the total annual real rates of return (adjusted for inflation) on public investments in the Perry Preschool program exceeded 16%. The highly touted real rate of return on the stock market that prevailed between 1871 and 1998 was just 6.3%.

Government Budget Benefits

- By the year 2050, a universal program would generate government budget benefits of \$191 billion.
- Comparing government budget benefits alone (excluding benefits to individuals from less crime and higher compensation) to program costs, a universal program would pay for itself within 17 years. By 2050, the ratio of government budget benefits to program costs would be about 2 to 1.
- Even if states paid almost all the costs of a universal program – with the federal government simply maintaining its current commitments to pre-K education – the annual state government budget benefits of the program after 44 years would outstrip the annual state program costs by a ratio of 1.26 to 1. When compensation

and crime reduction benefits are added to the state budget benefits, total annual benefits in 2050 would exceed the program costs in every state, by a minimum of 5.9 to 1 in Alabama and by as much as 11.2 to 1 in Wyoming.

- By the year 2050, a targeted program would generate government budget benefits of \$83 billion.
- Comparing government budget benefits alone (excluding benefits to individuals from less crime and higher compensation) to program costs, a targeted program would pay for itself within 9 years. By the year 2050, the ratio of government budget benefits to program costs would be 3.18 to 1.
- Even if states paid almost all costs of a targeted program – with the federal government simply maintaining its current commitments to pre-K education – the annual state government budget benefits of the program after 44 years would surpass the annual state program costs by a ratio of 2.15 to 1. When compensation and crime reduction benefits are added to the state budget benefits, total annual benefits in 2050 would exceed the program costs in every state, by a minimum of 7.9 to 1 in Alabama and by as much as 28.8 to 1 in Delaware.

Earnings Benefits

- Universal pre-K investment can increase future compensation (wages and benefits) of participants and their guardians. While the total increase in compensation by 2050 will be \$432 billion total, increased compensation will vary from \$540 million in Wyoming to \$64.4 billion in California.
- By the year 2050, a targeted pre-K program would increase the combined compensation of workers who participated as children by \$156 billion. The increased compensation will vary from \$154 million in Vermont and Wyoming to \$25.7 billion in California.

Crime Benefits

- Investments in pre-K programs are likely to substantially reduce crime rates and the extraordinary costs of criminality. The crime-related savings to individuals from a universal pre-K program would total \$156 billion nationwide in 2050 and would range from \$99 million in Vermont to \$17.9 billion in California.
- The crime related savings to individuals from a targeted pre-K program would total \$77 billion in 2050 and would range from \$34 million in Vermont to \$9.9 billion in Texas.

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