

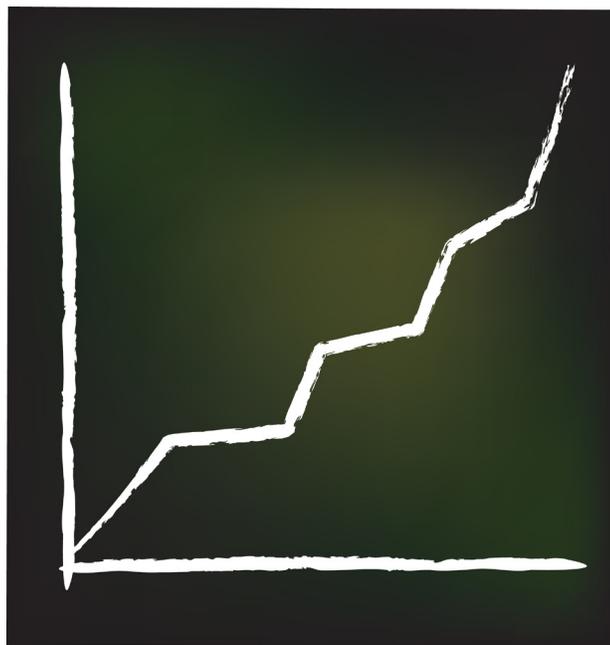
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The Wisconsin Policy Research Institute

WPRI REPORT

The Economic Power of Early Childhood Education in Wisconsin

By Rob Grunewald and Don Bezruki



Executive Summary

Early childhood education is one of the most cost-effective and potent economic development tools available. Investment in young children supports economic development by boosting the long-run productivity of the labor force and reducing public costs. In the cold calculus of economic analysis, repeated studies have not only confirmed the long-term value of early childhood education, but its economic payback has been estimated as high as \$16 for every \$1. Early childhood education programs can provide high rates of return when:

- They are of proven high quality.
- They reach children in greatest need, such as children in poverty.
- They reach children well before they start kindergarten.

The YoungStar program, launched in 2010, is Wisconsin's attempt to leverage existing state and federal funding for child care subsidies for low-income families to improve the quality of the state's thousands of child care providers and to help parents make better-informed, quality-based decisions when they select a child care provider for their children.

In 2010, Wisconsin paid over \$293 million to child care providers that enrolled children from low-income families through the Wisconsin Shares program. The Wisconsin Shares subsidies program began during Wisconsin's welfare reform in the 1990s to help parents on public assistance afford child care and join the work force. Beginning in July 2012, YoungStar will employ the financial carrot of subsidy increases for high-quality providers and the financial stick of reduced subsidy payments to low-quality providers. All child care providers will be measured against a detailed and thorough quality rating and improvement system whose results will be made available to parents in an easy-to-use five-star rating format, with one-star for substandard providers and five stars for the highest-quality providers. Perhaps YoungStar's biggest challenge is that 65% of Wisconsin Shares children attended low-ranked two- star providers in December 2011, while only 14% attended higher-quality four- and five- star providers.

Research in other states, especially recently in Minnesota, not only demonstrates the importance of early childhood education as an economic development tool, but also provides an early look at successful strategies and potential challenges. Funded by business leaders, Minnesota's pilot projects employed a market-based approach that provided information to parents on selecting high-quality early childhood providers and scholarships to low-income families to access them. The pilots indicate that with the right set of market incentives, parents and providers respond, which ultimately helps children arrive at kindergarten prepared

to succeed in school. Based on YoungStar's current status and the lessons learned from Minnesota and other states, we recommend that YoungStar:

- Implement strategies to significantly increase parental involvement;
- Evaluate the potential for significant quality improvement among existing providers to determine whether current incentives and penalties are most effectively structured;
- Significantly increase business community support and active participation;
- Streamline and reformulate governance and include input from economic development professionals.