

UNFINISHED BUSINESS:

Continued Investment in Child Care
and Early Education is Critical
to Business and America's Future



**A Statement by the Policy and Impact Committee
of The Committee for Economic Development**

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Purpose of this Statement



The Committee for Economic Development (CED) has a decades-old commitment to quality early-childhood education. CED Trustees have always been in the forefront of the effort to promote early learning and development for all children.

Over recent years, the case for investment in the early years of childhood has become stronger and more urgent. Scholars from several disciplines have learned more in fields that range from the first stages of development of the brain to the demonstrable life-long consequences of past high-quality investments in young children. Accordingly, our Subcommittee on Early Childhood Education reconvened to accumulate this knowledge, and to explain it to the newest generations of business leaders. We continue to believe that these human investments are among the most important that our nation can make, and that the business community should take the lead in making this case to both policymakers and the public at large.

Acknowledgements

We thank the dedicated and knowledgeable business, academic and policy leaders who served on the Subcommittee for their contributions of expertise, judgment and commitment.

We wish to express special thanks to James E. Rohr, Chairman and Chief Executive Officer of the PNC Financial Services Group, for his vision and dedication to the cause of early childhood education, and for his service as the chair of this Subcommittee. Jim's leadership is unsurpassed as an example of what the business community can accomplish in the public interest.

Rachel Schumacher provided expert guidance to the Subcommittee as its project director. Manuel Trujillo, a CED Research Associate, diligently ensured the accuracy of this report and its presentation.

We also acknowledge the helpful advice from Matthew Melmed and Cindy Oser of ZERO TO THREE; Louise Stoney of Stoney and Associates; and Kristie Kauerz - Program Director, PreK-3rd Education, College of Education, University of Washington and Harvard Graduate School of Education.

We are grateful for the support of The Birth to Five Policy Alliance, a national partnership of philanthropic organizations dedicated to investments in America's at-risk children from birth to age five, which made this CED Policy Statement possible. The Birth to Five Policy Alliance is a pooled fund that invests in advocacy, leadership, and research to improve state policies for vulnerable young children. The findings and conclusions contained within are those of the Committee for Economic Development, and do not necessarily reflect positions or policies of The Birth to Five Policy Alliance.

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Executive Summary



Investing in Children: A Strong Tradition of Engaging Business Leaders

Business leaders have an acute understanding of the importance of a well-educated workforce to support a strong economy, keep America competitive globally, and ensure a vibrant democracy. If a community's talent pool is weak, economic development stagnates and business suffers. Right now 20 percent of the American labor force is functionally illiterate or innumerate.¹ Investing in high-quality child care and early education builds a strong foundation of cognitive and social skills in young children that can improve their engagement in school and increase per capita earnings and economic development.² Business leaders and policymakers should consider investment in young children one of the most effective strategies to secure the future economic strength of their communities and the nation.

CED's model of engaging the business community has mobilized corporate leaders to support early learning programs. With tools provided by CED, our Trustees have travelled the country and spoken to business and civic audiences about the importance of investing in children and families. Other business leaders have chaired CED subcommittees overseeing new research, identified strategic public/private partnerships, and invested their company's corporate resources in support of early learning programs. Listed below is a summary of key accomplishments and the impact of business leaders:

- In the 1980s, CED Trustees Owen (Brad) Butler, Chairman of Proctor & Gamble, and James Renier, CEO of Honeywell, used their positions as corporate leaders to marshal a new era of business involvement in education. In 1995, Butler founded Bright Beginnings, an organization that provides support for early care and education in Colorado. Under Renier's leadership, Honeywell joined with the United Way of Minneapolis in 1989 to

form Success by Six, which later became a major initiative of the United Way network.

- CED policy studies *Why Child Care Matters* (1993), *Preschool for All* (2002), and CED-sponsored working papers – including research conducted by 2000 Nobel Laureate in Economics James Heckman – made the economic arguments for early investments in children and identified child care as a central workforce issue. This economic analysis about the return on investments in early-childhood programs has had a major impact on national and state policy and funding.
- CED Trustee Robert Dugger launched the Invest in Kids Working Group, a precursor to *Ready Nation*, from CED's offices in Washington, D.C.
- New York State's renowned Pre-K program faced extinction in the 2003 budget debate in Albany. CED's leadership participated in "Lobby Day," which consisted of meetings with state Senators, Members of the Assembly, and key advisers to Governor George E. Pataki. After tireless efforts by advocates, funding was fully restored.
- Through the involvement of CED and other business groups, and the tireless work of advocates across the country, state pre-kindergarten program funding increased from \$2.4 billion in 2001-2 to \$5.3 billion in 2009-10.
- Through the leadership of CED Trustee and CEO of Lego Group, Jorgen Vig Knudstorp, CED convened a series of international early-childhood conferences between 2008 and 2010 in The Hague, The Netherlands; Washington, D.C.; Cape Town, South Africa; and Sao Paulo, Brazil, to promote the model of engaging business leaders as advocates.

- In partnership with the Mississippi Economic Council (MEC) in 2010, CED launched a 10-city tour and identified some 1,000 business leaders to support early education in Mississippi.
- In 2011, PNC Chairman and CEO and Chair of CED's Subcommittee on Early Childhood Education, James Rohr, announced the expansion of PNC's successful school readiness program, Grow Up Great. After an initial investment of \$100 million, PNC has made a \$250 million 10-year extension of its initiative to prepare children from birth to age five for school and life.

CED remains committed to supporting investments in early learning programs. After many recent accomplishments, we want to highlight in this business brief

new data, strategies, developments and examples of corporate engagement. We also want to restate, given the funding challenges created by the recent economic downturn, how vital it is for our country's future that investments in our youngest children remain a major national and state-level priority. This new business brief builds on CED's previous statements and reflects the considerations of the current CED Subcommittee on Early Childhood Education, chaired by Jim Rohr.

I. Introduction

Business leaders know that it is more cost-effective to get products or services right at the beginning than to fix problems later. It is no different when it comes to investments in early-childhood development.

CED's Early Learning Recommendations and What CEOs Can Do

CEOs can bring a business perspective to the current debate on how to strengthen the American economy for the long term through early-childhood investment. The unfinished agenda is to:

1. Protect and significantly build on current effective early-childhood investments of public and private dollars.
2. Ensure all children are able to engage in effective, high-quality early-childhood programs from birth to age five, beginning with those in the greatest need.
3. Hold all early-childhood services to high program and practitioner standards that have been shown to promote healthy development and learning.
4. Engage and support families in improving education and life prospects for their children and themselves.
5. Sustain success by guaranteeing high-quality full-day kindergarten and ensuring effective 1st through 3rd grade schooling.

CED is prepared to work with every business leader interested in supporting this agenda. CEOs can, for example:

- Use their power and influence to keep early childhood at the forefront of all decisions at the community, state and national levels.
- Ask elected officials to support significant increased investment in early childhood.
- Voice support of the above agenda with peers, at public events, and through the media.
- Invest at least 1 percent of corporate profits in public/private partnerships that support early childhood in their community or state.
- Make their company policies more family-friendly and educate employees about the importance of early childhood.

For more information on how to become involved, see www.ced.org or www.readynation.org.

Recognized, forward-looking public leaders – in business, science, economics, and the military – agree that the best returns on human capital investment occur during the early years of life. The benefits to our communities far outweigh the immediate costs.

In the new global economy, Americans need to be creative, articulate, and solid team players. They need to achieve education beyond a high school degree and to develop advanced technical skills. Early-childhood development is the foundation of our young people's future. The roots of human character form in early childhood and can be enhanced by engagement in high-quality child care and early education. The most formative years of brain development come during the prenatal period and the first three years of life, before kindergarten or even preschool. Families are the most important caregivers and teachers of young children, but many face great challenges, especially in today's economic climate. Early and sustained participation in sound child care and early education has favorable short- and long-term impacts on children and their families, including high school completion, higher earnings rates for parents and for the children once grown, and reduced public spending on remedial education and services. These impacts are more pronounced for children growing up in low-income families.

In reality, just a fraction of American children have access to high-quality child care and early education (from birth to the time they enter elementary school). The current status is:

- **Poor-quality child care for babies and toddlers:** A national study found that 40 percent of infants and toddlers in child care and early education experienced a low-quality environment and care.³ The need for early-childhood programs of quality for this age range is great; 48 percent of children under age three (5.7 million) live in low-income families.⁴
- **Expanded access to pre-kindergarten, but growing need and substantial variety in quality:** State-funded pre-kindergarten attendance has grown by half a million (from 0.7 to 1.2 million) since 2002, yet the quality of those services varies from state to state.⁵ At the same time, the number of low-income children has increased significantly;

46 percent of three- to five-year-old children (5.8 million) now live in low-income households.⁶

- **No guarantee of access to full-day kindergarten.** Depending on where they live, children may or may not be able to attend a full-day public kindergarten program.
- **Inconsistent quality of early elementary school instruction.** Across the country, opportunities to learn and the quality of instruction in the early elementary grades are inconsistent.

High-quality early learning experiences can improve a range of outcomes for children, especially for the growing proportion of American young children currently living in deprivation and poverty. Action is needed now; otherwise the health, education, and skills of our talent pool will continue to wane.

Our nation now faces tough choices to renew the economy, but fiscal prudence cannot be served at the expense of under-investing in the well-being and future of our children – and thereby preventing unnecessary remedial expenditures. Under-investment in children has already begun to erode our economic health. As Nobel laureate and economist James Heckman argued in a letter to the Joint Select Committee on Deficit Reduction in 2011: “Budget deficits are created in large part by deficits in the skills of our workforce... Early childhood development deserves more resources, not less.” **The Committee for Economic Development (CED) calls upon business leaders to make the case for continued investment in children's early learning and development. Public- and private-sector leadership is critical to address the unfinished**

Human capital will determine power in the current century, and the failure to produce that capital will undermine America's security. Large, undereducated swaths of the population damage the ability of the United States to physically defend itself, protect its secure information, conduct diplomacy, and grow its economy.

– Council on Foreign Relations, *U.S. Education Reform and National Security, Independent Task Force Report*, March 2012. Task Force co-chaired by Joel I. Klein, News Corporation and Condoleezza Rice, Stanford University.

agenda of giving every child the opportunity to thrive and contribute to society.

II. The Business Case for Investing in Young Children

Global competition and a growing achievement gap have brought America to an economic and educational crossroads.

Globalization and new technology have reduced the chances of earning a living wage without advanced skills or education, at the same time that the proportion of Americans who meet that standard is shrinking. By some estimates, 85 percent of jobs today are classified as “skilled.” There is a heightened demand for complex thinking, communication, and technical skills – making unskilled labor increasingly obsolete.⁷ But since 1970, there has been a real decline in on-time high school graduation rates, especially among males, that has slowed progress in college attendance and graduation rates.⁸ Furthermore, much of America’s competitive advantage in recent years has been in creating new technology, but America’s share of the world’s scientific researchers is shrinking; more than twice as many young professional engineers live in China as in the United States.⁹

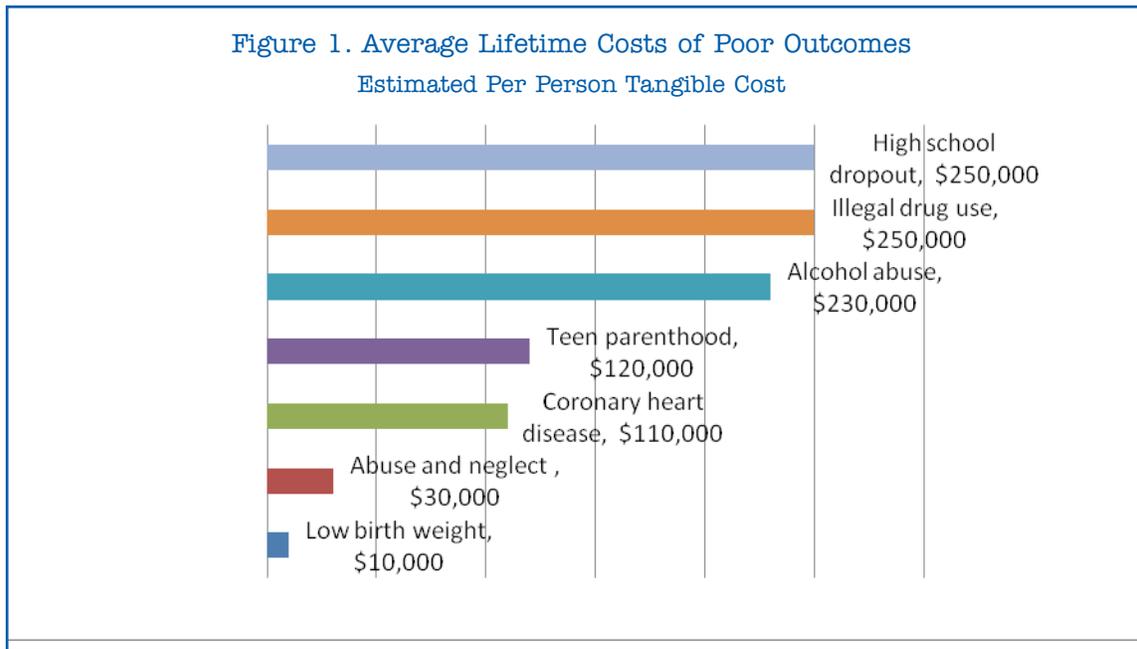
Why is the United States falling behind? A country is only as successful as its people. In the global economy, America’s lead is dwindling in part due to weaknesses and underinvestment in our childcare and early-education systems. Here is what achievement gaps look like: Infants in poverty lag behind their peers in some foundational cognitive skills by nine months of age; the gaps are broader by ages two and four.¹⁰ Children entering kindergarten without prior experience in formal childcare and early-education programs score lower on assessments of reading, mathematics, and fine motor skills than those who have such experience.¹¹

Gaps continue into the elementary school years and beyond. Only twelve states require the provision of full-day kindergarten,¹² and one in four kindergarten-age children do not attend full-day kindergarten.¹³ American expenditures on K-12 public education compare well to other nations, but the scores our children earn on international tests do not.¹⁴ Overall

on-time high school graduation rates have fallen since the 1980s; nationally the rate stood at 71.7 percent for the class of 2008, but disadvantaged districts in urban areas reported rates between 58 and 63 percent, according to the Education Research Center.¹⁵ Just 28 percent of the American adult population has attained a college degree, including 19 percent of the African American and 12 percent of the Latino populations.¹⁶ The proportion of American adults with advanced degrees has slipped in the last generation, while China’s has grown from 7 to 18 percent.¹⁷

The achievement gap in America has been likened to the “economic equivalent of a permanent recession.”¹⁸ In America today, more children are growing up in poverty (in 2012, less than \$23,050 for a family of four) than at any time since 1962,¹⁹ which puts them at risk for poor development and dropping out of school. The repercussions are felt throughout our society – for example, in terms of lost earnings and tax revenue, increased healthcare costs, and a population unfit for employment and productive work:

- **Reduced graduation rates and forgone tax revenue:** Workers with a high school diploma earn over \$8,000 more annually than those without that credential. Adding a four-year college degree translates to an additional \$19,000 annual increase in earnings.²⁰
- **Rising health costs:** Researchers have found that repeated exposure to adverse early life conditions and experiences – such as chronic poor nutrition and exposure to toxic stress – put children at risk for later asthma, addictions, cardiovascular disease, depression, diabetes and other chronic health problems.²¹
- **Lack of fitness for employment:** Research released by the Department of Defense (DOD) graded the fitness of American youth as poor; less than 25 percent of 17 to 24 year-olds in the United States would be eligible for military service, mostly due to health issues, such as obesity, but also because of the lack of a high school diploma, or a criminal record.²²
- **Skyrocketing incarceration costs:** The U.S. has the highest incarceration rate in the world; the rate grew 240 percent between 1980 and 2008 even



Source: Weiss, E. *Paying Later: The High Costs of Failing to Invest in Children*. Ready Nation, January 2010. Retrieved from: http://www.readynation.org/uploads/20110124_02311PAESCrimeBriefweb3.pdf.

as violent crime rates fell. (More of the prison population (60 percent) serves time for non-violent crimes now; for example, 24 percent serve for drug-related offenses.) The average cost of holding a prisoner in jail for a year is approximately \$26,000.²³

Left unchecked, these negative conditions increase public expenditures (see Figure 1) and tear at the social fabric of our nation and cripple our economy. High-quality early-childhood services can mitigate the impact of growing up in a disadvantaged environment, and prevent later costs.

Investing in early learning and development is the best foundation for human capital.

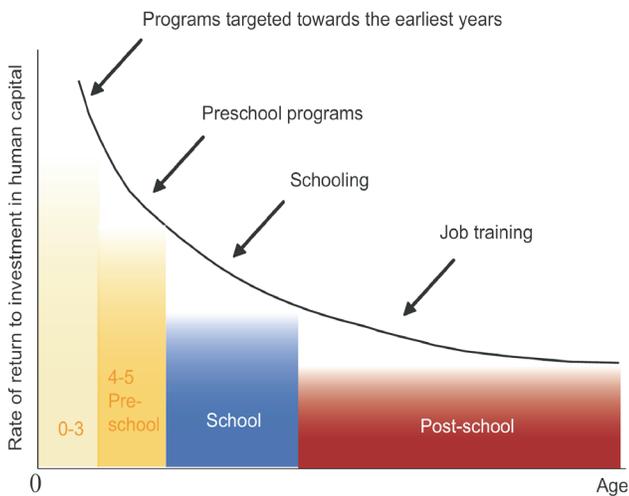
According to Nobel-prize-winning economist James Heckman, “Learning begets learning, skills beget skills.” The human brain is primed from birth to react to and learn from the environment and interactions with caregivers. But this process is cumulative, and so deprivations experienced prenatally and in the first three years of life shape brain architecture and can impede later language, cognitive, social, and emotional capacity.²⁴ Early experiences in mastering skills provide self-reinforcing motivation that carries forward through later stages of development.²⁵ Attributes

desirable in the marketplace – confidence, exploration, perseverance, and love of learning – have their source in early childhood. While parents are the first and most important teachers in a child’s life, skilled providers of child care and early education can also nurture these qualities by building trust and responding appropriately to young children.²⁶

Furthermore, child care and early education available from birth – such as home visitation and high-quality infant and toddler care – provide opportunities to identify and address risks to optimal child development. One in six children will experience a developmental disability or behavioral problem before age 18, but fewer than half of those problems are detected before school entry.²⁷ Costly adult health problems can be directly linked back to chronic early life deprivations and toxic stress.²⁸ Children who participate in high-quality preschool interventions have been found to have lower rates of special education use than those who have not had the opportunity to participate²⁹

Savings on future expenditures, better education and earnings outcomes, and increased tax revenue are part of the future returns on investment in early learning and development. For example, analysis by Tim Bartik, a senior economist at the Upjohn Institute for Employment Research, estimated an increase of future earnings of 6-10 percent for very low-income

Figure 2. Human capital investment: returns to a unit dollar invested



Source: The Heckman Equation, www.heckmanequation.org

children who participate in high-quality four-year-old pre-kindergarten, and of 35 percent for an intensive birth-to-five-year-old program.³⁰ A consortium of economists, developmental psychologists, sociologists, statisticians and neuroscientists developed breakthrough analysis which found that the greatest returns come from investments made in the earliest years, diminishing as investments are delayed over the life span (see Figure 2). Economists at the Federal Reserve Bank of Minnesota estimated that an initial investment in a high-quality preschool program and enriched education through third grade yields a 16 percent return rate, with 80 percent of the benefits accruing to society at large, not just the individual participant.³¹

Child care and early education play a critical role in our national economy.

In addition to supporting child development, expenditures on care and education of young children can strengthen families, communities, and economic development. Each of these contributes to a thriving economy and society.

Stronger families. Programs and services that support and engage families as partners in their children’s early learning and development – such as home visiting for at-risk parents or Early Head Start for poor infants, toddlers, and their families – can promote positive parenting and set the stage for later parent involvement in schooling. Childcare and early-education programs

can also be a critical point of contact to reach vulnerable families; the proportion of children born to unmarried mothers has grown to 53 percent for women under age 30.³² A two-generation approach can also encourage and aid mothers to renew their own educational attainment and improve their job prospects.³³ This could make a real difference for children being raised by teen parents; recent data indicate that half of teen mothers still have not achieved a high school diploma by age 22.³⁴ Furthermore, parents who know their children are in a reliable and stimulating environment while they work are likely to be more stable employees – more able to concentrate on their work and less likely to be late or absent.³⁵

More-livable communities. Disadvantaged children who participated in certain high-quality childcare and early-education opportunities were found to be more likely to stay in school, avoid teen pregnancy, attend college, and have higher earnings. They were also less likely to participate in juvenile crime or endure abuse and neglect.³⁶ These outcomes can make our communities more livable and attractive to top employees. In addition, high-quality child care and early education can lead to higher property values at a community level.³⁷

Economic development. Currently, about \$157 billion is expended for child care and early education of young children in America each year – equivalent to 1.1 percent of the gross domestic product (GDP). Only a portion is publicly funded; the figure includes private resources (through parent payments, or forgone wages of family caregivers). Policymakers who seek greater local or even national economic activity should consider that money spent for these opportunities results in spending on facilities and supplies (food, equipment, educational materials).³⁸ Employees tend to be of low- to middle-income and to spend much of their paychecks immediately. One analysis found that on average, a new dollar spent in the childcare and early-education sector translated to a broader statewide economic impact of two dollars. For each new job created in this sector, the broader statewide impact is 1.5 jobs.³⁹ This “multiplier effect” is on par with or larger than that of sectors more likely to receive attention from policymakers, e.g., job training, retail, and tourism. Note that long-term return on investment in high-quality preschool has been estimated at 16 percent.⁴⁰

North Carolina's Smart Start Public/Private Partnership Shows Results

North Carolina established the innovative Smart Start public/private partnership in 1993 to improve school readiness through three main strategies: improving access to high-quality child care and early education; providing parents tools to help them raise healthy, happy, and successful children; and ensuring access to preventative health care. In the years that followed, locally run Smart Start Partnerships for Children made up of public and private organizations grew in all 100 North Carolina counties. An independent evaluation by Duke University found that since Smart Start was created:

- The percentage of children attending high-quality child care and early education more than doubled.
- All but two percent of children residing in Smart Start counties now receive appropriate developmental screenings.
- Children scored higher on 4th grade math and reading tests in those Smart Start counties that received higher levels of funding from the start of the initiative.
- Placement in special education by grade 3 fell ten percent.
- Positive impacts were highest for children at risk of academic failure.

Source: Dodge, K., Ladd, H., Mushkin, C. (2010), From Birth to School: Examining the Effects of Early Childhood Programs on Educational Outcomes in NC. Durham, NC: Center for Child and Family Policy.

Other countries are well ahead of the United States in prioritizing investment in early learning and development.

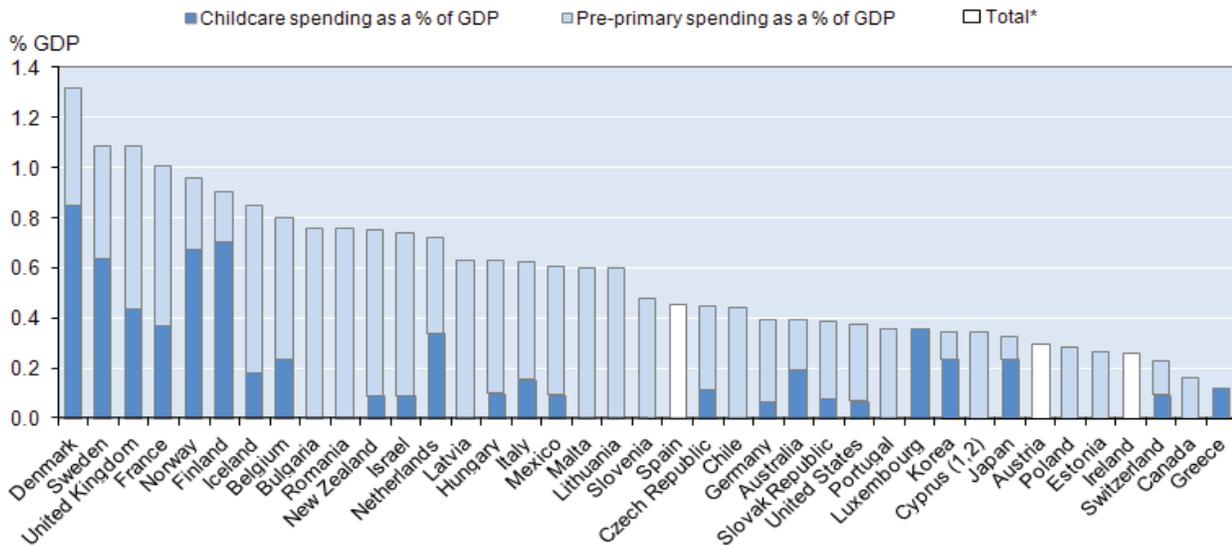
Compared to other developed nations in the Organisation for Economic Co-operation and Development (OECD), the United States spends a smaller percentage of GDP on childcare and early-education services for children from birth to age five (see Figure 3), and disproportionately less for young children as compared to school-age children.⁴¹

Per-capita public spending (\$4,121, federal and state, not including tax expenditures) on a range of services (health, nutrition, education, etc.) targeted to the first three years of life is even lower than that for preschool age children (\$6,702), according to analysis by the Urban Institute using 2004 data.⁴² At the same time, children in the United States face more challenges to their development than those in many of the other countries, including higher rates of infant mortality (4th worst in the OECD) and low birth weight (6th worst), teen births (2nd worst after Mexico), and poverty.⁴³ The children's share of the federal budget is projected to shrink from 11 to 8 percent by the end of the next decade if changes are not made.⁴⁴

The United States lags behind many highly developed countries in formulating a coherent national strategy to promote early learning and development for all children, and making the connection to the future economy. Although some states have made progress in expanding access to preschool for four-year-old children, other children have a patchwork of early-childhood experiences. Analysis by the United Nations Education, Scientific, and Cultural Organization (UNESCO) found an international trend toward comprehensive strategies to increase equitable access to services that promote early learning and development of the pre-school population.⁴⁵ Leading and emerging economies alike are doing more to expand access to better child care and early education through public investment and policy. Initiatives in some countries of interest – which we would expect the United States to far outperform – include:

- **Brazil** – Early childhood education for children birth to age six is a national constitutional right in Brazil.⁴⁶ Brazil created a National Plan for Education in 2001, including goals for participation in early childhood education from birth to age six. Funding for these programs was rolled into the national funding system for education in 2006. National laws have set education qualification target levels for all teachers, including those working with children under age six, and minimum salary levels to establish parity with the education system for older students.⁴⁷ Enrollment for preschool-age children grew from 49 percent to 81 percent between 1996 and 2009.⁴⁸

Figure 3. Public expenditure on childcare and early-education services, percent of GDP, 2007



Source: OECD, Social Policy Division - Directorate of Employment, Labour and Social Affairs (October 2011). PF3.1: Public spending on childcare and early education. Retrieved from: www.oecd.org/social/family/database.

- China** – Chinese leaders have systematically set goals for participation in early childhood education from birth to five. Although many poor and rural areas of the country lack services, national leaders are trying to address the issue. China’s National Plan for Medium- and Long-Term Education Reform and Development 2010-2020 included specific targets for expanding enrollment in kindergarten, which runs from ages three to five in China. The Educational Plan also discusses the importance of the early learning and development of infants and toddlers.⁴⁹ China spent 3.28 percent of GDP on preschool (2003 data) compared to the U.S. expenditure of 0.4 percent on child care and early education (2007 data).
- United Kingdom** – In 1999, the United Kingdom launched a national network of what are now 3,500 children’s centers that offer integrated family and workforce support with early learning and development opportunities targeted to disadvantaged neighborhoods. This effort was followed by national childcare legislation in 2004 that required participating programs to follow a national birth-to-five curriculum. In 2006, paid family leave was extended to 9 months.⁵⁰ Early learning and

development public-program spending from birth to age five grew to over 1 percent of GDP. When the recent economic downturn first began, the new Conservative-Liberal Coalition leadership stated that no additional children would be made poor through any budget cuts, protected early education, and instead reduced defense spending and raised some taxes.⁵¹

III Unfinished Business: CED’s Recommendations

CED Recommends that Policymakers Provide Access to Early Learning Opportunities for All Children from Birth through 3rd Grade.

Only a national strategy can address achievement gaps and provide equal access to quality early-learning opportunities for all children from birth through third grade. We recommend these key steps:

1. Protect and significantly build on current effective early-childhood investments of public and private dollars.
2. Ensure that all children are able to engage in effective, high-quality early childhood education

from birth to age five, beginning with those in the greatest need.

3. Hold all early-childhood services to high program and professional standards that have been shown to promote healthy development and learning.
4. Engage and support families to improve education and life prospects for their children and themselves.
5. Sustain success by guaranteeing high-quality full-day kindergarten and ensuring effective 1st through 3rd grade schooling.

Protect and significantly build on current effective early-childhood investments of public and private dollars.

Even in today's fiscal environment, policymakers must protect – and when possible increase – investments in services that promote early learning and development. This includes funding at the federal and state levels for child care and early education (e.g., federal and state expenditures for childcare assistance for low-income families and to improve the quality of care, Head Start/Early Head Start, state pre-kindergarten, early

developmental screening and intervention for infants and toddlers, and special-needs programming for preschoolers) and initiatives that promote positive parenting and family stability (e.g., home visiting, parenting education, family literacy, access to post-secondary education, and economic supports). National and state budgets should be assessed against a metric to do no harm to services that promote child and family well-being for the most vulnerable. State leaders should investigate new strategies – including partnerships with the private sector, tax credits, and innovative financing methods (see box: *Emerging Innovative Financing Strategies for Early Childhood*). Although investment in children is not a hard-and-fast numerical contest, a reasonable target for future U.S. spending on child care and early education would be at least 1 percent of GDP. Otherwise, it will be impossible to compete on skills with China and other nations.

As the economy continues to recover from the most recent recession, innovative financing and private-sector leadership are particularly important. Efforts spearheaded by corporate leaders and business

Business Leaders in Mississippi Take Action to Improve Quality

Started by Netscape founder Jim Barksdale, Mississippi Building Blocks (MBB) is a research initiative designed to serve as a model for how Mississippi can work within existing child care centers to improve children's early learning and school readiness. Corporate supporters helped raise \$7 million over the last several years to enable MBB to help child care and early education programs serving low-income children improve their quality ratings, and to evaluate their results. Additionally, Mississippi Economic Council (MEC) has provided tremendous help in informing business leaders of the importance of early childhood education. MBB's quality supports include:

- On-site mentors
- Classroom materials
- Scholarships and financial bonuses for teachers to pursue professional development
- Business consulting to improve financial management
- Parent education home visits

Each year, MBB is implemented in 100 randomly selected classrooms in licensed child care centers throughout the state. MBB provides instructional mentoring, \$3,000.00 per classroom in materials, scholarships for CDA-certified teachers, parent education, and business advice to assist Directors in financial / operational management. The findings indicate that MBB made notable strides addressing children's school readiness and early childhood program quality.

foundations should continue and expand if possible. Business in every state should play a leading role, through a coalition or foundation, and provide time and resources to promote early-childhood development. For example, a Mississippi coalition of private corporations and leaders has raised over \$7 million to finance the Mississippi Building Blocks program, which is dedicated to improving the quality of child

care and early education in a state that has only limited public resources dedicated to early childhood (see box: *Business Leaders in Mississippi Take Action to Improve Quality*). The PNC Financial Services Group, Inc. recently announced that it will continue to support its Grow Up Great program with \$250 million over the next ten years (see box: *PNC's Commitment to Help More Kids Grow Up Great*).

Emerging Innovative Financing Strategies for Early Childhood

In grappling with the economic downturn and still fragile economy, several states have explored new financing strategies. Examples of these strategies include:

Tapping revenue from renewable resources, such as state public land trusts. Twenty states have had “land trusts” since they established statehood. The revenue generated from these trusts is used to fund public institutions such as public schools.⁵⁴ In 2006 Nebraska voters passed a constitutional amendment that redefined the use of their land trust to include child care and early education. The state funded an endowment with \$40 million from the land trust and \$20 million in private dollars.⁵⁵ Annual earnings from the endowment are now used by school districts and local community organization partners to provide high-quality services to infants and toddlers – the future students in the public schools.

Targeting refundable tax credits to encourage high-quality programs. Refundable tax credits can provide non-stigmatizing financial support for lower-income families using childcare and early-education programs.⁵⁶ Tax credits integrated with a state’s early learning and development strategy can be linked to quality, if usable only at state prekindergarten or programs in the top tiers of a state system to rate program quality. They can also be targeted to individual professionals in the early learning field whose salaries are not commensurate with similarly educated professionals in other sectors. Louisiana implemented a four-prong tax credit policy in 2007, which has generated \$5 million for the state’s early learning system. Oregon and Colorado are testing tax credits for individuals and businesses who donate to childcare and early-education programs. Pennsylvania uses tax credits to encourage donations to local scholarship funds to help children in low-income families attend high-quality preschool.⁵⁷

Strengthening early-childhood program leadership and management. Most childcare and early-education services are delivered by small businesses or non-profit agencies. They serve on average fewer than 75 children, have small budgets, and find it difficult to attract and retain expert managers and highly qualified teachers. An emerging approach called “shared services” enables both center- and home-based providers to pool resources in key overhead and management functions such as accounting, data systems, administration, mentoring and professional development. The outcomes are improved program stability and business practices.⁵⁸ Resulting savings can be re-invested in quality improvement.⁵⁹ Shared Service Alliances in Colorado, Georgia, Louisiana, New Hampshire, Pennsylvania, Tennessee, Virginia, Washington, and other states are exploring this idea.⁶⁰

In addition, Ready Nation has supported exploration of financing strategies from other sectors that could support early-childhood services.⁶¹ These recommended strategies include state or local government issued bonds, dedicated property developer impact fees, and state-sponsored family leave insurance, among others. To date, there have been relatively few examples of these strategies being used to fund early-childhood services. This is clearly an area where business leaders could encourage such innovations.

Ensure that all children are able to engage in effective, high-quality early childhood education from birth to age five, beginning with those having the greatest need.

CED has called for federal and state funding sufficient to ensure access to high-quality preschool for all. *We now amend that recommendation to include the range of high-quality early-childhood programs and services that have demonstrated effectiveness for children from birth to age five.* Research has shown that the foundations of school readiness are built well before the preschool years. Gaps in foundational cognitive skills (e.g., exploring the environment, pre-language “jabbering”) are apparent as early as nine months, and widen later in early childhood. Children living in poverty were rated less proficient in three out of five early cognitive skills at nine months as compared to children in families above the poverty level.⁵² Results from the renowned Abecedarian study in which high-quality child care and early education were provided from infancy to age five support our recommendation; for example, 35 percent of participants went on to attend or complete four-year college as compared to 14 percent of a comparison group of children.⁵³ We recommend meeting the comprehensive early learning and development needs of children as early as possible in their lives, especially for those whose healthy development is most at risk. Reaching expectant mothers and parents of infants and toddlers will require a more expansive definition of early education including strategies such as: home visiting; screenings for all infants and toddlers for health and development delays as recommended by the American Association of Pediatricians; and high-quality infant and toddler child care, and expanded access to the Early Head Start model of comprehensive child and family development services for low-income families. Business leaders should tell policymakers those strategies are just as important to them as preschool.

Defining those most at risk is not limited to children living in poverty. The federal Early Learning Challenge – the early-childhood companion to the federal Race to the Top competition for K-12 education grants – defined “high-need” children as children from low-income families or otherwise in need of special assistance and support, including children who have disabilities or developmental delays; who are English

PNC Bank’s Commitment to Help More Kids Grow Up Great

The PNC Financial Services Group, Inc. founded PNC Grow Up Great and PNC Crezca con Éxito to help prepare children – particularly underserved children – from birth to age 5 for success in school and life. Started in 2004 with a pledge of \$100 million, PNC recently announced plans to provide \$250 million over 10 years to continue the program. Grow Up Great supports families, educators and community partners to provide innovative opportunities that enhance learning and development in a child’s early years. Grow Up Great has:

- **Awarded grants** totaling at least \$43 million to early education programs to enhance math, science, art, and financial education.
- **Encouraged volunteerism** by providing employees with 40 hours a year of paid leave to volunteer in early education programs serving lower-income children. When a volunteer reaches 40 hours, PNC donates \$1,000 to the early education program in the employee’s name.
- **Raised public awareness** by partnering with Sesame Street and other entities to produce media in English and Spanish to communicate the importance of school readiness.
- **Leveraged corporate influence** with business and policy leaders to bring attention to early learning and development and the need to increase access to high quality programs.

PNC Grow Up Great, *From Seven Years of Achievement to a \$250 Million Multi-Year Extension Into the Future.* For more information, see: www.pncgrowupgreat.com.

learners; who reside on “Indian lands;” who are migrant, homeless, or in foster care; and other children as identified by a state. Reaching these groups with early-childhood services should be a key metric for measuring success.

Hold all early-childhood services to high program and professional standards that have been shown to promote healthy development and learning.

Early childhood education and services cannot fully reduce the achievement gap if the quality of some children's experiences falls behind. What children need to thrive and learn does not vary based on where they are served, but the standards that apply to particular childcare and early-education sites currently vary based on the funding streams that support them. All services should meet comprehensive standards on the quality of the learning environment, positive interactions between teachers and children, linkages to needed health and social services, and promoting children's cognitive (literacy, math, science) and social skills. Three critical strategies are needed:

- **Set clear expectations for quality, aligned across childcare and early-education settings.** Policymakers at the federal, state, and local levels are updating and aligning standards and systems to reduce discrepancies and to build quality-improvement and professional-development systems that achieve higher standards for all children.⁶² State standards must lay out developmentally appropriate expectations for what children should know and be able to do, establish competencies of teachers/providers, and require safety and quality in program sites; and those standards must be aligned with each other. State and local quality rating and improvement systems (QRIS) – which in some states rate quality across childcare and early-education program sites for potential consumers – are promising and merit further exploration and research. Standards must reinforce aspects of early education that have been proven to improve child learning and well-being, especially that of children in high need. To help level the quality playing field across the country, CED has called for national leadership to certify successful state standards for early childhood education – perhaps through creation of an independent body of experts.⁶³
- **Make higher quality standards financially feasible and attractive for programs and professionals.** CED supports delivery of high-quality childcare and early-education services through a mixed range of public and private providers. All

programs and professionals should be able to meet and exceed the highest standards of any existing state QRIS or other state quality improvement system with support of effective technical assistance and adequate financial resources. Two- and four-year colleges must be able to provide high-quality and appropriate professional development and degrees for childcare and early-education professionals working with children from birth through age eight. High-need children must have access to top-quality care. Therefore, public support for their child care must cover the cost of high-quality professionals and learning environments.

- **Measure success in improving program and professional quality and reaching high-need children.** Access of high-need children to top-quality services, as measured by a QRIS or other nationally recognized set of standards (e.g. Head Start Program Performance Standards, National Association for the Education of Young Children accreditation, or National Alliance for Family Child Care accreditation), must be a key metric of success.

Engage and support families to improve education and life prospects for their children and themselves.

Parents are their children's first teachers, and key allies in promoting their young children's positive attitudes toward education, and stable and supportive home learning environments.⁶⁴ Strengthening families to excel in those roles must be part of our national strategy. Teen parents, as well as those with low incomes, low literacy levels, or weak support networks, face challenges from a range of economic, educational, health, and other hurdles. **Therefore, successful two-generation strategies must link services for high-need children to other services that improve their parents' capacities to parent, find good jobs, gain access to health and mental-health care, and put nutritious food on the table.** For example, well-designed home visiting for expectant and new parents and the federal Early Head Start/Head Start program have shown positive impacts on both low-income children and their parents. Business leaders should help make the case that reaching back to the beginning of the "supply chain" – when parents are expecting or have

a new baby – is likely to have a lasting impact on each successive step in a child’s development.

Parents also need high-quality, stable child care and early education to seek and maintain employment or improve their skills; finding and affording such care has become more difficult since federal recovery and reinvestment stimulus funds ran out and states have chosen to cut their childcare assistance budgets.⁶⁵ Careful connection between high-quality early-childhood services and efforts to help low-income parents improve their skills or complete postsecondary education could help combat the skills deficit for both generations.⁶⁶ Business leaders should understand and promote the fact that helping low-income students

in regional public colleges, community and technical colleges, and for-profit colleges to access child care and other services they need will likely improve their success rates. Policy and resources should require and fund connections between early childhood and health, human service, and training/postsecondary education sectors.

Sustain success by guaranteeing high-quality full-day kindergarten and ensuring effective 1st through 3rd grade schooling.

The earliest years provide the foundation upon which the rest of human capital development must be built, but any impact must be sustained through smooth

How Montgomery County, Maryland Public Schools Reduced the Achievement Gap

Over the course of a decade, the gap in 3rd grade reading scores among children from different racial backgrounds in Montgomery County Maryland shrank by 29 percentage points. Under the leadership of Superintendent Jerry Weast, the Early Success Performance Plan began in the 2000-2001 school year. The plan was based on four key ideas: more time is critical, time must be well spent, consistency matters, and involve parents and family. Specific strategies included:

- Reallocating resources to target the earlier grades and schools in high poverty areas.
- Conducting outreach and recruitment to engage families with children birth to age five in the district.
- Offering full-day pre-kindergarten in partnership with existing Head Start agencies.
- Requiring full-day kindergarten.
- Reducing teacher-child ratios to 1 : 15 in K-2nd grade.
- Ensuring that early-learning teachers were fully qualified, trained, supported, and compensated similarly to teachers of older children.
- Providing after-school and summer programs focused on reading, writing, mathematics and language.
- Aligning a standards-based curriculum from early education to grade 12, including measurable benchmarks.
- Implementing accountability and continuous improvement systems.

The county effort was reinforced in 2002 when Maryland established a statewide network of centers to improve school readiness for children from birth to age five called the Judith B. Hoyer Early Child Care and Family Education Centers. The two centers in Montgomery County were based in needy elementary schools and partnered with community organizations and institutions to better integrate child and family services. The “Judy Centers” provide services for children and parents, and helped local child care providers achieve national accreditation.

Source: Marrieta, G. 2010. Lessons for PreK-3rd from Montgomery County Public Schools. Foundation for Child Development Case Study Series. Retrieved from: <http://fcd-us.org/sites/default/files/FINAL%20MC%20Case%20Study.pdf>.

transitions and effective education in elementary school. Data from the 2009 National Assessment of Education Progress (NAEP) found that a staggering 83 percent of fourth-grade children from low-income families read below the proficiency level. There has been little progress on that measure in the past decade.⁶⁷ Although past school reform efforts have tended to focus on later years, there is an emerging recognition that full-day kindergarten and improving the quality of elementary schooling is essential to sustain the impacts of investment in early childhood and successful school reform.⁶⁸

Elementary schools must be ready to “take the baton” to support young children and engage their families. Just as children must be ready for school, schools must be ready to promote the full range of early learning, including social, emotional, and physical development. They also must be prepared for the growing diversity of our child population. However, a leading study of classroom quality showed low or inconsistent scores for emotional and instructional climate across classrooms at the first, third and fifth grade levels.⁶⁹ Therefore, CED calls for more focus on improving the skills and capacities of teachers and their interactions with children in kindergarten through 3rd grade. Several states are aligning with the new National Common Core K-12 Standards – but those standards must be improved by adding a social and emotional dimension, especially for children in the K-3 grades. In addition, state and school leaders should promote collaboration between childcare and early-education providers and the schools to promote alignment and smooth transitions to school. Communities that have employed these strategies have had marked success; for example, the public schools in Montgomery County, Maryland have reduced the third grade reading gap by 29 percentage points over the course of a decade.⁷⁰

It is crucial that children with high levels of need have sustained access to high-quality early education from

their earliest years through third grade. Research has shown that children who participate in full-day kindergarten show greater increases in math and reading scores compared to those in half-day programs; children who come from disadvantaged backgrounds benefit most from being enrolled in full-day kindergarten.⁷¹ Children in some of the highest-poverty areas in Chicago who participated in high-quality public preschool at ages three and four followed by school-age interventions and supports continuing through third grade were less likely to fall behind a grade or need special education as compared to their peers who had only the preschool experience.⁷² A federal study that followed very-low-income children and parents who participated in Early Head Start (EHS) through their preschool and elementary-school years found that those who had followed EHS with formal preschool (defined as Head Start, prekindergarten or licensed child care) and then attended an elementary school serving relatively fewer poor children were more successful when they reached fifth grade. Children measured better at reading, vocabulary, and problem-solving ability if they had all three educational experiences as compared to those who had experienced two or fewer.⁷³

The student performance gap between the United States and other developed nations will not close without strengthening the continuum of services from birth through third grade. State “P-20” councils must address the earliest years with the same vigor as they have focused on the transition from high school to college.⁷⁴ Business leadership has been strong on the transition to work or post-secondary education at the end of children’s public-school years. It is time for business leaders to call on P-20 councils, school superintendents, and elementary school principals to provide full-day kindergarten and strengthen coordination and quality from birth through 3rd grade at the state and community levels.

IV. Conclusion

Promoting the development of young children in this country is an economic and moral imperative. CED has long been at the forefront of efforts to increase public and private support for investment in child care and early education to prevent later remedial expenditures and improve our workforce and our society. Since CED and other business leaders called for preschool for all in 2002, the number of children in state pre-kindergarten programs has almost doubled. Researchers have demonstrated the fundamental importance of early learning experiences from birth through third grade. Current economic conditions and budget cuts threaten that progress while pushing more children and families into desperate circumstances.

Fiscal prudence at the expense of vulnerable children and families would ultimately be self-defeating. Our leadership in the global economy is faltering in part because we have failed to maximize the human potential of our youngest children and secure our legacy as a society.

CED now builds on and expands previous recommendations in light of new research and the current economic context. We call for a national strategy to ensure that all children have access to high-quality child care and early education, and families are supported and engaged in their children's education from birth through third grade. Business leadership in the unfinished business of ensuring opportunity for every child has never been needed more.

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