



# The Iowa Policy Project

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## PRESCHOOL: A PLACE IN THE MIDDLE *Preschool and Its Importance to Middle-Income Families*

By Noga O'Connor

### Introduction

In May 2007, the Iowa Legislature approved a universal voluntary preschool plan for all 4-year-old Iowa children. The average cost of full-time care for a 4-year-old in the state is \$588 a month, or over \$7,000 annually, higher than four-year college tuition.<sup>1</sup> The plan moved the cost of preschool partly to the state, so as of 2007, families could enroll their children in preschool programs with no charge for the first 10 hours per week. Since the law was signed and approved, attendance at public school district-administered preschool programs has more than *tripled* – from 8,255 children in the fall of 2006, to more than 27,000 children in the fall of 2010.<sup>2</sup>



The Governor's recent proposed budget includes a cut of 39 percent in preschool funding, allocating the remaining 61 percent of initial funds to needy families through a voucher program.<sup>3</sup> The proposed plan is mainly income-based, excluding almost all middle-income families with young children from any financial assistance toward preschool. With proposed eligibility ending at incomes around 250-300 percent of the poverty level,<sup>4</sup> a family of four earning \$56,000 a year may be ineligible for assistance.<sup>5</sup> Another plan passed by the House Education Committee caps eligibility at an annual income of \$67,000 for a family of four, and limits the assistance amount to \$2,300 annually.<sup>6</sup> Since the proposed assistance is on a sliding scale, families earning near the \$67,000 cap will be seeing a much smaller amount, while the average preschool cost in the state is still over \$7,000 for full-time care.

At the heart of the new preschool funding proposals are two assumptions. One is that middle-income students do not benefit significantly from preschool. The other is the assumption that middle-income families (defined as the middle 60 percent of families by income<sup>7</sup>) can afford preschool on their own. In this report, we will show that neither assumption is true, and that the social and financial benefits of universal preschool considerably outweigh the cost.

### ***Middle-income children struggle in school, too***

Randomized, controlled trials have shown time and time again the multiple advantages of preschool attendance. For example, one program — the Chicago Child-Parent Centers — was found to significantly lower participating children's odds of dropping out of school, juvenile arrests,<sup>8</sup> and special-education placement.<sup>9</sup> Another program — the Abecedarian Project — was found to significantly improve participating children's reading and math performance through high school, reduce special education placement, grade retention,<sup>10</sup> teen pregnancy and teen drug use, and improve social competence, higher education attendance, and odds of a successful adult employment.<sup>11</sup> Both programs target at-risk children and focus on full-day, year-round instruction by certified teachers.

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The academic literature attributes preschool's success to its role in creating, or improving, the child's "readiness"<sup>12</sup>: a mastery of the simple skills needed to acquire more complex skills. Readiness needs opportunities to appear, and does not spontaneously appear in children;<sup>13</sup> preschools provide children with such an opportunity. Needless to say, middle-income students benefit just as much as low-income students do from improved readiness when entering kindergarten. Indeed, according to a 2004 poll, a large majority of kindergarten teachers believe that their students would be considerably better prepared for school if they attended preschool.<sup>14</sup>

A public policy that focuses on low-income children alone is neglecting to address the fact that middle-income children face difficulties in school as well and could benefit immensely from preschool attendance.<sup>15</sup> National Center for Education Statistics (NCES) data from the last 10 years shows that about 7.4 percent of middle-income students have dropped out of high school.<sup>16</sup> Additionally, 10.6 percent were held back a grade at least once,<sup>17</sup> and 25.8 percent of 10<sup>th</sup>-graders often came to school without homework.<sup>18</sup> Though these figures are not as high as those for low-income students (16.4, 16.9 and 31.8 percent, respectively), they are nonetheless sizeable and show a real need for academic improvement among students from middle-income households. Due to the higher number of children from middle-income families compared to the number of poor children (nationally, there are about 1.5 million low-income high school students and about 6.5 million middle-income high school students<sup>19</sup>), there are many more middle-income children who struggle in school than poor children. For example, due to sheer numbers alone, more than half of all high-school dropouts and more than half of those held back a grade nationwide are from middle-income families.<sup>20</sup>

Since preschool attendance has been found to be very effective in reducing all of these problems, encouraging middle-income children to enroll in preschool programs is bound to generate large benefits. Multiple studies show the positive effects of preschool on middle-income students specifically, improving their reading and math skills, social development and grade retention.<sup>21</sup>

### ***Many middle-income parents cannot afford preschool on their own***

Preschool tuition has been rising faster than inflation for over a decade, a rise not matched by middle-class salaries. From 1996 to 2006, while overall prices increased by about 30 percent, the cost of early education and care went up 60 percent.<sup>22</sup> In states that limit preschool funding by family income, a middle-income family with two young children will spend on average 29 percent of its income on childcare — more than any other household expense. Other expenses have increased as well, straining further the middle-class pocket; a two-income family of four today has less discretionary income than a single-income family had in the 1970s.<sup>23</sup>

Cutting funding for middle-income families makes it impossible for many to afford preschool for their children.<sup>24</sup> Indeed, children from middle-income families were found to be less likely to attend preschool when compared to children from poor families. Preschool enrollment tends to increase with income up until the income bracket that is no longer eligible for aid, where it drops off sharply. In California, with a cutoff point of \$50,000, children from families of four earning between \$50,000 and \$70,000 were the group least likely to enroll in preschool.<sup>25</sup> For comparison, the Governor's proposed eligibility guidelines may mean that a family of four with an annual income of \$56,000 is no longer eligible for preschool aid. Such guidelines target families with incomes right above the cutoff point, making it extremely difficult for such families to enroll a child in preschool.

Preschool attendance rates go up again among those with significantly higher incomes (in the case of California – above \$70,000), since those families earn enough to be able to bear the full cost of preschool without aid. The drop in attendance among California children from families earning right

above the cutoff point is the best evidence of middle-income families' inability to meet the financial burden of preschool tuition on their own. This is especially true for families trying to enter the middle class, or families that have just reached middle-class status and are already balancing a fragile budget.

A policy that designates a cutoff point directed at the middle class will generate a reality in which low- and high-income families send their children to preschool at high rates, while middle-income families have to choose between compromising the preschool quality, going into debt, or finding alternative childcare arrangements altogether. Moreover, the suddenness of termination of existing preschool funding will throw already-struggling middle-income families into a financial turmoil that could force families to make painful decisions, such as leaving or cutting down work in order to stay home with a child, or adding work in order to be able to afford preschool at a time when jobs are very hard to find.

In addition to showing how middle-income students benefit considerably from preschool, it is important to note that the benefits to the state unequivocally offset the financial investment. Economic analyses have repeatedly established the indelible long-term financial payoffs that result from these programs.<sup>26</sup> This high payoff is due to savings on remedial and special education, criminal justice, and child welfare. In addition, the state will see significantly higher tax revenues, given that preschool attendees end up better off financially as adults and pay more in income taxes. Thus, improving the school performance of middle-income students through preschool attendance helps society as a whole.

### **Conclusions**

In this report, we presented the need for maintaining a universal preschool plan in Iowa. We showed the benefits middle-income students derive from preschool, and showed that many middle-income families will not be able to meet the full cost of preschool on their own. We have shown elsewhere<sup>27</sup> that high-quality universal preschool is a wise investment with financial, social and fiscal payoffs in the long run. What is more, the economic returns for many preschool programs were found to exceed those of school-age programs such as class size reduction or the youth job corps, in relation to their cost.<sup>28</sup>

Furthermore, the evidence presented in this report suggests that in addition to maintaining universal eligibility, the state should consider expanding the program to cover full-time preschool. Ten weekly hours are not sufficient help for working parents, and as we have shown, middle-income families are going to face considerable difficulty in paying for the remaining 30 weekly hours of preschool. Daycare centers, which are more affordable, often charge in bulk for full-time attendance, and so working families may choose to waive the 10-hour subsidy in favor of daycare. This way, families end up choosing childcare that is inferior in quality compared to preschool programs, and are unable to take advantage of the financial assistance.

As a result of the proposed eligibility requirements, the rate of preschool attendance among children from middle-income families is likely to drop below that of children from low- and high-income families. A similar proposed policy change with kindergarten or first-grade attendance would send parents to the streets in protest, yet in this case one year seems to make all the difference. Are 5-year-olds and 4-year-olds really all that different? The American public supports free public education starting at the age of 5, yet we must realize that this starting age is an arbitrary choice at best. We know now that the foundation for academic performance is laid down at preschool age.<sup>29</sup> We also know that full access to preschool would ensure the academic success of all children, irrespective of income.

Sound social policy should not target the one group that has seen, more than any other group, its earnings stagnate, its standard of living deteriorate, and its financial security fade away.<sup>30</sup> Universal preschool is financially and socially a strong investment, and can be expected to secure equitable access to an important educational foundation.

- <sup>1</sup> <http://www.naccrra.org/randd/data/docs/IA.pdf>
- <sup>2</sup> [http://www.iowa.gov/educate/index.php?option=com\\_docman&task=cat\\_view&gid=391&Itemid=1563](http://www.iowa.gov/educate/index.php?option=com_docman&task=cat_view&gid=391&Itemid=1563)
- <sup>3</sup> <http://blogs.desmoinesregister.com/dmr/index.php/category/news/iowapolitics/>
- <sup>4</sup> <http://thegazette.com/2011/02/05/branstad-low-income-parents-should-pay-some-for-preschool/>
- <sup>5</sup> <http://edocket.access.gpo.gov/2011/pdf/2011-1237.pdf>
- <sup>6</sup> <http://www.radioiowa.com/2011/03/01/house-education-committee-passes-preschool-bill/> and <http://tinyurl.com/65tjtuu>
- <sup>7</sup> <http://nieer.org/resources/policyreports/report3.pdf> and <http://nces.ed.gov/pubs2011/2011012.pdf>
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- <sup>13</sup> Meisels, S. J. (1999). Assessing readiness. In Pianta, R. C. and Cox, M. J. (Eds.), *The transition to kindergarten*. Baltimore, MD: Brookes Publishing.
- <sup>14</sup> <http://www.preschoolcalifornia.org/assets/Fight-Crime-08-04-Key-Findings-K-Teachers-Poll.pdf>
- <sup>15</sup> <http://nieer.org/resources/policyreports/report3.pdf> and [http://www.epi.org/publications/entry/book\\_enriching/](http://www.epi.org/publications/entry/book_enriching/)
- <sup>16</sup> [http://nces.ed.gov/programs/digest/d09/tables/dt09\\_109.asp](http://nces.ed.gov/programs/digest/d09/tables/dt09_109.asp)
- <sup>17</sup> <http://nces.ed.gov/programs/coe/2006/section3/table.asp?tableID=506>
- <sup>18</sup> <http://nces.ed.gov/programs/coe/2007/section3/table.asp?tableID=698>
- <sup>19</sup> <http://nces.ed.gov/pubs2011/2011012.pdf>
- <sup>20</sup> [http://www.preknow.org/documents/pre-kpinch\\_Nov2008\\_report.pdf](http://www.preknow.org/documents/pre-kpinch_Nov2008_report.pdf) and [http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND\\_MG349.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG349.pdf)
- <sup>21</sup> For a review of studies on preschool effects on middle-class children, see <http://www.plan4preschool.org/documents/preschool-for-all.pdf>
- <sup>22</sup> [http://www.preknow.org/documents/pre-kpinch\\_Nov2008\\_report.pdf](http://www.preknow.org/documents/pre-kpinch_Nov2008_report.pdf)
- <sup>23</sup> Ibid.
- <sup>24</sup> [http://www.ia-sb.org/uploadedFiles/IASB/Information\\_Center/Legislative\\_Advocacy/Position\\_Statements/EarlyChildhoodQualityupdated10.06%281%29.pdf](http://www.ia-sb.org/uploadedFiles/IASB/Information_Center/Legislative_Advocacy/Position_Statements/EarlyChildhoodQualityupdated10.06%281%29.pdf)
- <sup>25</sup> [http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND\\_MG349.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG349.pdf) and [http://www.preknow.org/documents/pre-kpinch\\_Nov2008\\_report.pdf](http://www.preknow.org/documents/pre-kpinch_Nov2008_report.pdf)
- <sup>26</sup> [http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND\\_MG349.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG349.pdf) and [http://www.epi.org/publications/entry/book\\_enriching/](http://www.epi.org/publications/entry/book_enriching/) and <http://www.epi.org/page/-/old/books/enriching/states/ia.pdf>
- <sup>27</sup> <http://www.iowapolicyproject.org/110224-CIF-preschool.html>
- <sup>28</sup> Temple, J. A. and Reynolds, A. J. (2007). Benefits and costs of investments in preschool education: Evidence from the Child-Parent Centers and related programs. *Economics of Education Review*, 26(1), 126-144.
- <sup>29</sup> <http://www.plan4preschool.org/documents/preschool-for-all.pdf> and <http://www.iowapolicyproject.org/2009docs/090325-CCROI.pdf>
- <sup>30</sup> [http://www.huffingtonpost.com/elizabeth-warren/america-without-a-middle\\_b\\_377829.html](http://www.huffingtonpost.com/elizabeth-warren/america-without-a-middle_b_377829.html) and [http://www.epi.org/analysis\\_and\\_opinion/entry/a\\_long\\_and\\_persistent\\_middle-class\\_squeeze/](http://www.epi.org/analysis_and_opinion/entry/a_long_and_persistent_middle-class_squeeze/)

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