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Research

Detroit's one-child school readiness dividend

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 welfare, and criminal justice systems for juveniles and adults. For example, children who attend preschool require less special education, repeat grades less, have fewer behavioral problems in school, graduate at a higher rate than others, and have less involvement in the very expensive criminal justice system as both juveniles and adults. As adults they are more likely to be employed, earn higher incomes, and contribute more in taxes.

This study demonstrates the economic value to state government and the public of investing in school readiness for just one more child at risk of academic failure in Detroit and in Michigan as a whole.

Potential lifetime value of school readiness per child

Based on high school graduation rates, poverty rates, crime rates, and other factors, 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 about $100,000, and approximately $39,000 for similar investments in Michigan as a whole.

The details of where the benefits accrue are shown in the table on the reverse side. These values are present values, discounted at a 3 percent discount rate. They do not include the lifetime earnings that accrue to the child achieving school readiness.

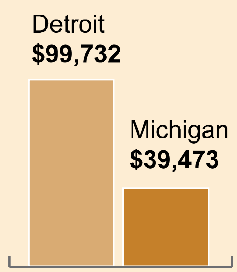
Conclusions

School readiness for more young children is critical for tackling Detroit's economic and social challenges. Investing in school readiness produces an educated and skilled workforce and social returns with substantial economic value.

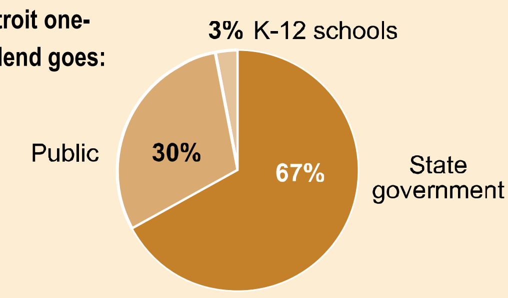
Michigan has been investing in school readiness over the past 25 years and, accordingly, has reaped the benefits of more than a billion dollars in annual savings and revenues.[1] Those benefits would rise exponentially as a result of increased school readiness investments in Detroit, given the potential dividend for just one additional child achieving school readiness in Detroit is at least $100,000.

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

The Detroit one-child will benefit Michigan overall and will produce even greater returns for the city of Detroit.



Where Detroit one-child dividend goes:



Estimated lifetime savings per additional at-risk child achieving school readiness

Cost category	Detroit	Michigan
K-12 special education	$2,304	$1,720
K-12 grade repetition	$1,072	$654
Subtotal K-12 lifetime savings	**$3,376**	**$2,374**
Criminal justice	$50,943	$14,798
Child care subsidies	$8,145	$6,315
Public assistance	$5,245	$4,066
Child welfare	$2,037	$1,579
State tax revenue	$262	$262
Unemployment insurance	$333	$386
Subtotal state government lifetime savings	**$66,965**	**$27,406**
Crime victims saving	$27,762	$8,064
Health (Alcohol abuse and drug use)	$84	$84
Productivity of employed parents	$1,545	$1,545
Subtotal social savings	**$29,391**	**$9,693**
Total per child lifetime savings	**$99,732**	**$39,473**
Total adjusted for out-migration	**$79,611**	**$32,075**

Methods

These estimates are based on actual school graduation and expenditure data, poverty rates, crime rates, and other data for Detroit and for Michigan as a whole and ECE program effect sizes and parameters from the existing research on effects of early childhood education.

To make these estimates, we relied on the best available research data from longitudinal studies of early childhood education programs in Michigan and other states. We used actual school graduation and expenditure data, poverty rates, crime rates, and other data for Detroit and for Michigan as a whole.

We obtained data from the Michigan Department of Education, as well as from the Census Bureau and the National Archive of Criminal Justice Data. When current Michigan or Detroit data were limited or unavailable, we made conservative assumptions using national data.

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For more information

This summary presents highlights of *Cost savings of school readiness per additional at-risk child in Detroit and Michigan*. For more information about this report, contact Richard Chase at Wilder Research, 651-280-2706, richard.chase@wilder.org.

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