Supporting Young Children and Families

An Investment Strategy That Pays

By Julia Isaacs
The Brookings Institution and First Focus[1]

In the United States, public investment in children typically does not begin until they are age five or six and enter a public school system. Until that time, we regard the care of young children as the almost exclusive domain of parents, relying on them to provide an environment that will promote healthy physical, intellectual, psychological, and social development. Good care early in life helps children to grow up acquiring the skills to become tomorrow's adult workers, caregivers, taxpayers, and citizens. Yet today, many parents are stretched thin, in both time and money, trying to care for their young children, while early in their own careers. Parents across the socioeconomic spectrum struggle to balance both their children's developmental needs and the demands of their employers.

Increasingly, research has demonstrated that investing in high-quality services for young children and their parents produces significant returns, both to individuals and to the larger economy.

Increasingly, research has demonstrated that investing in high-quality services for young children and their parents produces significant returns, both to individuals and to the larger economy. For instance, biomedical research shows that the development of neural pathways in the brains of infants and toddlers is influenced by the quality of their interactions with other people and their surroundings. Rigorous evaluations of a number of early childhood programs reinforce the lessons of brain research. Children who participate in effectively designed preschool programs achieve more in elementary school, are less likely to be held back a grade or to need special education, and are more likely to graduate from high school. Addressing gaps in skills at an early age gives more children from disadvantaged families a fighting chance to achieve the American Dream.

Despite this growing body of research on the importance of the early years on development and achievement, the federal government has provided little direct support to young children and families. However, there has been a significant change at the state government level, with a majority of states adopting public pre-kindergarten programs and other forms of early childhood intervention. In addition, attitudes toward public investment in the pivotal early childhood years are shifting, and the time is ripe for federal leadership in developing policies to support young children and their families as a key part of a domestic policy agenda. Below, I outline three policy proposals that have proved cost-effective and that can help to reduce burdens on young families.

Preschool Education for Three- and Four-Year Olds

The first recommendation is to invest federal resources in supporting high-quality early education experiences for three- and four-year old children, providing them with the building blocks for future success in school, the workforce, and society.

What is needed is a universal but targeted pre-school program, under which the federal government would fund a half-day of high-quality pre-kindergarten services for children from low-income families and a partial (one-third) federal subsidy for services to children in higher-income families, as in the National School Lunch Program. Families qualifying for free school lunches or Head Start–that is, those with family incomes below 130 percent of poverty–could enroll their children at no cost. Families at higher income levels also could participate, but a combination of parental fees and state and local funding would be needed to cover program costs not covered by the federal subsidy.

To be eligible for federal funding, programs would have to meet national standards for critical design elements, such as: class size, child-to-staff ratios, staff qualifications, and activities to involve parents. Pre-kindergarten programs would be required to provide, directly or through partnerships with other organizations, additional hours of child care coverage for children of working parents. Curriculum choices would be left to local programs, but should meet state guidelines for early learning and school readiness.

The estimated cost to the federal government of such a proposal, if fully funded for all families that choose to participate, would be $18 billion in new spending annually.[2]

Christina Baker (right) of Nurse-Family Partnership counsels a new mother. Photo credit: Nurse-Family Partnership

This funding level includes $13.3 billion for the "free" portion of the preschool program, $8.6 billion for the federal share of the partially subsidized portion, $2.4 billion for "wrap-around" child care for working parents, and $20 million in research and demonstration projects to study and refine the key dimensions of program quality.[3] The long-term economic benefits of this investment could be large: cost-benefit research by economists at the Federal Reserve Bank of Minneapolis has shown annual rates of return, adjusted for inflation, ranging between 7 percent and 18 percent for high quality early education programs.[4]

Nurse Home Visiting for Infants and Toddlers

Children under age three are the next priority for targeted investments. It would be a grave mistake to ignore infants and toddlers during the expansion of pre-kindergarten programs for four-year olds. Differences in home environments and parent-child interactions associated with family income make significant differences in children's skill levels by the time they reach age three. Federal programs that focused exclusively on three- and four-year olds could pull funding, trained caregivers, and other resources away from infants and toddlers, to these children's detriment.

Rigorously designed research has produced ample evidence of positive effects–and cost-effectiveness–of the Nurse-Family Partnership model developed by David Olds and his colleagues. Under this program, public health nurses visit the homes of low-income families expecting the birth of a first child, offering support at a time when young mothers are highly motivated to make healthy choices for themselves and their new infants. Visiting the home from pregnancy through the baby's second birthday, nurses provide carefully chosen information and guidance on ways that families can assure their new baby's optimal health and development. Local programs are carefully monitored to determine whether they are continuing to successfully engage and retain parents' active participation.[5]

This program should be available to all low-income pregnant women expecting their first birth. Low-income women could be defined as those with incomes below 185 percent of poverty, as defined for the WIC program (which serves a similar population of low-income pregnant women, infants, and children). The cost for serving all eligible women nationwide who chose to participate would be $2 billion under an 80/20 federal/state match.[6]

In return, society could expect many positive results such as: longer time before a second birth, reduced risks of child abuse and injury, higher levels of maternal employment; improvements in the child's cognitive, social, and emotional outcomes through elementary school; and reduced juvenile crime. Benefit-cost studies estimate $2.88 in benefits for every $1 spent on this program, through reduced criminal activity, greater employment, higher tax revenues, and reduced welfare costs. The program has been thoroughly tested in three diverse settings (Elmira, New York; Memphis, Tennessee; and Denver, Colorado), and has been replicated in 150 sites across 21 states, making it a proven candidate for investment.

Paid Parental Leave

Unlike the nurse-home visiting initiative, which would be targeted to at-risk mothers, the third priority for policy change–paid parental leave–would assist all new parents, regardless of income, as they struggle to balance family and financial pressures. Our nation's family leave policy (the Family Medical and Leave Act, or FMLA) provides up to 12 weeks of unpaid leave for parents working for public or private employers with 50 or more workers. Many parents cannot afford to lose income for three months, and are thus unable to benefit fully. And there is no job protected leave for the half of the private sector workforce employed by smaller establishments.[7] As a result, a great many new parents must return to work before they have time to bond adequately with their infants or to gain important health and financial benefits.

A year of combined maternity and paternity leave, largely paid leave, is common in other member-countries of the Organisation for Economic Co-operation and Development (OECD). The United States and Australia stand out as the only two OECD countries with no paid maternity leave. Moving to 12, or even six, months of paid family leave would be a radical step for the United States. A more modest expansion to 12 weeks of paid leave is probably more possible in our political and economic climate, and still would help infants toward a healthier start in life and reduce the risk of job loss and economic adversity for parents of young children. Paid parental leave, by providing a benefit valuable to families of all income levels, provides an important complement to the two earlier proposals. Moreover, adoption of a national-state initiative of paid parental leave would put us on record as a country that values parents and families.

The federal government should work with the states on setting up pooled funds to provide employee-financed paid parental leave to eligible working parents. California's Paid Family Leave program could serve as a model for other states (as it already has for programs in Washington state and New Jersey). California's program provides six weeks of coverage over 12 months after the birth or adoption of a child, with benefits equal to about 55 percent of wages. The California system, which paid out $368 million in benefits in 2006, is completely financed by an increase in the employee–not employer–share of payroll taxes for the State Disability Insurance system.[8]

As an incentive for state participation, and to provide for a longer leave period, the federal government could match each week of coverage provided by the state, up to a maximum of six weeks. Thus, if states provided six weeks of paid leave, the combined federal and state funds would allow 12. Federal costs might be in the neighborhood of $1 billion to $3 billion annually, depending on how many states participate and how closely their benefits resemble those provided by California.

In conjunction with establishing a federal-state paid leave initiative, the president should work with Congress to amend FMLA so that employees in smaller firms also have access to 12 weeks of job-protected leave, which would be paid leave in states opting into the new paid leave initiative.

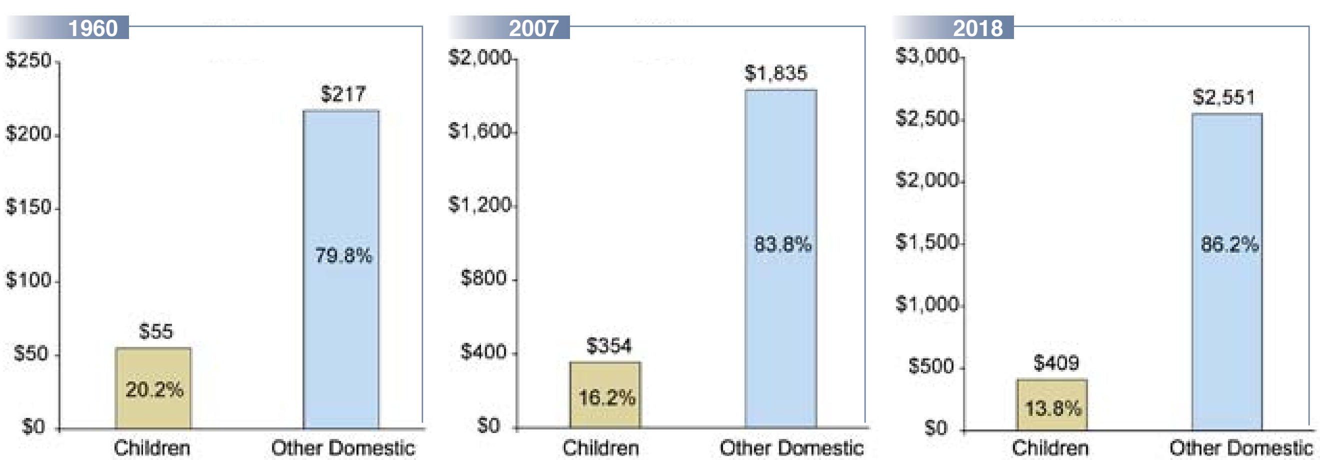
Conclusion

Growing evidence on the critical importance of children's early years is changing public attitudes toward early childhood programs. If we want all children to enter school ready to learn, public investment in children cannot wait until kindergarten. Tight government budgets require that any new spending stand up to sharp scrutiny.

Fortunately, there is ample evidence of successful programs that make a difference in the lives of children. The three policies outlined here emphasize programs of proven effectiveness, balancing investments targeted on at-risk families with support for all families and underscoring the country's strong family values. Adopting a well designed package of investments in children from birth to five will improve children's health, school achievement, and opportunities for future economic success–and thus, will be good for the country as a whole as well as for the children.

Spending on Children *The projected federal spending trends on children will continue declining into the next decade.*

Figure 3.1 *1960 - 2018: Levels of Federal Children's Spending versus Other Domestic Spending* (in Billions of 2007 Dollars)



Source: New America Foundation and the Urban Institute, 2008

Strengthening Community Development Infrastructure

1. Malanga, Steven (2005). "America's Worst Urban Program: The Bush Administration is right to put the community development block grant out of its misery." *City Journal,* Spring 2005. Online at www.city-journal.org.
2. Richardson, Todd (2005) "CDBG Formula Targeting to Community Development Need." Office of Policy Development and Research, U.S. Department of Housing and Urban Development, Washington, DC. February 2005.
3. Czerwinski, Stanley (2006). "Community Development Block Grant Formula: Options for Improving the Targeting of Funds." United States Government Accountability Office, Testimony Before the Subcommittee on Federalism and the Census, Committee on Government Reform, House of Representatives. June 27, 2006, and Buss, Terry (2008). "Reforming CDBG: An Illusive Quest." *Reengineering Community Development for the 21st Century,* eds. Donna Fabiani and Terry Buss, National Academy of Public Administration, ME Sharpe, Armouk, New York, 2008.
4. Accordino, John, George Galster, and Peter Tatian (2005). "The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development." LISC and the Federal Reserve Bank of Richmond, July 2005.
5. Buss, Terry (2008).

Encouraging Entrepreneurship

1. This paper is based in part on a policy paper developed by the Microenterprise Anti-Poverty Consortium (MAP). Comprising the Corporation for Enterprise Development (CFED), the Association for Enterprise Opportunity, The Aspen Institute and the Center for Rural Affairs, the mission of MAP is to advance microenterprise as an anti-poverty and economic development strategy.
2. Association for Enterprise Opportunity (2008) "About Microenterprise" www.microenterpriseworks.org
3. National Community Reinvestment Coalition. "The Community Reinvestment Act" http://www.ncrc.org/index.php?option=com_content&task=view&id=100&Itemid=123
4. Joachim, David (2008). "Betting your Retirement on Your Startup," *The New York Times,* published September 30, 2008.
5. "2006 Annual Report to Congress." (2006) National Tax Payer Advocate. http://www.irs.gov/advocate/
6. "Report to Congress Assets for Independence Program, Status at the Conclusion of the 8th Year", Office of Community Services, Administration of Children and Families, U.S. Department of Health and Human Services (2008). http://www.acf.hhs.gov/programs/ocs/afi/research.html; "ORR Individual Development Account Program: An Evaluation Report; full report," Office of Refugee Resettlement, Administration for Children and Families, U.S. Department of Health and Human Services, http://www.ised.us/template/page.cfm?id=223; and CFED's 2006 IDA program survey.
7. Joyce A. Klein, Ilgar Alisultanov and Amy Kays Blair, *Microenterprise as a Welfare-to-Work Strategy:* Two-Year Findings. (Washington, D.C.: The Aspen Institute, November 2003), 48; and Peggy Clark and Amy Kays, *Microenterprise and the Poor.* (Washington, D.C.: The Aspen Institute, 1999), 69.

A New Look at the CRA

1. Press release of Senator Robert Menendez, "Fed Chairman Bernanke Confirms to Sen. Menendez that Community Reinvestment Act is not to Blame for Foreclosure Crisis" December 2, 2008. http://menendez.senate.gov/pdf/112508ResponsefromBernankeonCRA.pdf
2. Board of Governors of the Federal Reserve System (1993), Report to the Congress on Community Development Lending by Depository Institutions (Washington: Board of Governors), pp. 1-69; and Board of Governors of the Federal Reserve System (2000), The Performance and Profitability of CRA-Related Lending (Washington: Board of Governors, July), pp. 1-99.
3. Please see the speech "The Community Reinvestment Act and the Recent Mortgage Crisis" by Federal Reserve Governor Randall Kroszner, delivered December 3, 2008 for more information. www.federalreserve.gov/newsevents/speech/kroszner20081203a.htm
4. Laderman, Elizabeth and Carolina Reid (2008). "Lending in Low- and Moderate-Income Neighborhoods in California: The Performance of CRA Lending During the Subprime Meltdown" Working paper presented at the Federal Reserve System Conference on Hosing and Mortgage Markets, Washington, DC, December 4, 2008.

A New Safety Net for Low-Income Families

1. This article is adapted from "A New Safety Net for Low Income Families," by Sheila Zedlewski, Ajay Chaudry, and Margaret Simms (2008). The Urban Institute. www.urban.org/publications/411738.html
2. Acs, Gregory and Margery Austin Turner (2008). "Making Work Pay Enough: A Decent Standard of Living for Working Families." The Urban Institute. www.urban.org/UploadedPDF/411710_work_pay.pdf
3. U.S. Census Bureau News (2008). "Household Income Rises, Poverty Rate Unchanged, Number of Uninsured Down." Press release, August 26, 2008.
4. Perry, Cynthia and Linda Blumberg (2008). "Making Work Pay II: Comprehensive Health Insurance for Low-Income Working Families." The Urban Institute. http://www.urban.org/UploadedPDF/411714_working_families.pdf
5. Waters Boots, Shelly, Jennifer Macomber, and Anna Danzinger (2008). "Family Security: Supporting Parents' Employment and Children's Development." The Urban Institute. www.urban.org/UploadedPDF/411718_parent_employment.pdf
6. Holzer, Harry and Karin Martinson (2008). "Helping Poor Working Parents Get Ahead: Federal Funds for New State Strategies and Systems." The Urban Institute. www.urban.org/UploadedPDF/411722_working_parents.pdf
7. Loprest, Pamela and Karin Martinson (2008). "Supporting Work for Low-Income People with Significant Challenges." The Urban Institute. www.urban.org/UploadedPDF/411726_supporting_work.pdf
8. Simms, Margaret (2008). "Weathering Job Loss: Unemployment Insurance." The Urban Institute. www.urban.org/UploadedPDF/411730_job_loss.pdf
9. McKernan, Signe-Mary and Caroline Ratcliffe (2008). "Enabling Families to Weather Emergencies and Develop." The Urban Institute. www.urban.org/UploadedPDF/411734_enabling_families.pdf

Return on Investment

1. Alan Greenspan, "Sustainable Community Development: What Works, What Doesn't, and Why?" remarks delivered at Federal Reserve System conference on Community Affairs Research, March 28, 2003. http://www.federalreserve.gov/boarddocs/speeches/2003/20030328/default.htm.
2. The Urban Institute (2008). *Beyond Ideology, Politics, and Guesswork: The Case for Evidence-Based Policy: Revised 2008* (Washington, D.C.: The Urban Institute).
3. National Academy of Sciences (2008). *Rebuilding the Research Capacity at HUD* (Washington, D.C.: National Academy of Sciences).
4. Ibid., p. 2-13.

Supporting Young Children and Families

1. This article is adapted from "Supporting Young Children and Families: An Investment Strategy That Pays," by Julia Isaacs, published by The Brookings Institution Opportunity 08 project and the First Focus publication *Big Ideas for Children: Investing in Our Nation's Future.*
2. The estimate assumes annual per child costs of $9,200 per year and participation rates of 75 percent for poor four-year olds, 60 percent for poor three-year olds as well as partially subsidized four-year olds, and 35 percent for partially subsidized three-year olds. For more details, see Isaacs, 2007.
3. Subtracting out the $6.5 billion currently provided to three- and four-year olds through Head Start yields the $18 billion figure for new costs. The long-term goal would be to bring the national Head Start program and the burgeoning state pre-kindergarten programs together into an expanded national pre-kindergarten initiative that provides comprehensive, high-quality services to three- and four-year-olds. Initially, however, the federal government might have to continue separate funding streams for Head Start and the new pre-kindergarten initiative.
4. Rolnick, Arthur and Rob Grunewald (2007). "The Economics of Early Childhood Development as Seen by Two Fed Economists," *Community Investments* 19(2), Federal Reserve Bank of San Francisco.
5. Olds, David L. (2006). "The Nurse-Family Partnership: An Evidence-Based Preventive Intervention." *Infant Mental Health Journal,* vol. 27, no. 1: 5–25.
6. The $2 billion estimate follows the methodology outlined in Isaacs, 2007 (Cost Effective Investments in Children, Brookings Institution) except that it assumes that 50 percent of eligible women would participate, as in typical sites operating today, rather than 75 percent, as in the initial three experiments. This change, based on information provided by the Nurse-Family Partnership National Service Office, reduces the cost estimate from $3 billion to $2 billion.
7. Waldfogel, Jane (1999). "Family Leave Coverage in the 1990s." *Monthly Labor Review.* October 1999, 13–21.
8. See Boots, Macomber, and Danziger (2008) "Family Security: Supporting Parents' Employment and Children's Development," The Urban Institute, for further information on California's Paid Family Leave program and for a similar proposal for employee-financed paid family leave through state pooled funds.

Beyond Shelter

1. "Enterprise Commends House Ways & Means Committee for Passage of Landmark Low-Income Housing Tax Credit Modernization Legislation." (2008) Enterprise Community Partners.
2. The credit allocation is generally derived by multiplying the "qualified basis" of approved development costs by the applicable percentage.
3. "Low-Income Housing Tax Credit: Tax Credit Percentages." Novogradac & Company, LLP. http://www.novoco.com/low_income_housing/facts_figures/tax_credit_2008.php
4. Neighborworks America (2008) "Low Income Housing Tax Credit Modernization in HERA 2008" www.nw.org/Network/policy/documents/RegaringPublicLaw110--289MF-LIHTCChanges10-4-08.pdf
5. Ibid.
6. Federal Policy Project (2008). "California Advocates Propose Major New Stimulus Spending on Affordable Homes." www.chpc.net/dnld/NOV08_FPPstimulus-FINAL.pdf
7. "National Housing Trust Fund: President Signs Housing Trust Fund Into Law on July 30, 2008," National Housing Trust Fund, www.nhtf.org
8. Sard, Barbara and Will Fischer (2008). "Preserving Safe, High Quality Public Housing Should be a Priority of Federal Housing Policy." Center on Budget and Policy Priorities.
9. Ibid.
10. Lipman, Barbara. (2006) "A Heavy Load: The Combined Housing and Transportation Burden of Working Families," Center for Housing Policy. http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf
11. Lipman, Barbara. (2005) "Something's Gotta Give: Working Families and the High Cost of Housing," Center for Housing Policy. http://www.nhc.org/pdf/pub_nc_sgg_04_05.pdf
12. Housing + Transportation Affordability Index http://htaindex.cnt.org/
13. Reconnecting America. "Realizing the Potential: Expanding Housing Opportunities Near Transit." www.reconnectingamerica.org/public/reports
14. Ibid.
15. "Research Demonstrates Positive Impact of Family Resident Services on Property Financial Performance" (2007) Enterprise Community Partners, Inc. http://www.practitionerresources.org/cache/documents/645/64551.pdf
16. Proscio, Tony. (2006) "More than Roofs and Walls: Why Resident Services are an Indispensable Part of Affordable Housing" Enterprise Community Partners.
17. "2008-2010 Research and Policy Agenda" National Resident Services Collaborative. http://www.enterprisecommunity.org/programs/documents/research_policy_agenda.pdf
18. Waller, Margy. (2005) "High Cost or High Opportunity Cost? Transportation and Family Economic Success," *Brookings Institution Policy Brief,* Center on Children and Families #35, December 2005.
19. Garfinkel, Perry. "A Hotel's Secret: Treat the Guests Like Guests." *New York Times,* August 23, 2008. http://www.nytimes.com/2008/08/23/business/23interview.html
20. Proscio, Tony. (2008) "Sustainable, Affordable, Doable: Demystifying the Process of Green Affordable Housing" Enterprise Community Partners.
21. "H.R. 6078: GREEN Act of 2008" Govtrack. www.govtrack.us
22. Proscio, Tony. (2008) "Sustainable, Affordable, Doable: Demystifying the Process of Green Affordable Housing" Enterprise Community Partners.
23. Ibid.

Twenty-First Century Ownership

1 Sherraden, Michael (1991). *Assets and the Poor.* Armonk, NY: M.E. Sharpe.

2 Brown, Larry, Robert Kuttner, and Thomas Shapiro (2005). "Building a Real Ownership Society."; Bynner, J. and Will Paxton (2001). "The Asset Effect." London, Institute for Public Policy Research; Schneider, Daniel and Peter Tufano (2004). "New Savings from Old Innovations: Asset-Building for the Less Affluent." Community Development Finance Research Conference; Shapiro, Thomas (2004). *The Hidden Cost of Being African-American:* Oxford University Press; Sodha, Sonia (2006). "Lessons from Across the Atlantic."

3 Woo, Beadsie and Heather McCoullough (2008). "Expanding Asset Building through Shared Ownership." Annie E Casey Foundation.

4 Market Creek Plaza website, www.marketcreek.com

5 Interview with Tracy Bryan, Jacobs Center for Neighborhood Innovation

6 Stuhldreher, Anne (2007). "The People's IPO: Lower-income patrons of Market Creek Plaza can now invest in the shopping center." *Stanford Social Innovation Review,* Winter 2006.

7 Interview with Tracy Bryan, Jacobs Center for Neighborhood Innovation

8 New Hampshire Community Loan Fund (2008). News release, "Loan Fund sends housing strategy nationwide." May 6, 2008.

9 French, Charlie, Kelly Giraud, and Salld Ward (2008). "Building Wealth through Ownership: Resident-Owned manufactured housing communities in New Hampshire." *Journal of Extension,* 46.

10 Fireside, Daniel (2008). "Community Land Trust Keeps Prices Affordable - for now and forever." *Yes! Magazine,* Fall 2008.

11 Mission Asset Fund website. "The Mission Asset Fund: Investing in the American Dream." www.missionassetfund.org

12 Ibid.

13 Interview with Steve Meacham, Tenant Organizing Coordinator, Vida Urbana, October 3, 2008

14 Silverman, Ann, Kalima Rose, and Dwayne S. Marsh (2006). "Community Controlled Housing for Massachusetts: Securing Affordability for the Long Term." Action for Regional Equity, Policy Link.