

We've titled this presentation with the same name as the two-day conference that was held in Albuquerque last week because we really believe that the way to transform education and improve outcomes is to invest heavily in the early years. It was attended by more than 120 business leaders, early care and education professionals, cabinet secretaries, lawmakers, law enforcement officials, and even an Army Major General from the bi-partisan organization Mission: Readiness. All were in agreement that there is a growing consensus that it's time for this transformation to begin. If you haven't heard it already, get ready to hear it more and more often. You'll hear it from economists, education specialists, and developmental psychologists. You will of course hear it from advocates and providers, but most especially from parents.

You've heard some of us try to make the case in the past, but as advocates, we've failed...

- Failed to make the compelling case for a comprehensive early childhood continuum;

- Failed to ask for enough money to build it;

- Failed to suggest ways to pay for it.

But it's a new day, we're about to start a new year, and it is our hope that we can all commit to doing better.

## New Mexico Ranks Toward the Bottom

- Percent of teens who are not in school and not working: NM ranks 47<sup>th</sup>
- Teen pregnancy rate: NM ranks 49<sup>th</sup>
- Overall ranking: 46<sup>th</sup>

Source: KIDS COUNT Data Book, Annie E Casey Foundation, 2010



[www.nmvoices.org](http://www.nmvoices.org)

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At New Mexico Voices for Children we are often the bearer of bad news, or at least our KIDS COUNT project is. Year after year we publish county, state and national data that unfortunately shows that we're not doing very well by our children. Whether it is high rates of poverty, teen pregnancy, or low graduation rate and reading scores, we're not doing very well.

We cannot arrest our way out of this – not when it costs \$35,000 and more each year to keep a young person in the D-home.

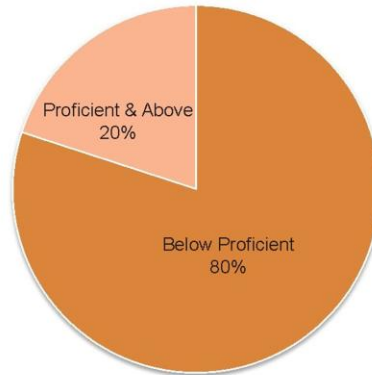
We cannot remediate our way out of this.

And we certainly cannot spend our way out of it by pouring more and more money into K-12 and higher ed if we insist on ignoring the early years when the foundation is laid.

I'm reminded of the quote attributed to Frederick Douglas" "It's easier to build strong children than it is to repair broken men."

## Only 20% of NM 4<sup>th</sup> Graders Read Proficiently

Reading Proficiency of NM 4<sup>th</sup> Graders



New Mexico ranks 49<sup>th</sup> in the nation for 4<sup>th</sup> grade reading scores.



Source: *Early Warning! Why Reading by the End of Third Grade Matters*, Annie E. Casey Foundation, Baltimore, MD, 2010

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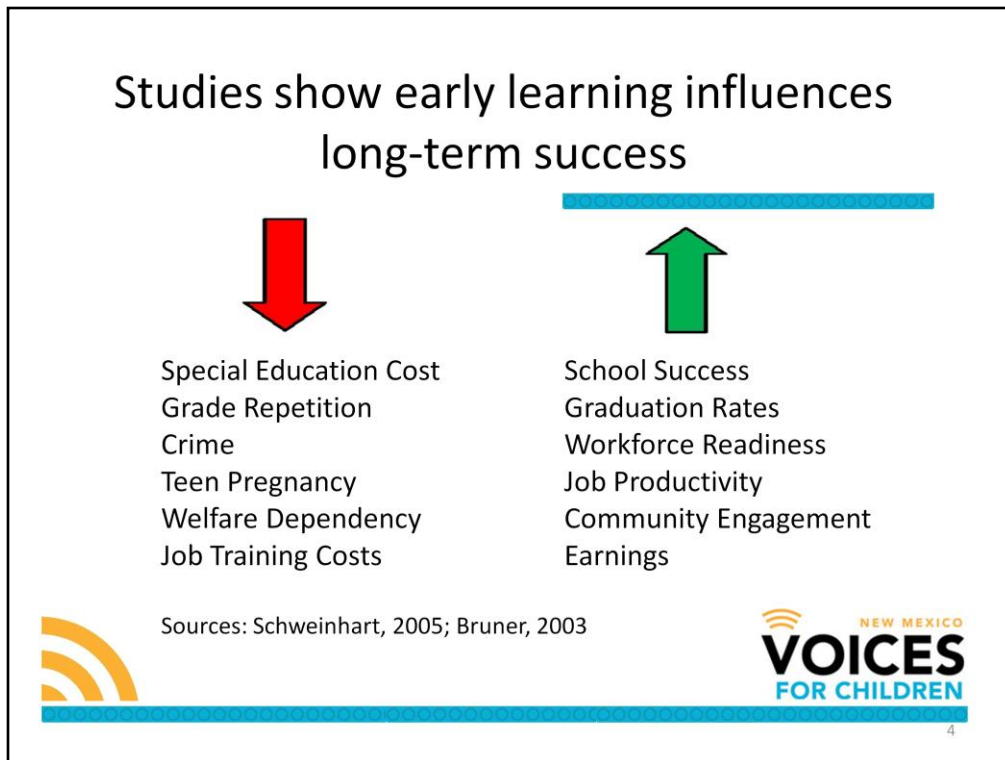
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We've seen a lot of school reform ideas, but most of them focus on K-12. What I want to talk about today is the reform that can happen BEFORE kids get to school that a growing body of evidence says can make the most difference once kids GET to school.

There are now lots of studies, even some longitudinal studies that go for more than 30 years, that show very clearly that a high quality early learning experience will dramatically lower special education costs, grade repetition, crime, teen pregnancy, welfare dependency, and job training costs...

...and increase school success, graduation rates, workforce readiness, job productivity, community engagement, and earnings.

## Annual Return on Investment

“Every dollar invested in early childhood education produces a 10% per annum return on investment.

“This 10% annual rate of return means that investment return effectively doubles every seven years.

“Each \$1 invested returns \$7 to \$12 back to society.”

—James Heckman 2010



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If we have high-quality ECE programs, the return on investment is about 10% or 10-to-1 over the life of the child.

So for every dollar the state invests in ECE, we get back 10. The payback is almost immediate through savings in special ed, remediation costs, juvenile justice... and continues as the children become more productive and gain higher earnings later in life. Some research shows intergenerational gains as these children grow up and nurture their own children's education.

### Citations:

Social rates of return (i.e. avoided costs of crime and welfare) - fall between 7 and 10%. “Each dollar invested returns in present value terms \$7 to \$12 back to society”

[http://www.heckmanequation.org/system/files/Federal-Commision\\_9-1-2010FINAL%203\\_.pdf](http://www.heckmanequation.org/system/files/Federal-Commision_9-1-2010FINAL%203_.pdf)

September, 2010 testimony to the National Commission on Fiscal Responsibility and Budget Reform

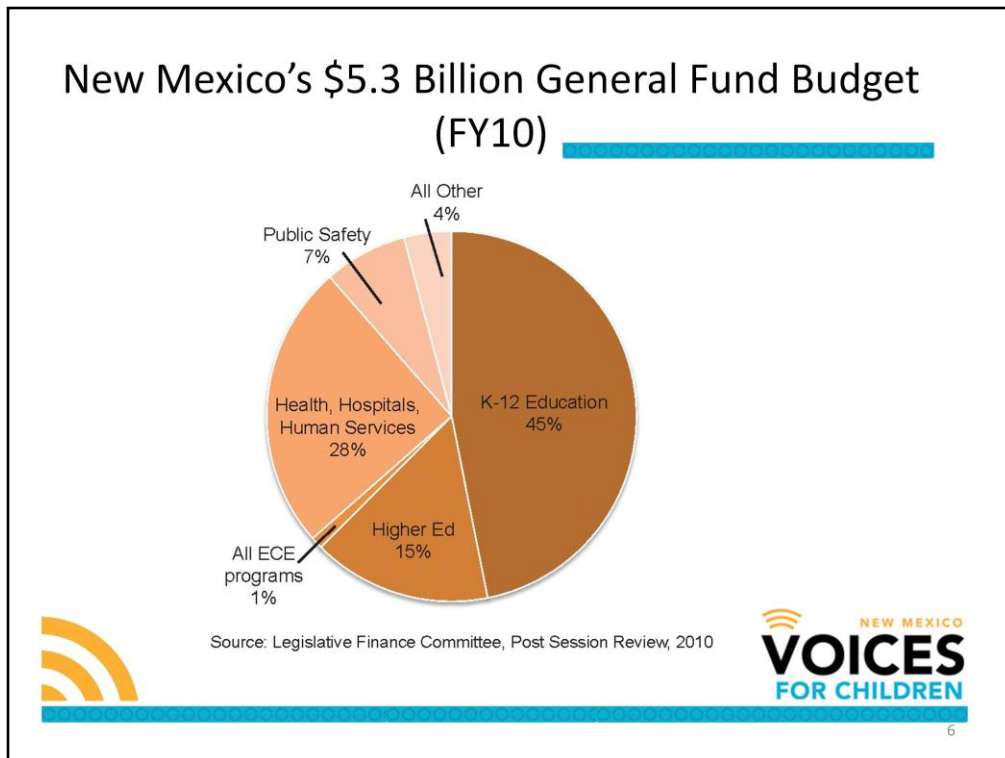
<http://www.heckmanequation.org/videos>

<http://www.slideshare.net/mokids/grunewald-economic-case>

\$1.00 + \$0.1 compounded over 7 years = \$1.95

A 3% discount rate consistent with the recommendations of OMB (1992, Web Appendix C) and GA (1991)

The Rate of return to the HighScope Perry Preschool Program By James J. Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, Adam Yavitz, University of Chicago Department of Economics; Journal of Public Economics, 94(2010) 114-128



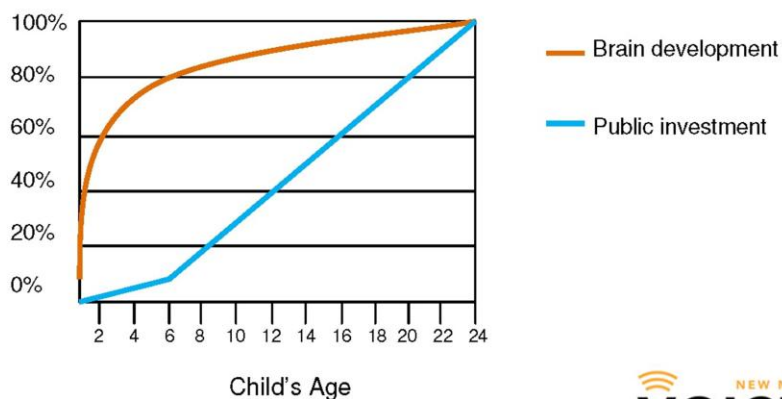
I'm not going to spend a lot of time talking about the science of brain development and that 85% of brain development occurs in the first few years, or reviewing all the studies that show better outcomes for kids and lower costs to society.

Rather, I want to jump into the discussion that we're all having in these tough budget times and talk about where we're spending our dollars now and then make some recommendations.

I want to try to make the case today for why we think it's time to greatly increase our investment in ECE programs. I think you will find there is a boatload of new evidence about their effectiveness, a groundswell of support among early childhood providers and advocates, and quite frankly, because of the recent crisis in child care, a growing anger among parents and others that we are not doing more.

So let me take a moment to review where we are... We're spending about 60% of our state budget on education, and our kids are not getting to school ready to learn. By the time children get to first grade, 90% of brain development has occurred and we've spent less than 1% of our state budget preparing them for school.

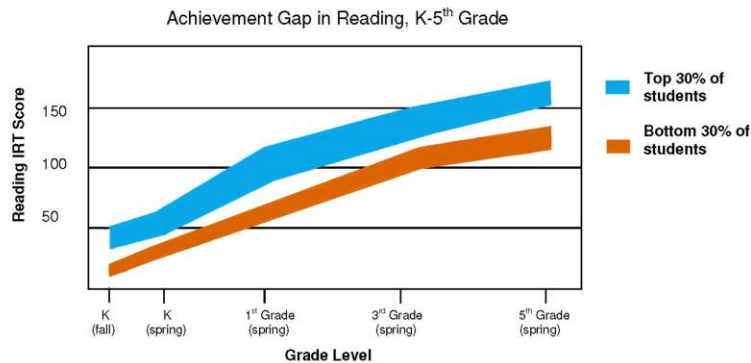
## Our Public Investment is Inverse to Brain Development



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Our investment in early childhood development is inverse to a child's brain development.

## Children Who Start Behind, Stay Behind



Source: Adapted from "Closing the Gap in the School Readiness of Low-Income Children," Jean Layzer, Belmont Research Associates, Cristofer Price, Abt Associates Inc., Washington, DC, October, 2008



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This slide demonstrates pretty clearly that those children who start school without the skills or preparation for reading, stay behind and even move slightly further behind. The window of opportunity in those early years has been lost. What is compelling about this chart is that kids stay on a lower trajectory when they enter school behind and they never catch up. We need to boost where kids start so they get on the path to achievement and success.

This committee spends a lot of time talking about reading scores and evaluating K-12 effectiveness, but in those first few years, our children are learning to read. After the third grade they are reading to learn. Those first years are critical and if we don't increase our investment in those years, the data shows we're not going to see significant improvement in academic achievement.

The evidence is clear: if our children start school behind, they stay behind. If they start school ready to learn, they are much more likely to excel.



## Our Educational System Hasn't Changed to Keep Up with What:

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- Science tells us about brain development,
- Psychologists tell us about social and emotional development,
- Business leaders tell us about a changing world marketplace, and
- Economists tell us about the return on investment.



## Change the Early Years and You Change Everything!

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It's time to develop a coherent system that aligns, integrates, and coordinates what happens from birth through third grade so children are ready to learn and succeed.



## Legislators are Besieged by Two Groups of People



One wants lower taxes  
and less government  
spending



The other wants more  
spending on their  
favorite programs

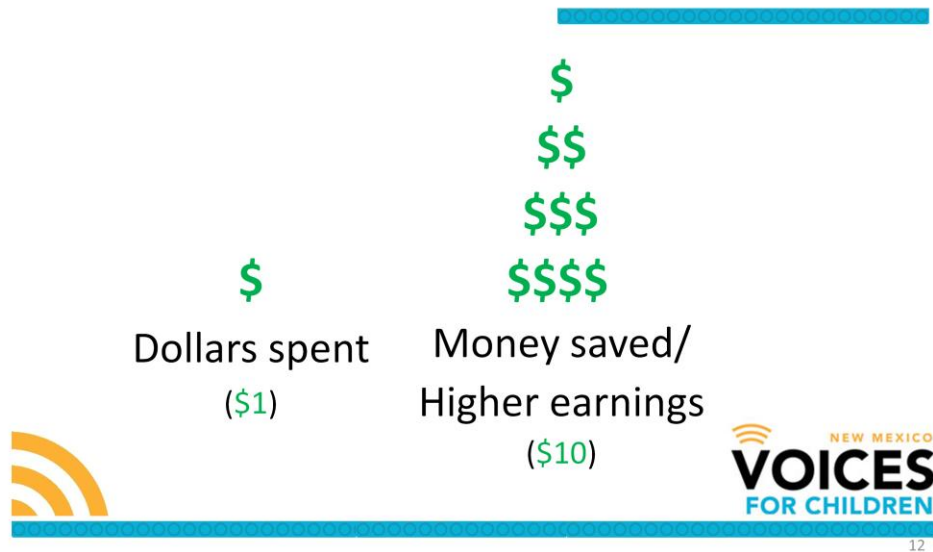


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Legislators are put in the middle between two groups of people – those who want the state to spend less and those who want the state to spend more – at least on their favorite program.

## Early Care and Education Programs are a Win-Win



ECE investment is a win-win because for every \$1 invested we get a \$10 return over time starting immediately with K-12 and continuing to workforce age.

ECE spending is a more effective use of limited resources and provides a greater return on investment than just about any other kind of government spending. But, like any investment, you have to make the commitment in those early years--before you see the total return on your investment.

## Cuts to Child Care Assistance

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- Current year operating budget cut by 18%
- Eligibility was cut from 200% FPL to 100% FPL for new enrollees
- Payments to providers were cut by 4% in November
- Co-pays by parents will increase by 10% on January 1, 2011

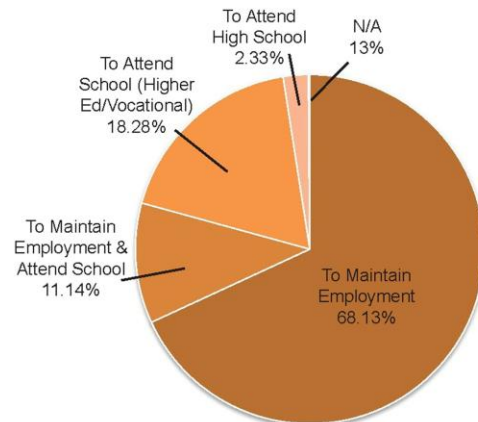


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So before I ask you to invest more, let me quickly review where we've been. This slide shows the cuts just to the child care assistance program.

## Most Parents Need Child Care Assistance So They Can Work

Family Reasons for Child Care Assistance



Source: CYFD presentation to LFC, Dec. 2, 2010

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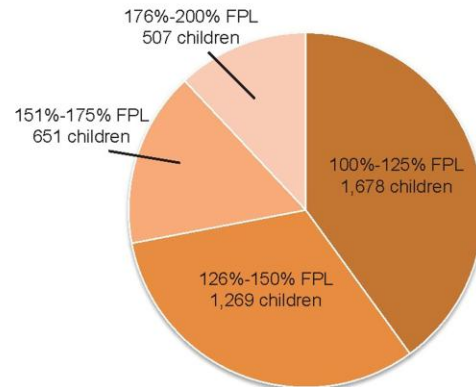
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I think it's important to note that historically we've viewed child care, not as preparation for school, not so much in response to what we know about brain development, but as an essential work support. Business leaders have historically supported child care assistance because they knew it was essential for their workers to have a safe place for their children while mom and dad were at work.

That's still true. But now we know that it needs to be more. Child care needs to nurture and foster brain development. So now business leaders, along with everyone else, are responding to the science and to the changing workforce needs, and supporting bigger investments in early learning through high quality child care (as rated by our Stars system).

## Most Families on the Child Care Waiting List Earn 150% FPL or Less

Child Care Waiting List by Family Income (Federal Poverty Level)



Source: CYFD presentation to LFC, Dec. 3, 2010

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This slide simply shows that child care assistance remains essential for the lowest-income working families.

## Quality Child Care is More Expensive than UNM Tuition, Except:

- No lottery scholarships
- No Pell grants
- No student loans
- Teachers earn minimum wage
- Younger families earn less
- Parents are only eligible for sliding-scale assistance if they make poverty wages



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Child care costs more than UNM tuition, and this cost comes when young families are just starting out and can least afford it.



## Current ECE Programs Already Fail to Meet Demand

- Fewer than 2% of our babies have access to home visiting
- NM Pre-K was cut 23% from FY10 to FY11
- Child care funding was cut by 18%
- T.E.A.C.H. scholarship program was cut by 35%



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Child care assistance has been around longer than pre-k and home visiting and the funding is even more problematic. Eligibility was at 200% of the federal poverty level up until 2001, then it was cut back to 100%. Over the next seven years it slowly rose back to 200% and now it's back to 100%. This year, payments to providers were cut by 4%, co-pays by parents were increased by 10%.

But child care is not the only program that is failing to meet the needs of children and families. Fewer than 2% of our newborns have access to home visiting.

You may have seen the press last week that our Pre-K program suffered the second highest funding cut of any state in the nation.

The TEACH and TTAPS programs improve the quality of ECE programs by providing scholarships and training for early childhood professionals. TEACH began in 2004 with 21 scholars. In FY10 we had 746 scholars. This is huge growth and a big accomplishment in serving teachers, children and families in New Mexico, but they still only reach 5-10% of early educators.

But, to put this into perspective, there are between 15,000 and 20,000 teachers of young children in New Mexico. So, even with our highest numbers of scholars and funding in FY10, we still reached fewer than 5% of the total number of teachers and directors. In this current fiscal year, funding for TEACH is down about 35%.

And we're hearing more talk about deeper cuts.

Does this mean there is evidence that suggests these program budgets are bloated and over-funded?

Is there evidence that says kids do better without these programs? If there is evidence that says society is better off when we deny our youngest children the best early care and education possible, I certainly haven't seen it.

If we were to design a new educational system and we used the best science and the best research from economists, I don't think we'd say let's put less than 1% of our budget in all the years when brain development occurs, and let's backload it with 60% of our state budget in the years after that. But that's what we've done. It's time for change.

## Child Care Assistance Funding Request:

FY11 - \$5 M supplemental for child care

FY12 - \$22 M to keep eligibility at 100% FPL  
and prevent any disenrollment

FY12 - \$40 M to restore eligibility to  
200% FPL



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So what will it take?

This year, I think you will see at least two requests for funding. One is the short-term funding need. For us at New Mexico Voices, the most critical immediate funding need is to restore child care assistance to those up to 200% of the federal poverty level.

I know this is a huge ask in any year, and especially in a year where most programs will be asked to cut even deeper. But I would not be reflecting the will of the parents and providers and the vast majority of New Mexicans if I didn't not make the ask.

## Recognition of the Need

Half or fewer of New Mexico's children begin kindergarten and 1st grade with the skills they need to do their best in school.



polling by Brian Sanderoff, Research and Polling, Inc. conducted for the New Mexico Early Childhood Development Partnership, United Way of Santa Fe. Poll conducted May/June 2010 with 253 Business/Community Leaders, 53 Tribal Leaders and 35 State Legislators from leadership and the education and finance committees.



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So let me talk briefly about where folks are on this issue.

Thanks to the United Way of Santa Fe County and their NM Early Childhood Development Partnership, this polling was done by Brian Sanderoff, Research and Polling, Inc. It was conducted in May and June of 2010 with 253 business and community leaders, 53 tribal leaders, and 35 state legislators from leadership and the education and finance committees.

The first slide shows that all groups agree that only half or fewer of New Mexico's children begin kindergarten and first grade with the skills they need to do their best in school.

## Are We Doing Enough?

New Mexico is doing too little to ensure children enter kindergarten with the skills they need to do their best in school.



polling by Brian Sanderoff, Research and Polling, Inc. conducted for the New Mexico Early Childhood Development Partnership, United Way of Santa Fe. Poll conducted May/June 2010 with 253 Business/Community Leaders, 53 Tribal Leaders and 35 State Legislators from leadership and the education and finance committees.



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This slide is interesting because it shows that business, community and tribal leaders feel we're doing too little for our youngest kids, while legislators... well, not so much.

There is a bit of a disconnect there.

## Should We Invest More?

The state of New Mexico should dedicate more funds for early childhood programs.



polling by Brian Sanderoff, Research and Polling, Inc. conducted for the New Mexico Early Childhood Development Partnership, United Way of Santa Fe. Poll conducted May/June 2010 with 253 Business/Community Leaders, 53 Tribal Leaders and 35 State Legislators from leadership and the education and finance committees.



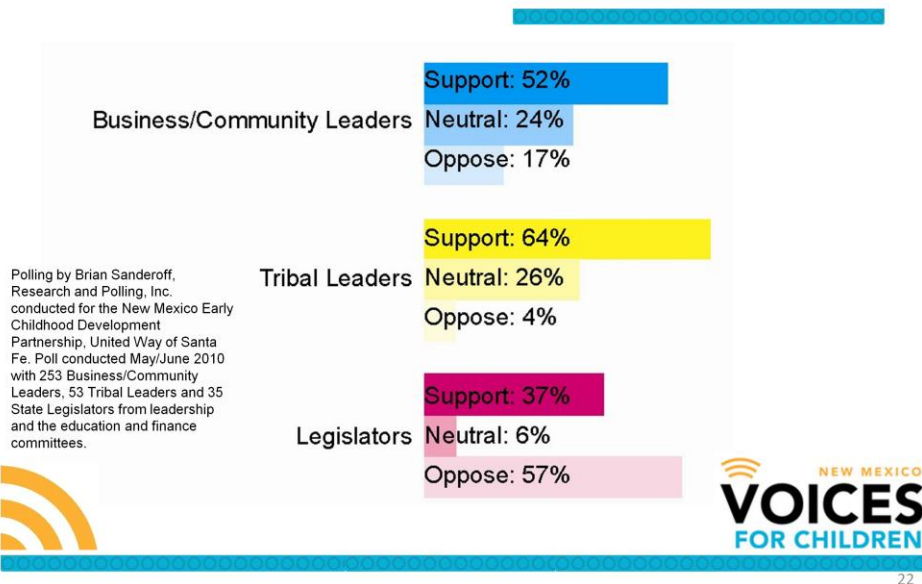
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Likewise on this question of should we invest more in the early years, business, community and tribal leaders overwhelmingly want more dollars invested, and legislators barely hit 51%

That 51% is exactly the vote we need! Why do I think it won't be that easy?

## Tap the Land Grant Permanent Fund?



On the question of whether we should tap the Land Grant Permanent Fund for early childhood, again there is a disconnect.

By almost a three-to-one margin, business and community leaders say yes.

Support among tribal leaders is even stronger.

But among legislators, most are opposed.

The poll also tested support for various ways to pay for ECE... property taxes, bonding, taking money from other programs—and, other than taxing liquor--there was very little consensus on where to get new revenue.

## Viewpoint Learning: Key Conclusions

- People know early childhood is important and that children need care and protection.
- Research on early childhood is powerful and created a sense of urgency and that real solutions are possible.
- Any approach must support parents.
- Programs should be universally available and on a sliding scale so that no one is excluded for inability to pay.
- Strong support for 4-year-old pre-school programs (affordable and universal).
- Doing nothing was NOT an option.

[http://ourvoicesourchildren.org/CG\\_findingsChoice.html](http://ourvoicesourchildren.org/CG_findingsChoice.html)



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In addition to the polling by Brian Sanderoff, another group was contracted to see not so much what people think about ECE, but to go deeper and see what it is that they understand about ECE. Viewpoint Learning conducted five “choice dialogues”--or supercharged day-long focus groups--in Albuquerque, Farmington, Las Cruces, Espanola, and Laguna Pueblo over the past several months. These are their key conclusions.

## Viewpoint Learning: Where to Get the Revenue

New revenues were seen as necessary, with ***strong majorities*** supporting:

- Tax on profitable out-of-state corporations that do business in NM
- Tax on alcohol and cigarettes
- Increased personal income tax on the top 5%
- Increased payments from the Land Grant

Permanent Fund



[http://ourvoicesourchildren.org/CG\\_findingsChoice.html](http://ourvoicesourchildren.org/CG_findingsChoice.html)



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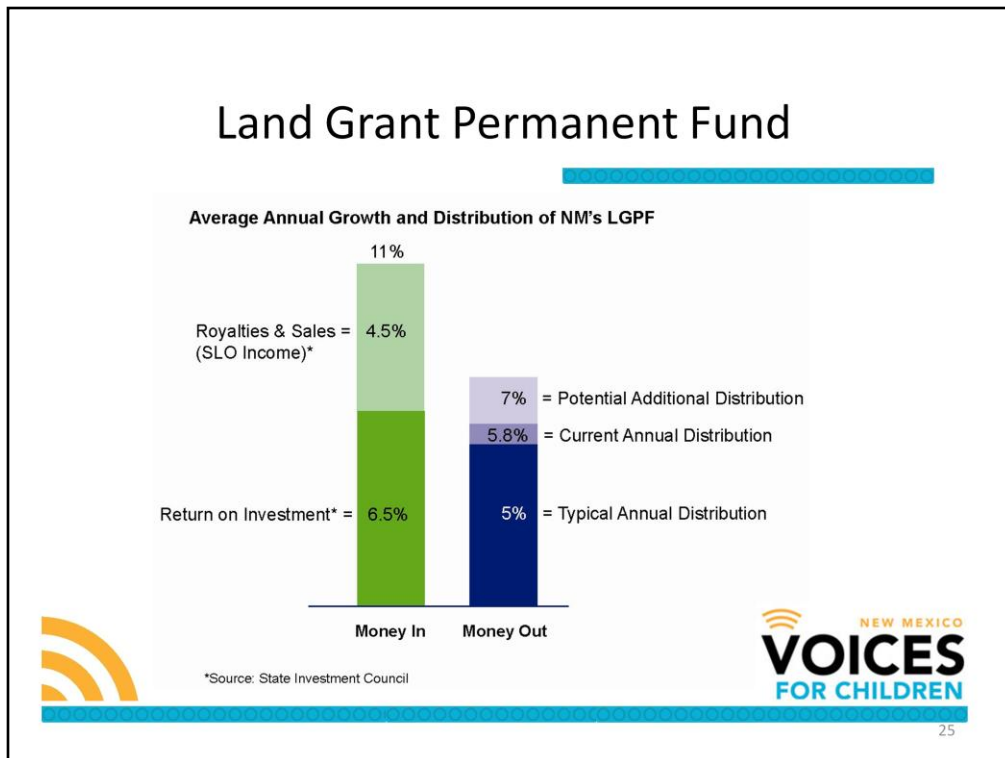
As you know, the first three of these revenue raisers have been tried in the legislature and failed except the cigarette tax. And as much as the business community wants increased investments in ECE, the only solution that has any support at all is to tap the Land Grant Permanent Fund.

If we wanted to increase the distribution from the LGPF, it would require a constitutional amendment that would increase the distribution percentage and define education to include early care and education.

Nebraska has a similar permanent fund and they amended their constitution to include ECE and we are currently investigating what we would need in order to do the same here.

We've begun discussions with legislators from both parties and both chambers, with the Attorney General's office, and with the incoming general council for the State Land Office.





New Mexico's LGPF is the second largest in the nation, with \$9 billion (most states have balances of hundreds of millions of dollars rather than billions).

This last slide describes how revenue flows in and out of the LGPF.

There are two revenue streams INTO the Fund and together, over the last 10 to 15 years, they've grown the Fund at an average annual rate of more than 11%... 6.5% from earnings on investment and 4.5% from royalties and sales. We currently distribute 5.8% and that will drop to 5% in 2016.

The proposal we're investigating is an annual distribution of 7% and that this increase in the distribution would be shared between K-12 and ECE programs to fund an educational continuum from birth through K-12. ECE programs would ramp up over a couple years and its share would increase to 1 ½% to 2% of that 7%.

Many of us, including New Mexico Voices for Children and the Catholic Bishops, are making this a very high priority for the coming session. We hope we'll have your support and I'd love to meet with any of you to discuss the proposal or to answer any questions you might have about the Land Grant Permanent Fund.

I know one of the arguments against tapping the Permanent Fund is that we're spending our children's future. We think that's exactly WHY we should consider tapping the permanent fund—for the sake of our children's future.

I think we have to ask for those kids who are born today-- will they be better off in 10 or 20 years if we keep a few million more in the Fund or if we invest it to set them on a trajectory of success now?

Thank you.