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New Report Documents Huge Payoff to Taxpayers from Early Investment in Kids

Albuquerque – New Mexico Voices for Children today released a new report from the **Economic Policy Institute (EPI) - . Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development** by economist Robert G. Lynch. The report finds that our failure to adequately invest in the healthy development of young children leads to enormous problems, especially for poor kids – and enormous costs to taxpayers and society -- as they go through school, and then enter the workforce (or often the criminal justice system) unprepared to be productive workers and citizens. 122,100 New Mexico children were living in poverty in 2003, according to new data from the US Census Bureau.¹

The report also points to a hopeful future, finding that smart investments in comprehensive high quality early childhood development (ECD) programs would more than pay for themselves – generating more than \$2 in returns to taxpayers for every \$1 invested. (The total benefits to society from ECD investments exceed 8 to 1.) The report also finds that investment in the health and education of children in their early years (3 and 4 years old) will eventually produce significant increases in economic productivity and growth, while reducing both the public costs and personal burdens of remedial education, welfare, crime, and widespread poverty that are the results of our current failure to enrich the lives of so many of America's children.

The Richardson administration in New Mexico agrees that an investment in early childhood development will pay off. **"Investing in early learning, specifically access to pre-K for four-year-olds, is the best economic plan for New Mexico," Lieutenant Governor Diane Denish said. "Governor Richardson and I plan to lead this effort to increase our investment in children and their families to get a good return for the taxpayers of New Mexico."**

"This important report shows that society ultimately pays the price for a failure to invest in children," said Bill Jordan, Deputy Director of New Mexico Voices for Children. "The good news is that there is an investment we can make that more than pays for itself by not only greatly reducing child poverty, but also by boosting our state's fiscal balance sheet, reducing crime, and strengthening our economy over time."

Author Lynch documents a growing consensus, among very conservative economists and business leaders as well as liberals, that early public intervention to improve young children's health, brain development, family environment, and readiness for school represents one of the

best and most productive uses for public funds because of the proven return to the public treasury and to the long-term health of the economy that these kinds of investments produce over a reasonable length of time.

Dr. Lynch, who is the Chair of the Department of Economics at Washington College, quotes Nobel Prize winning economist James Heckman of the University of Chicago:

“Recent studies of early childhood investments have shown remarkable success. ... In the long run, significant improvements in the skill levels of American workers, especially workers not attending college, are unlikely without substantial improvements in the arrangements that foster early learning. We cannot afford to postpone investing in children until they reach school age – a time when it may be too late to intervene. Learning is a dynamic process and is most effective when it begins at a young age. . .and government interventions at an early age that mend the harm done by dysfunctional families have proven to be highly effective.”²

Likewise, Director of Research, Arthur Rolnick, and a regional economic analyst, Rob Grunewald, of the respected Federal Reserve Bank of Minneapolis have come to similar conclusions:

“...recent studies suggest that one critical form of education, early childhood development, or ECD, is grossly under-funded. However, if properly funded and managed, investment in ECD yields an extraordinary return, far exceeding the return on most investments, private or public.... In the future any proposed economic development list should have early childhood development at the top.”³

The Lynch study for the Economic Policy Institute examines the costs and benefits of a nation-wide program that would provide poor 3 and 4 year-old children (20% of all 3 and 4 year-olds in the US) with a high quality comprehensive program of early childhood development that would initially cost about \$19 billion a year. Based on the results of well-documented studies of smaller-scale programs, Lynch finds that such a nation-wide program would ultimately reduce costs for remedial and special education, for criminal justice, and for welfare benefits and would increase income earned and taxes paid back to society. Within about 25 years, the offsetting budget savings (for all levels of government combined) would reach \$31 billion (in 2004 dollars).

And within about 45 years, the budgetary benefits would more than double the costs of the ECD program, and the net budget savings would reach \$61 billion (in 2004 dollars).

In addition to the returns to taxpayers, Lynch finds that investing in poor young children is likely to have an enormous positive impact on our economy, raising the Gross Domestic Product, improving the skills of our workforce, reducing poverty, and strengthening the global competitiveness of the U.S. economy. He finds that crime rates and the heavy costs of criminality to society are likely to be substantially reduced, as well.

“The value of this report”, continued Mr. Jordan of New Mexico Voices for Children, “is that it quantifies the return on investment that families, and society, receive when we strategically invest in our children”.

The new EPI report is being released by New Mexico Voices for Children in New Mexico and by similar groups in other states around the country – with the help of the Washington-based Institute for America’s Future, Voices for America’s Children and the EARN network of state

think tanks – in order to draw attention to the crisis of increasing child poverty and the good news about the benefits of investing in children in their early years.

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¹ **Income, Poverty, and Health Insurance Coverage in the United States: 2003**

based on information collected in the 2004 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS) conducted by the U.S. Census Bureau. Issued August 27, 2004

By Carmen DeNavas-Walt, Bernadette D. Proctor, Robert J. Mills. <http://www.census.gov/prod/2004pubs/p60-226.pdf>

² Heckman, James (1999). "Policies to Foster Human Development," working paper 7288, National Bureau of Economic Research, Cambridge, MA. pp. 22 and 41

³ Rolnick, Art and Robert Grunewald (2003). "Early Childhood Development: Economic Development with a High Public Return," Fedgazette, Federal Reserve Bank of Minneapolis, March. pp. 3 and 16