

Cost Savings of School Readiness Per Additional At-Risk Child in Detroit and Michigan

Executive Summary

Introduction

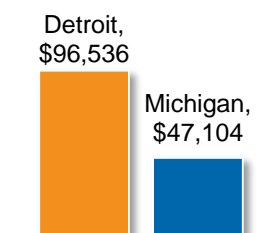
Research studies have demonstrated that investing in effective early education programs that prepare young children cognitively, physically, socially, and emotionally for success in school – particularly low-income children at risk of school failure – prevents or reduces needless public spending throughout the educational, social services, and criminal justice systems for juveniles and adults. Early school readiness also increases future state revenues by lowering drop-out rates and ensuring a skilled workforce that contributes to the tax base.

Potential lifetime cost savings of school readiness per child

The lifetime economic value of investing in school readiness for just one more child at risk of academic failure in Detroit, Michigan, is a conservative estimate of \$96,000, and approximately \$47,000 for similar investments based on population factors in Michigan as a whole.

Max M. & Marjorie S. Fisher Foundation estimates that for every one percent improvement in school readiness among Detroit City's school district approximately 5,200 kindergarteners would result in a \$4.2 million one percent early childhood dividend. Statewide, every one percent improvement in school readiness among Michigan's approximately 122,000 kindergarten students would result in a \$48 million dividend.

LIFETIME ECONOMIC VALUE OF INVESTING IN A CHILD AT RISK OF ACADEMIC FAILURE



Methods

To make these estimates, we combine the best available research data from longitudinal studies of early childhood education programs with school demographics and expenditure data from the Michigan Department of Education, as well as from poverty rates, crime rates, and other data for Detroit and Michigan as a whole and the National Archive of Criminal Justice Data.

The resulting estimations show the potential economic benefit associated with one at-risk child receiving early childhood education at the same quality and intensity of the reviewed early childhood education programs.

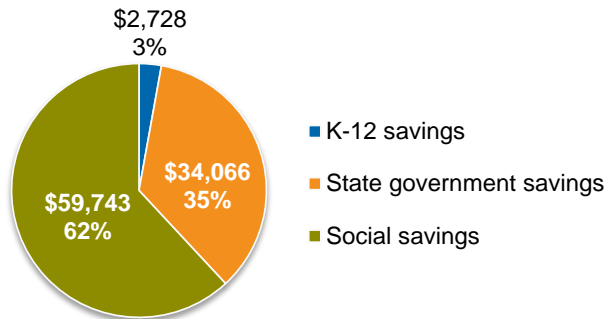
ESTIMATED LIFETIME SAVINGS PER ADDITIONAL AT-RISK CHILD ACHIEVING SCHOOL READINESS

Cost category	Detroit	Michigan
K-12 special education	\$2,050	\$1,390
K-12 grade repetition	\$678	\$244
Subtotal K-12 lifetime savings	\$2,728	\$1,634
Criminal justice	\$21,114	\$8,589
Child care subsidies	\$8,435	\$6,540
Public assistance	\$319	\$293
Child welfare	\$1,507	\$1,504
State tax revenue	\$2,690	\$2,110
Subtotal state government lifetime savings	\$34,066	\$19,037
Crime victims savings	\$56,150	\$22,841
Health (alcohol abuse and drug use)	\$1,936	\$1,936
Productivity of employed parents	\$1,657	\$1,657
Subtotal social savings	\$59,743	\$26,434
Total per child lifetime savings	\$96,536	\$47,104
Total adjusted for out-migration	\$81,524	\$39,197

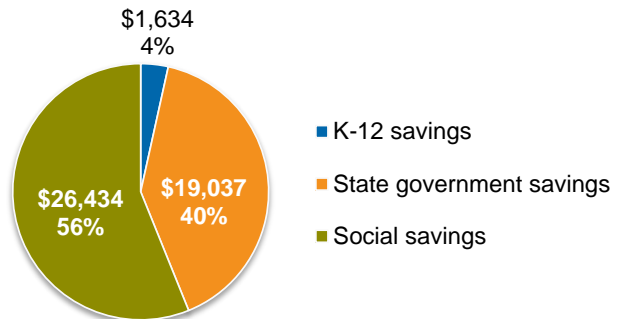
Present value dollars

LIFETIME BENEFITS OF EARLY CHILDHOOD EDUCATION PER CHILD

IN DETROIT



IN MICHIGAN



Conclusions

School readiness for young children enhances educational performance, reduces anti-social behavior, and improves the likelihood of having a healthier life. These benefits produce substantial economic value to society. The potential public dividend for just one additional child achieving school readiness in Detroit is \$96,536, and \$47,104 in Michigan. When adjusted for out-migration, these benefits reach \$81,524 in Detroit, and \$39,197 in Michigan respectively. Most of these benefits come from reduced crime of school-ready children (80% for Detroit and 67% for Michigan). We find returns on investment in school readiness of about \$8 to \$20 for every at risk child in Detroit and \$4 to \$9 for the entire state of Michigan.

Michigan has been investing in school readiness over the past 25 years and, accordingly, has reaped the benefits of more than a billion dollars in annual savings and revenues.¹ Those benefits would rise exponentially as a result of increased school readiness investments in Detroit, given the potential dividend for just one additional child achieving school readiness in Detroit is at least \$96,000.

¹ Chase, R. et al (2009). *Cost savings analysis of school readiness in Michigan*. St. Paul, Minnesota: Wilder Research.

Investing in high quality early childhood education makes economic sense. The potential economic benefits of early childhood education provide objective evidence to taxpayers and policymakers that can be used to produce more effective and efficient allocation decisions.

Funded by: **M&M Fisher**
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For more information

This summary presents highlights of the *Cost Savings of School Readiness Per Additional At-Risk Child in Detroit and Michigan*.

Full report is available at www.mmfisher.org.

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