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JUN 22 2011

STATE OF MINNESOTA  
RAMSEY COUNTY

By     jf     Deputy

DISTRICT COURT  
SECOND JUDICIAL DISTRICT

**In Re Temporary Funding of Core  
Functions of the Executive Branch of the  
State of Minnesota.**

Case Type: Civil

File No. 62-cv-11-5203  
The Honorable Kathleen R. Gearin

**AFFIDAVIT OF SCHOOL READINESS  
FUNDERS COALITION IN SUPPORT  
OF MEMORANDUM OF LAW BY  
THE *AMICI* COALITION OF CHILD  
CARE PROVIDERS AND  
SUPPORTERS**

State of Minnesota    )  
                                  ) ss.  
County of Hennepin    )

I, Denise Mayotte, being first duly sworn, depose under oath and state as follows:

1. I am the Executive Director of the Sheltering Arms Foundation, which is a member of the School Readiness Funders Coalition (hereinafter "Funders Coalition"), and am competent to testify to the matters in this Affidavit.

2. I make this Affidavit on behalf of the Funders Coalition, a group comprised of prominent philanthropic organizations serving Minnesota—including Sheltering Arms Foundation, The Minneapolis Foundation, Greater Twin Cities United Way, United Ways of Greater Minnesota, Minnesota Community Foundation, The St. Paul Foundation, Social Venture Partners, Women's Foundation of Minnesota, West Central Initiative Foundation, The Grotto

Foundation, Blandin Foundation, McKnight Foundation, and The Jay and Rose Phillips Family Foundation of Minnesota—in support of the Memorandum of Law submitted by the *Amici* Coalition of Child Care Providers and Supporters.

3. The Funders Coalition has, for approximately three years, participated in policy work to ensure that the state achieve the statutory goal that every Minnesota child is ready for kindergarten by 2020,<sup>1</sup> and that Minnesota children and families are thriving.

4. In furtherance of this mission, Funders Coalition members contribute approximately \$20 million annually to early child care and education programs.<sup>2</sup> This amount is believed to represent the bulk of private contributions to early childhood programs for Minnesota's poorest families.

5. While the amount of SRFC member contributions is significant, it pales in comparison to the forecasted \$222 million state expenditure in fiscal year 2011 to subsidize such child care programs.<sup>3</sup>

6. The Funders Coalition members individually support a number of child care programs serving the neediest children in Minnesota.

7. By way of example, Sheltering Arms Foundation provided financial support to the

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<sup>1</sup> See Minn. Stat. § 124D.141, subd. 2(4)-(6) (tasking an advisory council to make recommendations to improve early childhood care and education to ensure that all children are school-ready by 2020 and to put in place measures indicating state progress toward this goal).

<sup>2</sup> Attached as Exhibit A is a true and correct excerpted copy of School Readiness Funders Coalition, Agenda to Achieve Learning Readiness by 2020 (Nov. 10, 2010), available at [http://www.readyforschoolmn.com/images/docs/Agenda\\_to\\_Achieve\\_Learning\\_Readiness\\_by\\_2020.pdf](http://www.readyforschoolmn.com/images/docs/Agenda_to_Achieve_Learning_Readiness_by_2020.pdf).

<sup>3</sup> See Minn. Dep't of Human Servs., Reports & Forecasts Div., Family Self-Sufficiency and Health Care Program Statistics (Apr. 2011), available at [http://www.dhs.state.mn.us/main/groups/agencywide/documents/pub/dhs\\_id\\_016338.pdf](http://www.dhs.state.mn.us/main/groups/agencywide/documents/pub/dhs_id_016338.pdf).

following early child care and education programs serving poor children in the past fiscal year: The Alliance of Early Childhood Professionals, Joyce Preschool, Mayflower Preschool, the Parenting Resource Center, People Serving People, St. Anne's Place, Southside Family Nurturing Center, Way to Grow, and the Amherst Wilder Foundation. Other members of the Funders Coalition support similar programs in communities across the state.

8. Studies and extensive research have shown these programs to be the very best possible investment to support a thriving Minnesota future.<sup>4</sup> The quality of life for a child and the contributions the child makes to society as an adult can be traced back to the first few years of life.<sup>5</sup> If, from birth until about age 5, a child's life includes support for growth in cognition, language, motor skills, adaptive skills, and social-emotional functioning, the child is more likely to succeed in school and become a productive member of society.<sup>6</sup> Without support during these formative years, however, a child is more likely to drop out of school, receive welfare benefits, and commit crimes.<sup>7</sup>

9. As early child care and education funders, Funders Coalition members are keenly aware of the serious hardship that will be inflicted on vulnerable Minnesota families—in particular, their youngest children—in the event of a government shut-down if subsidized child care services are not deemed essential core services. Child care providers serving children

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<sup>4</sup> Attached as Exhibit B is a true and correct excerpted copy of Art Rolnick & Rob Grunewald, *Early Childhood Development: Economic Development with a High Public Return*, *fedgazette*, Mar. 2003, available at <http://www.roma1.org/files/rtr/Rolnick.pdf>.

<sup>5</sup> See *id.* at 5 & n.4 (citing Martha Farrell Erickson & Karen Kurz-Riemer, *Infants, Toddlers and Families: A Framework for Support and Intervention* 19 (1999)).

<sup>6</sup> See *id.*

<sup>7</sup> See *id.*

whose families receive subsidies will be forced to close their doors, parents will not be able to work due to the lack of child care for their children, and children will not be receiving the high quality care that will allow them to become contributing citizens themselves.

10. The funding gap that would result if the state stops providing subsidies for early child care simply cannot be filled by private sources. In spite of the ongoing private support of early education and child care for vulnerable families, the Minnesota philanthropic community is not able to carry these programs through a period of shut-down. The gap between private support and government support of these services is just too great.

11. The poor children served by subsidized care are highly vulnerable, voiceless citizens of our state. Like vulnerable adults, these children depend on the safety net of early education and child care programs funded, in large part, by the State. The disruption of the safety net will leave these children and their families in untenable circumstances.

12. Therefore, the members of the Funders Coalition believe that subsidized child care services should be deemed an essential core service that will be continued to be funded in the event of a government shutdown.

FURTHER YOUR AFFIANT SAYETH NOT.

Dated: June 22, 2011.

SCHOOL READINESS FUNDERS COALITION



Denise Mayotte  
Executive Director  
Sheltering Arms Foundation

Subscribed and sworn to before me  
this 22<sup>nd</sup> day of June, 2011.

  
Notary Public

fb.us.6957564.01



School Readiness Funders Coalition

Agenda to Achieve Learning Readiness by 2020

Finalized March 2010  
Updated November 10, 2010

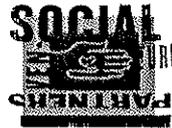
*Coalition members: Blandin Foundation, Frey Foundation, Greater Twin Cities United Way, Grotto Foundation, The McKnight Foundation, The Minneapolis Foundation, The Sheltering Arms Foundation, Social Venture Partners, The Jay and Rose Phillips Family Foundation, The Saint Paul Foundation, United Way of Greater Duluth (Representing United Ways of Greater Minnesota), Women's Foundation of Minnesota*



Greater Twin Cities  
United Way



The Sheltering  
Arms Foundation



GROTTO  
FOUNDATION



Blandin Foundation



THE SAINT PAUL FOUNDATION

FREY FOUNDATION



United Ways  
of Minnesota



JAY & ROSE  
PHILLIPS FAMILY FOUNDATION

*\*Note: This coalition list represents a starting point – our goal is to expand to include as many other philanthropic organizations as possible.*

# **I. Introduction and Overarching Policy**

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As members of the philanthropic community providing leadership and funding for early childhood efforts, we believe **every child in Minnesota needs to be ready for kindergarten by 2020.**

Our coalition funded an extensive review of research and perspectives on early childhood care and education (ECCE) in Minnesota during the last year. We compiled a long list of critical ECCE needs – the same list of needs seen by legislators and other groups working on this issue. We determined that before these needs could be properly addressed, Minnesota would benefit by developing a framework within which to base ECCE decisions. To ensure that every child is ready for kindergarten by 2020, we believe Minnesota needs a comprehensive approach to early childhood care and education that establishes accountability for measurable and sustained progress. Such an approach must address three key elements to be successful: leadership, accountability and funding.

We acknowledge that there has been significant work undertaken by policy makers, the business and philanthropic communities, advocacy organizations and other nonprofits to address the issue of ECCE in Minnesota. Our proposed framework endorses and builds on many of the programs and efforts currently underway and reflects the sentiment and recommendations of other groups working on this same issue. We look forward to working in collaboration with all of our partners to implement our recommendations for critical ECCE initiatives that will ensure *every child is ready for kindergarten by 2020.*

We recognize and support the fact that parents are the primary teacher and educator for their children. Our efforts are aimed at providing a stronger/more coordinated network of services to support parents in this vital role.

As philanthropic organizations committed to our state's progress and our children's success, we propose the following policy framework for ECCE in Minnesota. We hope that these nonpartisan policy recommendations for improvement of early childhood care and education in Minnesota will contribute to a future that is substantively brighter for Minnesota's youngest citizens.

## ***C. Funding***

While we strongly believe that additional public funding for long-term, sustainable investment in ECCE is necessary to ensure every child is ready for kindergarten by 2020, accountability and measurement principles must be established before additional funding is allocated. Establishing a climate of accountability will inform the necessary return on investment for effective, long-term funding for ECCE. Therefore, we believe that the state should make immediate investments to support accountability within ECCE.

Funding early childhood care and education is complex; and Minnesota faces an ECCE funding dilemma with no easy immediate solutions. Today, financial contributions from families account for more than 70 percent of ECCE spending in the state. The remaining funds come from the federal and state government, as well as other private and non-profit organizations. However, too many families are not being served by any of these funding sources, resulting in a funding gap that leaves some children without adequate ECCE. If we do not create a funding system that supports these children in the early years, the state will face more costly expenditures on these same individuals when they are adults.

**We recommend three areas of funding:** support of existing initiatives, support for new funding initiatives, and implementation of long-term funding principles.

### **Recommendation 1: Support Existing Initiatives**

**1. Quality Rating and Improvement System.**

This system must be implemented statewide and be funded by the state.<sup>1</sup> Pilot programs such as Parent Aware should be expanded statewide.

**2. Funder-sponsored programs.** Philanthropic organizations currently issue an estimated \$20 million annually in grants in the state for ECCE. The funder coalition members will seek to align our existing grant making with the priorities of the proposed ECCE framework.

### **Recommendation 2: Support New Funding Initiatives**

In addition to supporting existing initiatives, the state needs to commit funding for critical accountability initiatives in order for us to reach the goal of learning readiness by 2020. As philanthropic organizations committed to our children's success, the members of this coalition will also commit financial resources in partnership with state funding recommendations to create and launch several initial activities that we believe are critical to achieving this goal.

The following chart provides funding estimates for specific initiatives. Through further discussion with legislative leaders and philanthropic organization boards, priorities for execution and funding of specific initiatives can be refined to reflect the opinions and leadership of key stakeholders.

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<sup>1</sup> Work is underway commissioned by the Legislature and State Agencies to develop cost estimates for the implementation of various QRS models. The Alliance for Early Childhood Finance, national experts on costing QRS, is preparing a Minnesota-specific report on QRS cost-estimates. Investment decisions in QRS be brought together and coordinated at the appropriate time.

**1. Establish a Cabinet Level Office for Early Learning**

The establishment of a cabinet level office for early learning should be cost minimal or cost neutral and fit within existing ECCE resources.

**2. Statewide Report Card**

It is estimated that initial investment for development and implementation of a statewide report card would require a \$1 million investment. Once established, ongoing production and dissemination of the statewide report card will require an annual investment of \$200,000. (Richard Chase, Wilder Research 2009)

**3. Statewide Screening and Assessment of Child Development**

The estimated investment level for screening and assessment for 50% of children aged 3, 4 and 5 statewide is \$6.1 million annually or \$9.4 million annually for screening and assessment of 100% of 3, 4 and 5 statewide. (Richard Chase, Wilder Research 2009)

### **Recommendation 3: Implement Long-Term Funding Priorities**

Existing and proposed initiatives listed above will help establish a system for ECCE in Minnesota, but will not adequately address the *funding gap* that lets at-risk children slip through the cracks and contribute to Minnesota's lagging school readiness. Minnesota experts such as Richard Chase, Arthur Reynolds and Art Rolnick estimate that to adequately cover the development of the whole-child through *early learning needs* as well as the *mental health, nutrition and special needs* of families that do not have adequate resources will require an additional **\$250-\$290 million dollars annually**. This investment level is necessary; providing services that address all of these factors is essential to the successful development of children. Long-term funding decisions need to be made by the Legislature to ensure funding is available for all children in Minnesota to have access to quality ECCE.

#### **November 2010 update**

Support for existing initiatives: The \$500,000 in federal funds dedicated to QRIS expansion last session is being used to take first steps in assisting providers with preparation for ratings.

With existing funding, 200 providers throughout the state are engaged in one-on-one consultations and review of their operation using the "Environmental Rating Scale" to determine areas needing improvement. These 200 providers agree to participate in a two-hour training – on-line or face-to-face. (This training could eventually be a part of credentialing process).

The funds dedicated last year will be distributed as \$2,500 grants to these 200 providers to help them make improvements, in consultation with administrators (including, e.g., curriculum, toys, assessment tools, etc.).

Support for new initiatives: The School Readiness Funders Coalition fully funded the work of the Office Task force (\$100,000) and the ECAC working group on the Statewide Report Card (\$58,000) to bring recommendations to the legislature in early 2011. The reports of the task forces will include cost estimates and funding recommendations for the Office of Early Learning and Statewide Report Card.

Implementation of long-term funding priorities: This is the most difficult issue to address. Much conversation has gone on, but formal action has not yet been taken to resolve long-term funding.

### **III. ECCE Coalition Commitment**

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As one of the sectors responsible for ensuring that Minnesota's children are ready for kindergarten and life, we take our role very seriously. We believe the framework and policy recommendations outlined in this document, prepared for consideration by the Legislative and Executive branches of our state government, are critical for developing a successful ECCE system. That is why we are committed to following the set of principles proposed herein. Investments in ECCE must focus on the whole child and help families obtain access to quality early childhood care.

Consistent with these principles, the School Readiness Funders Coalition will support efforts to address ECCE - specifically to contribute to the initial development of a statewide ECCE report card, and to fund a statewide public information campaign to educate Minnesotans about the importance of investing in ECCE for Minnesota's future. In addition, consistent with our respective missions and grant guidelines we will seek to align our existing grant making with the priorities of the proposed ECCE framework.

To accomplish our 2020 goal of having all children fully ready to learn when they start kindergarten will be challenging. It is doable if we all join in the task and begin now.

#### **November 2010 update**

The School Readiness Funders Coalition has assisted the state in taking first steps towards reforming early education by fully funding the interim work on the Office of Early Learning Task Force and the ECAC's work to bring forward recommendations on a statewide report card.

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**Federal Reserve Bank of Minneapolis**

**March 2003**

**Early Childhood Development: Economic Development with a High Public Return**

**Art Rolnick**

*Senior Vice President and Director of Research*

**Rob Grunewald**

*Regional Economic Analyst*

Early childhood development programs are rarely portrayed as economic development initiatives, and we think that is a mistake. Such programs, if they appear at all, are at the bottom of the economic development lists for state and local governments. They should be at the top. Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in early childhood development yield high public as well as private returns.

***Why the case for publicly subsidizing private businesses is flawed and misguided***

Over the last few years, the future of Minnesota's economy has been called into question. The resulting debate illustrates how little is understood about the fundamentals that underlie economic development. While many recognize the success of the Minnesota economy in the past, they see a weakening in the foundations of that success. Some point to the decline in corporate headquarters located in Minnesota. Some point to the lack of

funding for new startup companies, particularly in the areas of high-tech and biotech. Some point to the possible loss of professional sports teams. Some think the University of Minnesota is not visible enough in the business community. And still others raise the broader concern that Minnesota's citizens and policymakers have become too complacent and unwilling to make the public commitment to be competitive in a global economy.

Those who raise these concerns conclude that Minnesota and local governments need to take a more active role in promoting our economy. Often that implies that the state or local governments subsidize private activities that the market is not funding. Proponents of this view argue that without such subsidies, either well-deserving businesses will not get funded or other states will lure our businesses to greener pastures.

State and local subsidies to private businesses are not new. In the name of economic development and creating new jobs, Minnesota, and virtually every other state in the union, has a long history of subsidizing private businesses. We have argued in previous studies that the case for these subsidies is short-sighted and fundamentally flawed.<sup>1</sup> From a national perspective, jobs are not created—they are only relocated. From a state and local perspective, the economic gains are suspect because many would have been realized without the subsidies. In summary, what often passes for economic development and sound public investment is neither.

*If subsidizing private businesses is the wrong way to promote Minnesota's economy, then what is the right way?*

To answer this question, we need to understand that unfettered markets generally allocate scarce resources to their most productive use. Consequently, governments should only intervene in markets when they fail.

Market failures can occur for a variety of reasons; two well-documented failures are goods that have external effects or public attributes. Unfettered markets will generally produce the wrong amount of such goods. Education has long been recognized as a good that has external effects and public attributes. Without public support, the market will yield too few educated workers and too little basic research. This problem has long been understood in the United States and it is why our government, at all levels, has supported public funding for education. (According to the Organisation for Economic Cooperation and Development, for example, the United States in 1999 ranked high on public funding of higher education.<sup>2)</sup> Nevertheless, recent studies suggest that one critical form of education, early childhood development, or ECD, is grossly underfunded. However, if properly funded and managed, investment in ECD yields an extraordinary return, far exceeding the return on most investments, private or public.

A convincing economic case for publicly subsidizing education has been around for years and is well supported. The economic case for investing in ECD is more recent and deserves more attention.

Public funding of education has deep roots in U.S. history. John Adams, the author of the oldest functioning written constitution in the world, the constitution of the Commonwealth of Massachusetts, 1779, declared in that document that a fundamental duty

of government is to provide for education.<sup>3</sup> Publicly funded schools have been educating children in the United States ever since. Today over 85 percent of U.S children are educated in publicly funded schools. John Adams argued for public funding of education because he realized the importance of educated voters to the well-being of a democracy. We suspect that he also understood the economic benefits that flow to the general public.

Investment in human capital breeds economic success not only for those being educated, but also for the overall economy. Clearly today, the market return to education is sending a strong signal. Prior to 1983, the wages of a worker with an undergraduate degree exceeded a worker with a high school degree by roughly 40 percent. Currently, that difference is close to 60 percent. The wage premium for an advanced degree has grown even more. Prior to 1985, the wages of a worker with a graduate degree exceeded those of a worker with a high school degree by roughly 60 percent. Today, that difference is over 100 percent.

Minnesota represents a good example of the economic benefits that flow from education. Evidence is clear that our state has one of the most successful economies in the country because it has one of the most educated workforces. In 2000, almost a third of persons 25 and older in Minnesota held at least a bachelor's degree, the sixth highest state in the nation. To ensure the future success of Minnesota's economy, we must continue to provide a highly educated workforce.

### *The economic case for public funding of early childhood development*

Knowing that we need a highly educated workforce, however, does not tell us where to invest limited public resources. Policymakers must identify the educational investments

that yield the highest public returns. Here the literature is clear: Dollars invested in ECD yield extraordinary public returns.

The quality of life for a child and the contributions the child makes to society as an adult can be traced back to the first few years of life. From birth until about 5 years old a child undergoes tremendous growth and change. If this period of life includes support for growth in cognition, language, motor skills, adaptive skills and social-emotional functioning, the child is more likely to succeed in school and later contribute to society.<sup>4</sup> However, without support during these early years, a child is more likely to drop out of school, receive welfare benefits and commit crime.

A well-managed and well-funded early childhood development program, or ECDP, provides such support. Current ECDPs include home visits as well as center-based programs to supplement and enhance the ability of parents to provide a solid foundation for their children. Some have been initiated on a large scale, such as federally funded Head Start, while other small-scale model programs have been implemented locally, sometimes with relatively high levels of funding per participant.

The question we address is whether the current funding of ECDPs is high enough. We make the case that it is not, and that the benefits achieved from ECDPs far exceed their costs. Indeed, we find that the return to ECDPs far exceeds the return on most projects that are currently funded as economic development.

Many of the initial studies of ECDPs found little improvement; in particular, they found only short-term improvements in cognitive test scores. Often children in early childhood programs would post improvements in IQ relative to nonparticipants, only to see the IQs of nonparticipants catch up within a few years.<sup>5</sup>

However, later studies found more long-term effects of ECDPs. One often-cited research project is the High/Scope study of the Perry Preschool in Ypsilanti, Mich., which demonstrates that the returns available to an investment in a high-quality ECDP are significant. During the 1960s the Perry School program provided a daily 2 ½-hour classroom session for 3- to 4-year-old children on weekday mornings and a 1 ½-hour home visit to each mother and child on weekday afternoons. Teachers were certified to teach in elementary, early childhood and special education, and were paid 10 percent above the local public school district's standard pay scale. During the annual 30-week program, about one teacher was on staff for every six children.<sup>6</sup>

Beginning in 1962, researchers tracked the performance of children from low-income black families who completed the Perry School program and compared the results to a control group of children who did not participate. The research project provided reliable longitudinal data on participants and members of the control group. At age 27, 117 of the original 123 subjects were located and interviewed.<sup>7</sup>

The results of the research were significant despite the fact that, as in several other studies, program participants lost their advantage in IQ scores over nonparticipants within a few years after completing the program. Therefore a significant contribution to the program's success likely derived from growth in noncognitive areas involving social-emotional functioning. During elementary and secondary school, Perry School participants were less likely to be placed in a special education program and had a significantly higher average achievement score at age 14 than nonparticipants. Over 65 percent of program participants graduated from regular high school compared with 45 percent of nonparticipants. At age 27, four times as many program participants as nonparticipants

earned \$2,000 or more per month. And only one-fifth as many program participants as nonparticipants were arrested five or more times by age 27.<sup>8</sup>

Other studies of ECDPs, while not solely focused on 3- to 4-year-old children, also show improvements in scholastic achievement and less crime. For example, the Syracuse Preschool Program provided support for disadvantaged children from prenatal care through age 5. Ten years later problems with probation and criminal offenses were 70 percent less among participants compared with a control group.<sup>9</sup>

As the result of the Abecedarian Project in North Carolina, which provided children from low-income families a full-time, high-quality educational experience from infancy through age 5, academic achievement in both reading and math was higher for program participants relative to nonparticipants into young adulthood. Furthermore, participants had fewer incidences of grade retention and special education placements by age 15.<sup>10</sup>

The High/Scope study conducted a benefit-cost analysis by converting the benefits and costs found in the study into monetary values in constant 1992 dollars discounted annually at 3 percent. The researchers found that for every dollar invested in the program during the early 1960s, over \$8 in benefits were returned to the program participants and society as a whole (see Table 1A).

While 8-to-1 is an impressive benefit-to-cost ratio, policymakers should place this result in context with returns from other economic development projects. Perhaps another project can boast a higher benefit-to-cost ratio. Unfortunately, well-grounded benefit-to-cost ratios are seldom computed for public projects. However, an alternative measure—

the internal rate of return—can be used to more easily compare the public, as well as private, return to investments. (The internal rate of return is the interest rate received for an investment consisting of payments and revenue that occur at regular periods.)

To calculate the internal rate of return for the Perry School program, we estimated the time periods in which costs and benefits in constant dollars were paid or received by program participants and society (see Table 1B). We estimate the real internal rate of return for the Perry School program at 16 percent. “Real” indicates that the rate of return is adjusted for inflation.

While program participants directly benefited from their increase in after-tax earnings and fringe benefits, these benefits were smaller than those gained by the general public. Based on present value estimates, about 80 percent of the benefits went to the general public (students were less disruptive in class and went on to commit fewer crimes), yielding over a 12 percent internal rate of return for society in general. Compared with other public investments, and even those in the private sector, an ECDP seems like a good buy. This analysis suggests that early childhood development is underfunded; otherwise, the internal rate of return on an ECDP would be comparable to other public investments.

As with virtually all studies, there are caveats to the High/Scope findings. On the one hand, the High/Scope study may overstate the results we could achieve today. Problems facing children 30 years ago were different from the problems facing children today. Single parenthood, parental drug use, neighborhood crime are higher in many

areas of the country than they were 30 years ago. Therefore, the rate of return of an ECDP today may be lower than the Perry School program.

Furthermore, in reviewing our method of calculating the internal rate of return, one could argue that some of the payments and revenue streams assigned should have started or ended in different years, or that assigning an even distribution distorts the actual payments and revenue made. Nevertheless, we find that the final result holds, even when payments and revenue are adjusted to a more conservative distribution.

On the other hand, the High/Scope study may understate the results we could achieve today. First, the High/Scope study doesn't measure positive effects on children born to participant families after the study period. The knowledge gained by parents participating in the program likely transferred to their younger children. Second, the study may further understate the effects because it doesn't take into account effects on future generations. With increased education and earnings, participants' children would be less likely to commit crime and more likely to achieve higher levels of education and income than if their parents hadn't attended the Perry School program. A chain of poverty may have been broken.

The returns to ECDPs are especially high when placed next to other spending by governments made in the name of economic development. Yet ECD is rarely considered as an economic development measure.

For example, tax increment financing and other subsidies have recently been used to locate a discount retail store and an entertainment center in downtown Minneapolis, and to relocate a major corporate headquarters to suburban Richfield and a computer software firm to downtown St. Paul. Can any of these projects, which combined represent

an estimated quarter of a billion dollars in public subsidies, stand up to a 12 percent public return on investment? From the state's point of view, if the subsidy is simply moving businesses within the state, the public return is zero. If the subsidy is required for the business to survive, the risk-adjusted public return is not merely small but could be negative.

As our lawmakers review proposals to build or improve the state's major professional sports stadiums, let's not make the same mistake. The various proposals to build new baseball and football stadiums and improve the current basketball stadium total over \$1 billion. Can new stadiums offer a comparable public return on investment as an ECDP? How does a new stadium reduce crime, increase earnings and potentially break a chain of poverty? We propose that this \$1 billion plus be invested in a project with a much higher public return.

***Proposal: Minnesota Foundation for Early Childhood Development***

Our proposal—to create a foundation for early childhood development in Minnesota—isn't born in a vacuum. For several years the state of Minnesota has sponsored initiatives to help prepare children for kindergarten, specifically, Early Childhood Family Education, or ECFE, School Readiness and state-funded Head Start programs. These programs often work together in supporting early childhood development.

ECFE provides support to parents and their children from birth until kindergarten enrollment to promote the healthy growth and development of children. The program offers classes for parents and children, and provides optional home visits. About \$20

## **Conclusion**

The conventional view of economic development typically includes company headquarters, office towers, entertainment centers, and professional sports stadiums and arenas. In this paper, we have argued that in the future any proposed economic development list should have early childhood development at the top. The return on investment from early childhood development is extraordinary, resulting in better working public schools, more educated workers and less crime. A \$1.5 billion investment to create the Minnesota Foundation for Early Childhood Development would go a long way toward ensuring that children from low-income families are ready to learn by the time they reach kindergarten.

Granted that in today's tight fiscal environment, \$1.5 billion is a particularly large sum, which may mean we can't fully fund the program immediately. But we should be able to fully fund the endowment over the next five years. After measuring the public impact on the quality of life that such a foundation can provide, the costs of not making such an investment are just too great to ignore.