

Cost savings analysis of school readiness in Illinois Summary

Conclusions

Illinois' investments in school readiness over the past 23 years already have produced annual savings and revenues of up to more than half a billion dollars while also preparing children for success in school.

Sustaining or increasing those investments in high-quality early education programs will significantly increase savings, revenues, and overall economic benefits to the state. And, by preparing more young children for school success, Illinois will develop the educated and skilled workforce it needs to be economically competitive and positioned for economic growth.

Reducing or discontinuing investments in school readiness would erode savings and produce significant negative impacts on future State of Illinois budgets and the overall economy.

School success is a critical issue for our nation and for states like Illinois that are facing short- and long-term economic challenges. Failing to invest in school readiness bears a substantial cost burden.

Background

Research studies have demonstrated that investing in programs that prepare young children for success in school – particularly low-income, at-risk children – also prevents needless public spending on remedial education and other social services later in life. Conversely, cutting spending on programs that produce school readiness will result in increased spending in other budget categories as well as adversely affect the economy because of lost wages and other beneficial contributions.

Early childhood education programs reduce expenditures for special education, grade repetition and teacher turnover in the K-12 school systems. They also reduce costs throughout the social services

and criminal justice systems for juveniles and adults. And they increase state revenues by lowering drop-out rates and insuring a skilled workforce that contributes to the tax base.

Beginning in the late 1980s, Illinois began making investments in early education programs to prepare young children for school. Nearly 90,000 at-risk children ages 3 to 5 are served each year through Illinois' Early Childhood Block Grant (ECBG) programs. These programs seek to: 1) improve children's school readiness and outcomes, 2) support at-risk families, and 3) provide quality early childhood services. ECBG programs serve all 102 counties and operate within school districts, community-based organizations, and other entities.

This study estimates the current cost savings and revenues generated from the state's investments in school readiness for 3- to 5-year-olds over the past 23 years. It also estimates the additional cost burdens to schools and taxpayers when children are not fully prepared when they enter kindergarten, and quantifies the additional economic benefits that could be realized if Illinois were to expand its investment in school readiness to all educationally disadvantaged children.

Current cost savings and revenue

The current combined cost savings and annual revenue generated in Illinois that can be attributed to Illinois' 23-year investment in school readiness was an estimated \$353 million to \$530 million. This amount can be expected to grow each year as additional school children who received education services through the state's ECBG program continue to experience success in school, graduate, and go on to find jobs and pay taxes.

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The cost savings categories include:

Schools

\$27 million to \$40 million in K-12 savings:

- \$21.9 million to \$32.9 million in reduced spending on special education related to disabilities that were prevented or ameliorated through early intervention. This includes mild or moderate speech or language problems, cognitive and emotional impairment, specific learning disabilities and other health problems
- \$2.5 million to \$3.7 million in reduced spending because fewer children repeat a grade in K-12
- \$2.3 million to \$3.4 million in reduced costs traced to lower teacher turnover as fewer teachers leave jobs due to dissatisfaction with working conditions related to poor student behavior or performance issues stemming from a lack of school readiness

Taxpayers

\$172 million to \$259 million in reduced government spending and increased tax revenues:

- \$97.9 million to \$146.8 million in juvenile corrections, including costs to arrest, adjudicate and detain juvenile offenders
- \$37.1 million to \$55.7 million in reduced cases of substantiated child abuse and neglect, including the costs of out-of-home placement
- \$30.8 million to \$46.2 million in adult criminal justice, including costs to arrest, process and incarcerate adult offenders
- \$5.2 million to \$7.8 million in increased income tax and sales tax revenue from higher wages for disadvantaged children who reach adulthood as well as the taxes on the higher productivity of their parents while those children were enrolled in early education programs
- \$1.1 million to \$2.9 million in reduced unemployment benefits due to improved employment outcomes for disadvantaged children who have reached adulthood

Savings in adult criminal justice and unemployment costs and tax revenues from higher wages will grow substantially as more early education graduates reach adulthood.

Other social costs

\$154 million to \$231 million in reduced social costs to the public:

- \$79.1 million to \$118.7 million in reduced tangible losses to victims of violent crimes and property offenses committed by juveniles
- \$35.7 million to \$53.5 million in reduced tangible losses to victims of violent crimes and property offenses committed by adults
- \$34.4 million to \$51.6 million in increased earnings of employed parents while their children are enrolled in early education programs
- \$4.7 million to \$7 million in health savings due to reduced alcohol and drug abuse among teens and adults who benefited from school readiness programs when they were children

The economy

Using past participation and success rates of early education programs in Illinois, an estimated 4,470 adults, age 18 to 29, are high school graduates in the labor force today who otherwise would have dropped out of school had Illinois not invested in their school readiness. These workers' contributions to state coffers exceed any benefits they receive from state-supported services; however, had they dropped out, they would represent a net fiscal drain on the state.

The estimated economic impact of these adults is about \$72 million annually in increased wages and tax revenues, a sum that will grow substantially as more early education graduates become young adults.

Ongoing costs when children are not fully-prepared at kindergarten entry

The ongoing cost burden of not investing in school readiness for all disadvantaged children is an estimated \$155 million a year.

It is estimated that an additional 67,000 eligible, 3- to 5-year-old children are currently not served through Illinois' ECBG programs – children whose parents likely want but cannot access services. Annual cost burdens associated with the potential lack of school readiness of this group of children are estimated as follows:

\$7.1 million in K-12 spending:

- \$3.7 million in preventable special education spending
- \$3 million in teacher turnover
- \$0.4 million in grade repetition

\$66.8 million in increased government spending and decreased tax revenues:

- \$41.2 million in juvenile corrections
- \$19.4 million in adult criminal justice
- \$3.8 million in child welfare
- \$1.5 million in lost income and sales tax revenue
- \$0.85 million in unemployment benefits

\$81.5 million in increased social costs:

- \$31.1 million losses to victims of juvenile crime
- \$15.1 million losses to victims of adult crime
- \$31.8 million in decreased productivity of employed parents
- \$3.5 million in reduced health costs (alcohol, drug abuse)

Methods

To make these estimates, we relied on the best available research data from longitudinal studies of early childhood education programs in the country. We used both current and historical expenditure and enrollment data for Illinois schools, as well as data from early education programs in the state. In some cases, we made conservative assumptions using Minnesota, Michigan, or national data as guides for our calculations when current Illinois data was limited or unavailable.

The estimates presented here, based heavily on studies of early childhood education, represent conservative estimates of the value conveyed by the school readiness produced by just one set of programs – pre-K services for 3- to 5-year-old children – within the total array of early childhood investments in Illinois. Other programs and services for children and parents also enhance school readiness, including many that have not yet been studied from a cost-benefit basis.

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For more information

This summary presents highlights of the *Cost Savings Analysis of School Readiness in Illinois*, prepared for the Ounce of Prevention Fund, Illinois Action for Children, and Voices for Illinois Children. For more information about this report, contact Richard Chase at Wilder Research, 651-280-2700.

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