**OFFICE OF SENATE MAJORITY COALITION LEADER**

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**An Economic Argument for NYC Mayor Bill de Blasio’s Universal Pre-K Plan**

**January 5th, 2014**

**Introduction**

On November 5, 2013, Democratic Mayoral Candidate Bill de Blasio was elected Mayor of New York City by an overwhelming majority of the city’s voters. This margin was achieved in large part due to the resonance of the campaign’s “Tale of Two Cities” message. The core of this message is indisputable: levels of income inequality in our city are higher than almost ever before as the gap between the “haves” and “have-nots” grows daily. Recently, while the top 5 percent of City residents have earned annual incomes of $436,931, the lowest fifth of New York City residents earned an average income of only $8,993.

Mayor de Blasio has made closing this gap a cornerstone of his agenda, and has put forth a series of policy proposals aimed at closing this gap. His most visible proposal calls for expanding educational opportunities to all of the City’s children at an early age.[[1]](#footnote-1) Currently, many of the City’s children cannot attend preschool, denying them a proven and necessary academic foundation for long-term success both in school and the modern economy.

Believing that New York City’s economic future depends on having a highly skilled and educated workforce, Mr. de Blasio pledged to provide New York City with a greater investment in early education. Specifically, he seeks to create a universal prekindergarten program (UPK) for all four-year olds in NYC.

**Mayor de Blasio’s UPK Proposal**

Currently, thousands of NYC children receive zero or very inadequate pre-k education.

Roughly 19,880 New York City children attend full-day, pre-k—al of which is conducted in a private setting.[[2]](#footnote-2) In contrast, the majority of pre-school aged children (38,000) receive only part-time pre-k; while 7,500 receive no such education at all. Another 2,500 children’s status is unreported. De Blasio’s plan would bring full-time, pre-k to almost 50,000 children. According to Mayor de Blasio’s proposal, the cost to extend pre-k from a half to full-day is $5,012 per child; whereas the cost of full-day, pre-k is $10,024 a child.[[3]](#footnote-3) As seen in the chart below, this means that the cost of creating UPK will reach upwards of $341 million.

**Cost of Expanding Universal Pre-K Program in New York City**

|  |  |  |
| --- | --- | --- |
|  | **# of Children** | **Cost** |
| **Part-time Pre-K slots to be expanded to full day** | 38,177 | $191,343,124  |
| **Full-day Pre-K slots to be created** | 10,000 | $100,240,000  |
| **Leased Space** | -- | $50,000,000  |
| **Total New Services/Cost** | **48,177** | **$341,583,124**  |

To fund this proposal, Mayor de Blasio is asking New York City’s wealthiest residents—those earning $500,000 or more per year—to pay a modest amount more in their New York City income taxs. Currently, these earners are taxed at a rate of roughly 3.86%. Under the de Blasio proposal, these rates would be modestly increased to 4.41%. It is anticipated that this increase will generate $530 million in new revenue for the city.

**Investments in Pre-K Generate Substantial Short and Long-Term Returns**

Universal prekindergarten is a policy that has generate widespread support throughout the years, due to the wealth of evidence proving it to be an effective educational and economic tool. Countless studies demonstrate that the benefits of expanding education to younger children far outweigh the costs.[[4]](#footnote-4) Cumulatively, this research shows that preschool does not have a nebulous impact, but instead brings tangible consequences for participants and society as a whole.

While there is much empirical evidence to support the case for universal pre-k, one study in particular stands above the rest. During his last State of the Union address, President Barack Obama advocated an effort to provide the nation’s children with high-quality preschool. Aside from increasing opportunities for children, the President stated that such an effort would provide our country with critical economic development.

*Every dollar we invest in high-quality early education can save more than seven dollars later on – by boosting graduation rates, reducing teen pregnancy, even reducing violent crime. In states that make it a priority to educate our youngest children, like Georgia or Oklahoma, studies show students grow up more likely to read and do math at grade level, graduate high school, hold a job, and form more stable families of their own.[[5]](#footnote-5)—President Barack Obama, 2/12/13*

The President’s reference of a $7-to-$1 return on investment refers to the landmark Chicago Longitudinal Study.[[6]](#footnote-6) Researchers began this project in 1985 by following 1,500 low-income children, and their journey from child to adult. In that initial year, researchers began collecting data on two groups of children: 989 attending preschool and kindergarten at Child-Parent Centers (CPC), and 550 children who only participated in kindergarten with no preschool. The CPCs of interest provide education and family-support services to children ages 3 to 9.[[7]](#footnote-7) CPC preschool programs last five days a week for 3 hours each day.

The study did not stop after students graduated from the program. Instead data was collected each year regarding the educational, social, and family aspects of each subject. Measures for which data was collected include educational attainment, health, job opportunities, income, and potential criminal abuses. The most recent version of the study provides findings on these individuals at age 26.

The scope of the study is immense. It allows researchers to paint a complete picture of these children as they progress through each stage of their young lives. Such a study allows us to see in what ways a preschool education opens doors for those with the opportunity to participate.

The first set of results show that pre-k delivers lifelong benefits to participating students.[[8]](#footnote-8) Compared to students who did not attend, preschoolers displayed increased positive outcomes across the board. Children who participate in pre-k displayed higher rates of high school graduation (79.7% to 72.9%); lower rates of felony arrest (13.3% to 17.8%); higher rates of health insurance (76.7% to 66.6%); and lower rates of substance misuse (14.3% to 18.8%).

Alone these numbers show just how important a preschool education can be. What may seem like a dispensable education to some is actually incredibly important, and lays a foundation that children build on for the rest of their lives. Learning the skills taught in pre-k places these students on a path of achievement earlier in life. This makes students less likely to fall behind in school, and more likely to graduate from high school and find a well-paying job.

However, these findings do not tell the whole story. Researchers were able to go beyond simply tracking the difference in outcomes for those individuals in the study, and provide a cost-benefit analysis. Their work demonstrates whether the cost of providing pre-k programs funded by public dollars creates an economic benefit worth pursuing.

Seven categories of potential benefit were investigated.[[9]](#footnote-9) They included reductions in expenditures for remedial education; reductions in criminal justice system expenditures; reduction in child welfare expenditures; averted costs to crime victims; reductions in expenditures associated with mental health and substance abuse treatment; and increases in earnings and tax revenues. They also studied whether benefit levels would differ for individuals, the general public, and society at large.

According to their findings, “program participation was linked to relatively high economic returns to society and the public estimated from improved well-being by age 26.”[[10]](#footnote-10) The table on the following page illustrates the economic benefits seen from an initial cost per participant of $8,512. From this initial investment the economic return to society at-large was a robust $92,220. This means that for every dollar invested in pre-k, an economic benefit is returned of $10.83.

The driving force behind this total was the avoided cost in criminal justice expenses. As noted earlier, children who attend preschool are less likely to become involved in illicit activity. Costs associated with arrests, incarceration, and probation can then be avoided, and used toward other purposes. Overall it was found that society could avoid spending $4.99 on crime reduction expenses per dollar invested in early education. The second largest contributing factor was the economic benefit of increased earnings for those attending pre-k. For every dollar invested in such programs, society sees a return of $3.39 in earnings and tax revenue.

These findings showcase that real economic growth can be gained from expanding educational opportunities at a younger age. Laying this early foundation is important to strengthening the general public in the future, as it creates stable contributors to the tax base.

**Return of Investment in Preschool Education**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Benefits\*** | **Return on a $1 investment** | **Return on De Blasio Investment\*\*** |
| **Participants** |
| Child Care | $4,387 | $0.52 | $176,048,539.12 |
| Child abuse and neglect | $4,240 | $0.50 | $170,149,488.46 |
| Earnings/compensation | $22,445 | $2.64 | $900,708,789.73 |
| **Total Benefits** | **$30,974** | **$3.64** | **$1,242,974,116.87** |
| **General Public** |
| Child abuse and neglect | $3,090 | $0.36 | $124,000,452.67 |
| Education |  |  |  |
|  Grade retention | $880 | $0.10 | $35,314,044.77 |
|  Special education | $5,317 | $0.62 | $213,369,063.71 |
| Earnings/compensation | $6,399 | $0.75 | $256,789,286.95 |
| Criminal behavior |  |  |  |
|  Ages 10-18 | $24,240 | $2.85 | $972,741,415.15 |
|  Ages 19-44 | $18,222 | $2.14 | $731,241,504.41 |
| Health |  |  |  |
|  Depression | $494 | $0.06 | $19,824,020.59 |
|  Substance misuse | $2,800 | $0.33 | $112,362,869.74 |
| **Total Benefits** | **$61,246** | **$7.20** | **$2,457,777,257.11** |
| **Society** |
| Child care | $4,387 | $0.52 | $176,048,539.12 |
| Child abuse and neglect | $7,330 | $0.86 | $294,149,941.13 |
| Education |  |  |  |
|  Grade retention | $880 | $0.10 | $35,314,044.77 |
|  Special education | $ 5,317 | $0.62 | $213,369,063.71 |
| Earnings/compensation | $28,844 | $3.39 | $1,157,498,076.67 |
| Criminal behavior |  | $0.00 |  |
|  Ages 10-18 | $24,240 | $2.85 | $972,741,415.15 |
|  Ages 19-44 | $18,222 | $2.14 | $731,241,504.41 |
| Health |  |  |  |
|  Depression | $494 | $0.06 | $19,824,020.59 |
|  Substance misuse | $2,800 | $0.33 | $112,362,869.74 |
| **Total Benefits** | **$ 92,220** | **$10.83** | **$3,700,751,373.98** |

 Source: “Age 26 Cost-Benefit Analysis of the Child-Parent Center Early Education Program,” 392

 \* Average cost per participant for CPC program was $8,512

 \*\*Under De Blasio plan, $341,583,124 from an income tax raise would be invested in universal pre-k

Of course, the preschoolers themselves also see economic gain from their participation. For every dollar invested, participants see increased earnings of $2.64. This is a tremendous return, and shows that preschool positively affects the well being of an individual well into their adult years. When other factors are considered, participants see a total return of $3.64, while the general public sees $7.20. This is significant as it demonstrates that while those directly affected by the program benefit, the indirect costs to the public are even greater. Hence, adopting preschool education is a smart idea for an entire community.

These findings are also helpful because they allow us to see the impact that Mayor de Blasio’s plan will have on New York City. As stated, de Blasio’s plan calls for over $341 million generated from increased income tax rates on the wealthy to be used to expand universal prekindergarten to all children. The chart above shows what this investment would provide to New York City in the long-term based on the study’s cost-benefit analysis.

If this plan were enacted, New York City children who are currently unable to access preschool education would realize a large gain in personal earnings. By age 26, New York City’s investment would bring these students over $900 million, and a total economic benefit of almost $1.25 billion. For the general public, almost $2.5 billion would be returned off of the initial investment. Long-term, by adopting Mayor de Blasio’s universal pre-k plan, New York City as a whole would stand to realize a $3.7 billion economic benefit.

The City’s streets would be safer as well, as children who attend preschool are less likely to engage in criminal activity. Alongside this, New York City would avoid $1.7 billion it would otherwise need to spend on policing such activities. Additionally, as preschoolers age they will be less likely to abuse substances. This will lead to a decrease in expenses for rehabilitation, treatment, and losses in workplace productivity bringing New York City an economic benefit of $112 million. Finally, the City would save nearly $248 million in education expenses that would be needed if not or preschool expansion. This is due to the reduced likelihood of preschoolers being held back or requiring special education.

**The Current New York State Program for Pre-K is Inadequate**

UPK is not a foreign concept in New York. In fact, the state’s Universal Pre-Kindergarten Program continues to be in place since its enactment in 1997.[[11]](#footnote-11) The program, which the State Education Department (NYSED) administers, provides funding in the form of grants to participating school districts that wish to deliver pre-k to four-year old children free of charge. Though this program allows thousands of children to attend preschool throughout the state, for reasons discussed below it is insufficient in fully capturing the need in New York City.

The existing UPK program is purely voluntary, and school districts are not required to supplement grants with local financing. To receive funding, preschool programs must be at least half-day (2.5 hours), 5 days a week, and 180 days per year.[[12]](#footnote-12) A class size limit of 20 students is also required.

Throughout the life of the program, funding levels have been erratic. This is due in large part to macroeconomic forces impacting the entire country, forcing New York to cut funding levels. At the outset, the program was funded at a level of $67.4 million.[[13]](#footnote-13) In the program’s third year, this rose by over 300% to $225 million. The following school year, 2001-02, due to the recession at that time funding was reduced to $204.7 million.

From 2002 to 2006, the amount of grants under UPK was frozen. Two years later, however, the program saw its greatest expansion to date, and a new allocation formula was adopted.[[14]](#footnote-14) The program was authorized to provide $451.2 million in grants, which allowed over 100,000 children to attend preschool. The following school year, in a familiar pattern, authorized grants fell again by nearly $40 million.

Then the Great Recession hit the country, and brought with it a severe curb on State spending. Accordingly, authorized grants were reduced to $385 million where they remain to this day. The vast majority of UPK funding goes to New York City. For the 2013-2014 academic year, the City received 58% of total UPK funding, or $225 million.[[15]](#footnote-15) The maximum number of pupils served with this amount is 57,969, which corresponds to a grant per pupil of $3,880.

 Source: New York State Education Department

**Why New York’s Current Universal Prekindergarten Program Is Falling Short**

Despite the effort to expand pre-k education to all New York four-year olds, the program has faced problems accomplishing this. These are described in a recent report released by the Citizens Budget Commission (CBC) entitled “The Challenge of Making Universal Prekindergarten a Reality in New York State.” Of course the primary reason is the erratic funding levels seen above. Outside of that, the program’s funding allows less than half of the state’s 230,000 four-year-olds to attend pre-k programs.[[16]](#footnote-16)

Additionally, there is a large amount of variance seen in preschool participation rates based on income level. For instance, only 57% of four-year-olds in the State’s poorest families attend preschool.[[17]](#footnote-17) This is compared to children in families with the most wealth who attend at a rate of 83%.

Again we see the divide between rich and poor in effect. Wealthier families are able to afford using private funds to send their children to preschool. Lower-income families do not have this option as their income is devoted almost exclusively to providing basic needs for the family. These individuals instead rely solely on public funds for their children to receive this education. The participation rates shown below indicate that despite the presence of the UPK program many lower-income children fall through the cracks. Without an injection of additional public funds, these children are unlikely to gain access to early education.

**Share of 4-Year-Olds in Nursery School or Preschool by Income,**

**New York State Average for 2007-2011**



 Source: Citizens Budget Commission, “The Challenge of Making Universal Prekindergarten a Reality in

 New York,” 9.

A second issue with the current UPK program is that in comparison to other state programs, New York provides lower funding per pupil.[[18]](#footnote-18) Out of the 40 states offering such programs, New York ranked 21st in per pupil spending last year with $3,707. At the other end of the spectrum, New Jersey allocates per pupil spending amount of $11,659.

Mr. De Blasio’s proposal would provide New York City with the increased funding necessary for making preschool truly universal—and adequate—for all of its children.

**Conclusion**

The benefits mentioned above are only some of the major, lasting gains that New York City children and taxpayers stand to realize from enacting Mayor de Blasio’s universal pre-k proposal. The increased tax rates are a small price to pay for New York City to gain so much more. Wealthy residents would not only help low-income children get the education they desperately need, but they would also spark New York City’s economic engine for years to come.

As this report details, it makes strong economic sense to enact universal pre-k for New York City. That is why during the 2014 legislative session, Senators Klein and Savino of the Independent Democratic Conference will fight to make it a reality. If New York City wants to remain an economic force well into the future, it must close the gap between rich and poor, and allow everyone to flourish. This is one step in the path to achieving that goal.

1. Bill De Blasio, *“*A New Path Forward: A Long-Term Plan to Tackle Economic Inequality and Improve Income Mobility,” *Bill De Blasio for Mayor*, 2013, <http://dnwssx4l7gl7s.cloudfront.net/deblasio/default/page/-/A%20New%20Path%20Forward%20for%20Education.pdf>. [↑](#footnote-ref-1)
2. Bill De Blasio, “Starting Early, Learning Longer: Education Investments to Keep NYC Competitive,” *Public Advocate for the City of New York*, October 2012, <http://advocate.nyc.gov/files/DeBlasioEducationInvestmentFactSheet.pdf>. [↑](#footnote-ref-2)
3. Ibid, 2. [↑](#footnote-ref-3)
4. See Albert Watt’s “Dollars and Sense: A Review of Economic Analyses of Pre-K,” *Pre-k Now,* March 2007, <http://www.pewstates.org/uploadedFiles/PCS_Assets/2007/PEW_PkN_DollarsandSense_May2007.pdf>. [↑](#footnote-ref-4)
5. President Barack Obama, *State of the Union Address,* February 12, 2013, <http://www.whitehouse.gov/the-press-office/2013/02/12/president-barack-obamas-state-union-address>. [↑](#footnote-ref-5)
6. Arthur J. Reynolds, et al., “Age 26 Cost-Benefit Analysis of the Child-Parent Center Early Education Program,” *Child Development* 82:1 (2011), 379-404. [↑](#footnote-ref-6)
7. Ibid, 385. [↑](#footnote-ref-7)
8. Ibid, 389. [↑](#footnote-ref-8)
9. Ibid, 385. [↑](#footnote-ref-9)
10. Ibid, 395. [↑](#footnote-ref-10)
11. New York State Education Department, *Universal Prekindergarten,* <http://www.p12.nysed.gov/upk/>. [↑](#footnote-ref-11)
12. New York State Codes, Rules & Regulations Education Sub Part 151-1 “Universal Prekindergarten Programs”. [↑](#footnote-ref-12)
13. Citizens Budget Commission, “The Challenge of Making Universal Prekindergarten a Reality in New York State,” October 2013, <http://www.cbcny.org/sites/default/files/REPORT_UPK_10222013.pdf>, 6. [↑](#footnote-ref-13)
14. Ibid, 7. [↑](#footnote-ref-14)
15. New York State Education Department, *Universal Prekindergarten Allocations FY 2013-2014*, found at <http://www.p12.nysed.gov/upk/>. [↑](#footnote-ref-15)
16. Citizens Budget Commission, “The Challenging of Making Universal Pre-K a Reality in NY,” 9. [↑](#footnote-ref-16)
17. Ibid. [↑](#footnote-ref-17)
18. Ibid, 10. [↑](#footnote-ref-18)