A Proposal for State, Income-Targeted, Preschool Vouchers

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This article proposes that states create low-income targeted voucher programs for 3- and/or 4-year-olds. The basis for this proposal is considerable research demonstrating long-term effects for a number of random assignment and quasi-experimental preschool programs. Benefit–costs rates of return for these programs are between $2 and $16 for every dollar invested. These results are also consistent with developmental and neuro-biological studies supporting early childhood interventions. Other research shows that low-income students are less likely to be in preschool, and if they are, they are more likely to receive low-quality services. Taken together, and to control costs, I propose an income-targeted program. I argue for vouchers based on improved equal opportunity and higher efficiency in the delivery of preschool services. Design details are generally to be the province of state decision makers. My one caveat is that it seems to make sense to require programs, at least for 4-year-olds, to be center based.

Two great issues challenge and inform education policy in the United States: equality and efficiency. The former is probably much more central to policy discussions and actual policies than the latter (hence “No Child Left Behind” [NCLB]). But education is a very costly business. We spend a great deal on it, often not being concerned about the efficiency of that investment. For example, in nearly every state the highest spending is in very wealthy suburban districts where family incomes, education levels, and employment status undoubtedly would predict higher educational achievement for their children regardless of what is spent on their education.

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The same would also be true for higher education if we were to follow those children through to their elite and expensive colleges. We rarely address these issues because it would be very much against American norms to restrict the free choices families make with their money, be it private funds or tax choices to support higher spending made in these wealthy school districts.

One of the dilemmas in education may be the classic trade-off between equity and efficiency pointed out more than 3 decades ago by Arthur Okun (1975). His thesis was that the quest in societies for equity was very likely to lead to lower economic efficiency. The question for education is if there are interventions that may positively affect both equity and efficiency. The proposal in this article, however, is an effort to simultaneously advance equity and efficiency by proposing that states, responding to their local conditions, initiate voucher programs for preschool students coming from low-income families. The equity in the proposal is that low-income students will be on average low-achieving students who will be helped by adequate preschool education. The efficiency of the proposal is based on the proposition that there are greater returns to investment at this age and for these students and that a voucher program will provide an efficient allocation of preschool education. Put in the parlance of an overused phrase, targeted preschool investments are a cost-effective method of closing the “education gap.”

Educational efficiency in this article means allocating funds where and in a method for which we get the highest return per dollar in educational achievement and attainment. The allocation that I focus on is by age (3- and 4-year-olds) and income level (around 185% of the poverty line or less). The method I suggest is the use of state-provided family vouchers. This proposal rests on three basic propositions:

1. Investment in preschool education has large paybacks in terms of desirable educational outcomes.
2. Investment in preschool education has greater effects on the educational outcomes of low-income (and minority) students than other investment strategies.
3. A state-level voucher program for preschool has advantages over other methods of delivering preschool education.

This article follows these propositions by first discussing what we know of educational efficiencies in general and then specifically the cost-effectiveness and likely success of preschool education. Next I discuss some aspects of a very complex literature on the current provision of preschool and child care services in the United States. To anticipate, that
literature depicts widely varying preschool scenarios across families, regions and states. Finally, I present and argue for each aspect of a general proposal that could be adapted by states to fit their current circumstances and political situations.

Educational Efficiency

The concept of educational efficiency is not simple. In the purest economic sense it involves a whole set of questions that go beyond the needs of this article. For example, to make a sound economic judgment on the proper investment level in human capital (education, skills acquisition, training) would require one to judge the return on that investment compared to all its alternatives (capital assets, land, property rights, etc.). For this article, that is not needed. What is needed is general agreement that the returns to education are positive, and more specifically that they are very positive for children at a young age. In addition, the greatest support for income-targeted subsidy for preschool would also require that poor children receive greater returns to investment in education than nonpoor children. Although I also argue that we should target these investments on poor children based on equity and equal opportunity, the position is considerably stronger if an efficiency argument can be made as well. Thus I begin with the general returns to education and why they might occur, and then consider in more detail the research findings for low-income preschool children.

Returns on educational investment. Rooms full of research have been done on the economic returns to investments in education. It need not be summarized here except in very superficial form. The research tends to fall into two types: (a) studies based on large, national survey samples (such as the Panel Study of Income Dynamics in the United States) and (b) studies that rely on return estimates coming from program evaluations of specific projects (e.g., the Perry Preschool Project). There are three issues of concern. What are the general returns to investment in education? How do they vary by level of education? How do they vary by family income level?

The international research that is most often cited is based primarily on national surveys, usually of individuals or employers who provide wage and salary data.1 Psacharopoulos and Patrinos (2004) provided the most

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1 An exception is a recent summary chapter by Robert Haveman and Barbara Wolfe (2001) that reviews studies of social returns rather than market or income returns.
recent summary of the international research for 98 countries, including the United States. There are a series of results that are consistent over time and across countries. First, overall rates of return are always positive and seem to gravitate around 10% return for each additional year of school (Psacharopoulos & Patrinos, 2004, p. 111, Tables 3 and A2). Second, for most countries, and the world as a whole, rates of return are highest for primary school, next for secondary school, and lowest for higher education (Psacharopoulos & Patrinos, 2004, Figure 1, p. 112). Third, rates of return are highest for poor countries. The exception is private rates of return that do not include social externality effects. Those rates are very similar for investments in primary education for countries with different average income levels (Psacharopoulos & Patrinos, 2004, Tables 2 and 3). Fourth, the overall rate of return worldwide for women is higher than men (9.8% to 8.7%). However, men seem to benefit considerably more from just primary education (20.1% to 12.8%) and from higher education (11.0% to 10.8%), whereas the rate of return for women far outpaces men for those just completing secondary education (18.4% to 13.9%; Psacharopoulos & Patrinos, 2004, Table 5). In all of these countries if social returns are added to private (income) returns, the rates are several percentage points higher.

Research on the United States indicates that the basic return for each additional year of education is very close to the world average (Psacharopoulos & Patrinos, 2004, p. 112). Overall rates using a combination of studies, including some twin studies, are approximately 10% average rate of return based on mean years of education (Ashenfelter & Krueger, 1994; Ashenfelter & Rouse, 1998; Rouse, 1999). It appears from the Psacharopoulos and Patrinos meta-analysis that returns in the United States have increased from 7.5% in 1976 to 10% in the 1991–95 period. There is controversy surrounding the methods used in these studies, with more recent studies using instrumental variables, which usually produce higher estimates by between 10 and 20% (Card, 1999, p. 1855). However, Carnero and Heckman (2002) challenged the interpretation of instrumental variable studies. Twin studies seem to be the most accurate in that they control better for innate ability. Despite all the measurement and econometric issues, across

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2There are a number of cautions in this literature, especially in the manner in which data were collected. They often rely on wage and salary surveys, usually of firms. This creates considerable inconsistency across countries. However, Psacharopoulos and Patrinos argued that these problems have lessened in recent years. In addition, although some modeling issues remain, the major issue of selection bias seems to not matter as much as first thought in that ordinary least square and instrumental variable estimates often produce quite similar estimates. If anything the instrumental variable estimates indicate slightly greater returns.

3As with the worldwide data, using more elaborate estimations than simple ordinary least square specifications does not seem to shift this rate very much.
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all these varying studies, the estimates are surprisingly close at between a 7% and 10% rate of return.

Unfortunately there do not appear to be any studies by level of education that confirm for the United States the worldwide pattern that primary education produces the greatest returns to investment. In fact the most noteworthy study estimates a 10% return to secondary education and a 12% return for higher education (and no estimate for primary alone; Psacharopoulos, 1994). The reason for this is that there simply are not enough people in recent decades who have only a primary education. However, a study by Ashenfelter and Rouse (1998) did demonstrate that the returns on education were higher through Grade 9 than through 16 years of education. The coefficient changed from .12 for the lower level of education to .08 for the higher level. This provides some parallel evidence to the international studies that indicate a greater return for investing in early education.

Also of interest in the research on the United States are the differential investment effects of students from different socioeconomic classes. As previously indicated, at the country level it appears there are higher rates of returns for poorer countries. The evidence in the United States is mixed. There seem to be some racial effects. For example, Ashraf (1994), using the Panel Study of Income Dynamics from 1967 to 1987, found a considerably higher return to investment for Blacks than for Whites. Using high school, some college, and college or more breakdowns, he found that from the earliest years, the rate of return to college and beyond was consistently higher and ranged from a low of 1.2 times that of Whites in 1971 to a high of 3.4 times that of Whites in 1975 and 1978. The results are less consistent and much closer together for both some college and just high school education. For some college, Blacks have a higher rate of return in 14 out of 20 years, but there appears to be no time trend. For high school alone, Blacks do better than Whites in 12 of 20 years, but in every year after 1977. (see Ashraf, 1994, Table 2).

However, income seems to have the reverse effect, with higher rates of return to those with higher levels of income (and other family characteristics). It must be noted, however, that these results depend almost exclusively on the fact that higher income families are much more likely to send their children to college (Altonji & Thomas, 1996; Carneiro, Hansen, & Heckman, 2001). The rates of return appear even lower for marginal high school students who enter college (Carneiro et al., 2001). By the time decisions to go to college are made, students from lowed socioeconomic backgrounds (measured usually by parent education, income, and family structure) have less overall ability and are subsequently less likely to succeed in college and benefit from it. As Carneiro and Heckman (2003) stated,
“Even among college graduates, there is a substantial fraction (37%) who earn \textit{ex post} negative returns. For them, going to college turns out to be a financial mistake” (p. 38).

This brief summary seems to suggest that there is clearly a significantly positive return on investment in education, that returns are likely higher for education in early years, but that family characteristics and ability differences catch up with those from poorer families as they approach college or even earlier. The next issue is if there is a chance to reverse this latter result with intervention very early in one’s life cycle.

\textbf{Cost effectiveness of preschool investment.} Over the last decade the support for educational interventions at an early age has been growing. The most important reason is evidence on the return on investment in education in very early years. That evidence is almost always traced back to a relatively small number of random assignment or quasi-experimental programs, which, since their inception in the 1960s and 1970s, produced long-term results. The results have been monetized in terms of benefits and costs. One recent report, which we use to guide us through these studies, suggests rates of return between $2 and $16 for every dollar initially invested. The most probable rates are between $3 and $7. Finally, and very recently, researchers have used the projections and estimates from these studies to set parameters for simulations of what would occur with broader programs at the state and national levels.

This has led some very influential researchers with long experience in studying social policies to embrace the importance of early intervention and investment. Perhaps the leading figure is Nobel Laureate James Heckman. In a number of overlapping publications he portrays the returns on investment literature as depicted in Figure 1. His work then argues for more preschool investment in general with lesser increases in spending for other programs, including most later school reforms, lower class sizes, alternative credentialing programs (GEDs), most job training programs, and credit subsidizing programs at the college level (Carneiro & Heckman, 2003).

The general argument from Heckman and his coauthors is based on the idea that skill formation is a continuous lifetime process that depends on a combination of cognitive ability and noncognitive behaviors (discipline, effort, healthy choices, etc.). Further they believe that although family background characteristics are important, these cognitive and noncognitive behaviors are formed very early; thus, interventions at a very young age will be most effective and lasting. They have cited a wealth of empirical evidence that leans, if not tumbles, in this direction (see Carneiro & Heckman, 2003; Heckman, 1999; Heckman & Lochner, 2000).

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In the assessment of the empirical evidence they certainly are not alone. For example in an often-cited review of various forms of intervention, Duncan and Magnuson (2004), after presenting a return on investment curve almost identical to the Heckman curve, stated, “A handful of high quality center-based interventions have demonstrated remarkably profitable impacts on the lives of economically disadvantaged children.” (p. 105) Earlier and more detailed reviews of these studies by Barnett (1995) and Karoly and his co-authors (1998) reached similarly positive conclusions.

The studies on which these conclusions are based all report longer term results, some being experimental studies with random assignment and some not. Three of the studies to date have extensive benefit–cost analyses. All have mostly positive long-term results, some going beyond school results to include measures of juvenile delinquency, criminal records, out-of-wedlock births, and being on assistance programs or not. A summary of some of the more often cited studies appears in Table 1. The table is made up using original studies but also compilations by Heckman and Lochner (2000) and Wolfe and Tefft (2005).

There are a number of striking features about the selective projects in the table. First, all projects are dealing with disadvantaged children, with long-term tracking of students a considerable number of years after the preschool intervention. Second, six are random assignment experimental projects, and I believe they represent the current universe of long-term
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<tbody>
<tr>
<td>Perry Preschool (Schweinhart et al., 1993)</td>
<td>1 or 2 years preschool; Home visits</td>
<td>$15,166</td>
<td>Yes</td>
<td>E = 58</td>
<td>C = 63</td>
<td>3–4</td>
<td>To Age 28</td>
<td>Higher tests; 21% less grade retention; 21% higher graduation</td>
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<tr>
<td>Carolina Abecedarian (Ramey et al., 1988)</td>
<td>Full-time, year round classes infancy through preschool</td>
<td>$35,864</td>
<td>Yes</td>
<td>E = 57</td>
<td>C = 54</td>
<td>0–8</td>
<td>Ages 8, 12, 15</td>
<td>Higher IQ, reading, math tests; 34% less retention; higher graduation; less special education</td>
</tr>
<tr>
<td>Early Training Program (Gray et al., 1982)</td>
<td>Part-time summer classes; home visits</td>
<td>NA</td>
<td>Yes</td>
<td>E = 49</td>
<td>C = 21</td>
<td>4–5</td>
<td>Ages 6–8, 10, 16–20</td>
<td>Higher tests 5–10; 16% less retention; 21% higher graduation</td>
</tr>
<tr>
<td>Houston PCDC (Johnson, 1988)</td>
<td>1 year child nursery care; 2 years home visits (Mexican Americans)</td>
<td>NA</td>
<td>Yes</td>
<td>E = 90</td>
<td>C = 201</td>
<td>1–3</td>
<td>Ages 3–11</td>
<td>Higher IQ, achievement tests, graduation; less retention</td>
</tr>
<tr>
<td>Milwaukee Project (Garber, 1988)</td>
<td>Full-time year-round classes</td>
<td>NA</td>
<td>Yes</td>
<td>E = 20</td>
<td>C = 20</td>
<td>0–6</td>
<td>Grades 4, 8</td>
<td>Higher tests grades 2–10; 27% less retention</td>
</tr>
<tr>
<td>CCPC (Reynolds et al., 2002)</td>
<td>Half-day preschool; K–3 programs; parental involvement</td>
<td>$6,692</td>
<td>No</td>
<td>E = 1150</td>
<td>C = 389</td>
<td>3–9</td>
<td>To age 23</td>
<td>Higher tests graduation; less retention and special education</td>
</tr>
<tr>
<td>Syracuse Family Development (Lally et al., 1988)</td>
<td>Year-round daycare; weekly home visits</td>
<td>$38,100</td>
<td>No</td>
<td>E = 108</td>
<td>C = 108</td>
<td>0–5</td>
<td>Ages 6, 15</td>
<td>Higher tests ages 3 and 4</td>
</tr>
</tbody>
</table>

preschool projects. Third, all show a number of positive effects on cognitive and achievement tests, and most demonstrate lower grade retention, and higher graduation rates. Some also report lower levels of special education placement. For three of the studies there are positive social benefits, primarily less connection to the criminal justice system. The range and consistency of these results are very reassuring, covering educational achievement, attainment, and some social behaviors. Finally, however, with the exception of the Chicago Parent Child study, discussed next, all of these studies have very small total sample sizes. That is particularly true of the Perry Preschool Project, which gets the lion’s share of attention. That issue is discussed next.

Sophisticated benefit–cost analyses have been done for three of these programs. A recent report (2006) by the Committee on Economic Development (CED) focuses for several chapters on these three projects and provides some illuminating tables. The three projects, in order of longevity, are the Perry Preschool Project in Ypsilanti, Michigan (Perry), from 1962 to 1967; the Chicago Child–Parent Centers (CCPC), 1967 and continuing; and the Carolina Abecedarian Early Childhood Intervention (AECI) between 1972 and 1977. The basics of these programs are indicated in Table 1. A more detailed listing of the results of these studies has been compiled by the CED and is included as Table 2.

The results are almost uniformly positive, although some require comment. The table does not include the sample sizes, but they are in Table 1: small for Perry and AECI, considerably larger (but a nonrandom control group) for CCPC. Second, the results for AECI on crime (arrests and assaults) are in the correct direction but are not statistically significant. The data collected, however, were for felony convictions, whereas the CCPC numbers are for “juvenile petitions”—a much different number (Reynolds, Temple, Robertson, & Mann, 2002, Table 4, p. 280). Crime statistics for the Perry program are very detailed including arrests, convictions, and the gravity of the crimes. Third, for both AECI and CCPC the table is somewhat deceiving in that the benefit–cost studies for these projects do estimate earnings, but based on employment and educational attainment differences, not direct survey information as in the Perry study. These last two points are important because future earnings are the largest contributor to individual benefits, and reduced criminal activity is by far the largest component of public or societal benefits.

Mathematica is currently evaluating a random assignment, early Head Start experiment that should provide a larger scale random assignment experiment than currently exists. A Google search of the Perry Preschool Project came up with more than 630,000 cites.
The most often cited study is the Perry Preschool study. And it is a bit of a moving target as the participants age. Thus Table 2 provides only a summary, which represents 2004 published figures (Schweinhart et al., 2004). The benefit–cost figures in Table 3 reflect an even more recent update (Nores, Belfield, Barnett, & Schweinhart, 2005). And this rocket continues to soar—getting better on each rendition. In its last iteration the project has tracked students through their 40th year.

The study of 121 students (63 getting preschool) produced higher IQ scores at age 7; higher achievement test scores at ages 9, 14, and 27; 20% lower classification of mental retardation (the sample was initially low IQ students); and a 20% higher high school graduation rate. It also led to higher employment at age 40 (76% to 62%) that led to average monthly earnings of $1,856 vs. $1,308 at age 40.
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Table 3
Estimated Effects of Universal Preschool Programs (CED, 2006, p. 26)

<table>
<thead>
<tr>
<th>Target Population</th>
<th>United States 3- and 4-year-olds</th>
<th>California 4-year-olds</th>
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<tr>
<td>Target 20% Enrolled</td>
<td>Universal 80% Enrolled 50% Accurate 80% Accurate</td>
<td>Universal 70% Enrolled</td>
</tr>
<tr>
<td>Net present-value benefit (In billions)</td>
<td>$150.8 $67.4 $83.5</td>
<td>$2.7</td>
</tr>
<tr>
<td>Benefit/costs ratio</td>
<td>3.42 6.39 7.68</td>
<td>2.62</td>
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earnings of $1,856 compared to $1,308 at age 40. In addition, and very important for social cost savings, the treatment group had 15% less arrests than the control group at age 40. The group also had 8 more people with five or more arrests and more serious convictions (Schweinhart et al., 2004). Finally, by age 28, 59% of the treatment group was on welfare compared to 80% of the non-preschool students (Schweinhart, Barnes, & Weikart, 1993).

The benefit–cost ratios are positive for males in the study under every set of assumptions for costs and for either 3% or 7% discount rates. Total societal benefits (to individuals and the general public) are always positive for males and females (Nores et al., 2005, Table 6) and the estimated return on investments ranges from $6.87 to $16.14 for every dollar invested (Nores et al., 2005, Table 7). Given that these benefits are driven primarily by reduced crime in the experimental group (see below), 21% of the benefits accrue to the students and 79% to the general public. The program only costs more than it benefits in discount current dollars for females under the most conservative set of assumptions for welfare and crime costs and with 3% or higher discount rates (Nores et al., 2005, p. 256).

A number of questions remain concerning the Perry program. First, almost exclusively women drive educational attainment effects in the preschool group by graduating from high school at higher rates by age 40 (72%/18 women vs. 38%/9 women). Second, the monetary returns to the program are heavily influenced by lower criminal costs associated with reduced criminal activity for males in the experimental group. Depending on assumptions, these account for between 85 and 87% of total benefits and 90% of the benefits for males (computed from Nores et al., 2005, Table 5). Given the small sample sizes, these numbers could be influenced by large numbers of arrests or very serious crimes (murder) by a very small number of control group males. Third, although it appears to never be an issue
in published reports, I have to wonder about experimenter or Hawthorne effects. The students not only were aware they were in an experiment for which they learned the hoped for outcomes but also probably experienced much of the publicity surrounding their success. Did this affect their expectations and behavior? The small sample sizes make this even more of a concern. Finally, there is the issue of generalizability to a larger population. I discuss that issue below when I argue for targeted voucher programs.

The AECI project, with 57 experimental and 54 control students, was the most intensive of the three—beginning at age 6 weeks and continuing to age 5. It produced similar results at understandably higher costs (Table 1). The positive results are almost all education related with higher IQ, achievement, high school completion, and lower retention and special education placement. Criminal behavior and employment were not statistically significantly different from the control group. The benefit–cost ratio of 3.78 for this program was considerably more modest than the latest projections from the Perry project. That results from it having little effect on crime, which meant that 86% of the benefits went to the individual participants.6

The final study, the CCPC is the largest and in many ways the most sophisticated. But it is not a random assignment experiment. The 989 participants in the 3- to 4-year preschool program volunteered in 25 public school sites in one of the poorest areas of Chicago. The comparison group was made up of 550 low-income students who attended full-day kindergarten in five of the affiliated sites but were not in the preschool program. Reynolds and his colleagues have carefully analyzed the selection problems into the program and the control group and have estimated effects controlling for a large number of covariates. Thus, for example, the follow-up sample included more girls than boys in the experimental group (52.3%) than in the control group (46.3%), which could affect a number of results, but critically the juvenile crime statistics. Boys are much more likely to have criminal problems than girls. Thus without estimating the effects based on models including gender, there could be a considerable sampling error problem. Because 52% of the social benefits in the CCPC study come from reduced criminal costs, using simple differences rather than estimated rates (controlling for gender and other variables) would have biased the statistics base on the sampling differences between boys and girls.

The return on investment rate for the CCPC through age 21 was estimated at $7.14. Of this total, $3.85 accrued to the public (Reynolds et al.,

6The noneffect on crime is worrisome in that it was a major benefit of both the Perry program and the CCPC program.
Both of these figures are more modest than the Perry Program, and the public proportion is also lower due to a lesser but still significant effect of criminal activity. Sensitivity analysis varying the rediscount rate between 5 and 7% still produces return of about 5% (Reynolds et al., 2002, p. 288). Given the larger sample, and sophisticated handling of selection and estimated effects, this study is probably the best estimate to be used by simulations that extend these programs to larger populations.

The most recent research has been attempts to extend these studies to state and the national levels. Several research teams have very recently taken the parameter estimations from these studies and used them in simulations for larger populations. There is an inherent problem in that all the studies listed in Table 1 and detailed in Table 2 are targeted on expected low- if not very low-achieving students. Thus the need for simulations that can compensate for differences in the general population and then create estimates going beyond the limited socioeconomic status range of the original studies. Doing so creates the estimates in Table 3, which is taken from the CED (2006) report (Table 4).

The results, based on research by Barnett (2004) and Karoly and Bigelow (2005), also present only positive benefit–cost ratios. For the United States as a whole, a universal voluntary program with 80% enrollment, the benefit–cost ratio is 3.42. This is comparable to California at a lower take-up rate. What is interesting, and never mentioned in the text of the CED report, is that income-targeted programs, with comparable 80% take up, have benefit–cost ratios of more than double the universal program. I return to this in the following sections.

A final set of studies has estimated the benefits and costs of extending current state prekindergarten programs to voluntary universal programs. These estimates, by a research team from Columbia University headed by

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<tr>
<th></th>
<th>Total</th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Other</th>
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<tr>
<td>Relative care</td>
<td>22.8</td>
<td>19.6</td>
<td>36.7</td>
<td>22.8</td>
<td>22.8</td>
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<tr>
<td>Nonrelative care</td>
<td>14.0</td>
<td>16.5</td>
<td>8.5</td>
<td>11.3</td>
<td>10.8</td>
</tr>
<tr>
<td>Center-based programs</td>
<td>56.4</td>
<td>59.1</td>
<td>63.1</td>
<td>39.9</td>
<td>61.8</td>
</tr>
<tr>
<td>% parental care only</td>
<td>26.1</td>
<td>25.3</td>
<td>15.1</td>
<td>39.0</td>
<td>23.7</td>
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Percentages do not add to 100 because children participate in more than one form of preschool childcare.
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Clive Belfield, produce benefit–cost ratios that are positive but much lower than those in the programs just reviewed, or the simulations resulting from those programs. The benefit–cost ratios are 1.18 for Massachusetts, 1.64 for Wisconsin, 1.62 for Ohio, and 2.25 for Louisiana (CED, 2006, Table 5).

If we take all these studies at face value, the benefits of early education interventions are obvious, both in the short and long term. And the results seem far superior for lower income students. However, these data rest on either very small numbers of student in the AECI and Perry cases or nonrandom comparison groups in the CCPC case. Although I am inclined

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Table 5

*Percentage of Prekindergarten Children Ages 3 to 5 Who Were Enrolled in Center-Based Early Childhood Care and Programs, by Child and Family Characteristics: Various Year, 1991–2005 (NCES 2006, Table 2-1)*

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<tr>
<td>Total Age</td>
<td>53</td>
<td>53</td>
<td>55</td>
<td>55</td>
<td>60</td>
<td>56</td>
<td>57</td>
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<td>3</td>
<td>42</td>
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<td>41</td>
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(Continued on next page)
Table 5 (Continued)

Percentage of Prekindergarten Children Ages 3 to 5 Who Were Enrolled in Center-Based Early Childhood Care and Programs, by Child and Family Characteristics: Various Year, 1991–2005 (NCES 2006, Table 2-1)

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<td>47</td>
<td>43</td>
<td>52</td>
<td>47</td>
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</tbody>
</table>


a Black includes African American and Hispanic includes Latino. Race categories exclude Hispanic origin unless specified. Included in the total, but not shown separately, are children from other racial/ethnic groups.

b “Poor” is defined to include those families below the poverty threshold; “nonpoor” is defined as 200% or more than the poverty threshold.

to believe some effects for all these studies, it seems we should base most estimates on the CCPC study given larger samples and superior methods.

Early child development. As just implied, the level of empirical evidence on early childhood returns on investment are not without some questions. However, that is far from the only type of evidence supporting preschool interventions. There is perhaps more abundant evidence in the field of developmental psychology that indicates that early interventions are by far the most important. For example, Duncan and Magnuson (2004), relying mostly on the work of the latter, argued that development should be
viewed as an interactive, trajectory between the individual and the child. The process is continuous, but they indicated that early interventions may be most effective both in setting courses of behavior and in terms of costs. They wrote,

> Given the active role that individuals may play in shaping their environments, creating intervention induced environments that support positive adaptations may be much more difficult later in life than previously recognized. However, early childhood may provide an unusual window of opportunity for interventions because young children are uniquely receptive to enriching and supportive environments. Young children have less control over their environments than individuals at almost any other stage of development. They lack both the independence to actively choose environments and stable cognitive representations that interpret experiences. Starting in early childhood and continuing in early adolescence, individuals develop perceptions of self and others. Once stable, these representations shape an individual’s experiences (Magnuson, 1998). As individuals age, they gain the independence and ability to shape their environments, rendering intervention efforts more complicated and costly. (pp. 102–103)

Other support for early interventions comes from neuro-biologists and neuro-developmental psychologists. Rather than simply assuming that brains and genetic makeup hardwire individuals, current research is indicating that brain development is highly affected by experiences, particularly early experience when brain cells and functions increase very rapidly (Shonkoff & Phillips, 2000). For example, one study indicated that the number of synapses (connections) are maximized for the visual cortex at approximately age 1, whole prefrontal and auditory synapse density is at its maximum at age 3 (as cited in Ramey & Ramey, 2000, pp. 131–132). Those same authors have studied the Abecedarian Project for many years and point to its very early intervention (6 weeks) as an appropriate and successful model.

In conclusion, there appears to be a wide range of evidence from education research, economic analysis, and developmental psychology that points toward preschool, or earlier, interventions. These strategies will aid children from the poorest families in terms of education and life chances, and do so in a very cost effective manner relative to other social and educational interventions. I turn now to a basic profile of existing preschool services to build the case that those services should be income targeted.
A Proposal for Vouchers

The Current Provision of Preschool

There is a huge literature going back decades on child care and preschool provision. I am concerned with four succinct issues:

1. What is the current provision of preschool?
2. What types of preschool are being provided? And which income groups have access to which types of preschool?
3. What are the differences in quality based on the type of provision?
4. What is the current level of state support for preschool?

The overall provision of preschool. Over the last 40 years, there has been a dramatic increase in preschool attendance for both 3- and 4-year-old children. The increases are depicted in Figure 2. In 1965, before Head Start began, less than 10% of 3- and 4-year-old children were in preschool. In 2004 38% of 3-year-olds and 66% of 4-year-olds were in preschool. Together this represents 4.2 million children. The causes of this increase are undoubtedly due to expanding provision in response to increased labor force participation of women and for educational reasons.

Use of preschool is far from uniform, however. One important distinction is by income. And there is a significant difference between income groups, separating lower and middle-income families from those with

Figure 2  Access to preschool, 1965–2004 (CED, 2006, p. 8).

higher incomes. For example, based on the 2004 Current Population Survey, approximately 43 to 44% of children from families making less than $15,000 up to $50,000 were in preschool. From $50,000 to $75,000 the number increased to 53%. It then jumps to 63% for $75,000 to $100,000, and to 70% for those making more than $100,000 (Bureau of Labor Statistics, 2004).

Finally, the cost of preschools varies considerably depending on the level of provision and the provider. And the cost estimates are very high. For example, the costs presented in the recent CED report are $5,100 per student for a mere 3 hours per day for a 9-month school year. Full-day costs are estimated at $8,800 per student. These costs apply to both 3- and 4-year-old children (CED, 2006, Table 7). There are very few studies that estimate costs by provider type. One study in 1995 estimated costs per month for nonprofit versus profit centers. The costs for nonprofit centers in 1995 dollars was $584 compared to $511 for the for-profit centers, which translates into a 12.5% cost advantage for the private centers (Helburn, 1995).

The types and access to preschool. Data on preschool and child care are almost always blurred together because they both often include ages 3 to 5. There are also different ways to designate the types of care being received. A common breakdown is used by the U.S. Department of Education relying on a number of different surveys over the years. Table 4 provides data on the types of preschool for the year 2001. As is evident, center-based care is the most prevalent form of preschool for the whole population and for each race. In terms of race, perhaps surprisingly Blacks are most likely to be in center-based care. This is undoubtedly because of the large percentage of Blacks in Head Start programs. Hispanics are least likely to be in center-based programs, whereas other minorities, representing mostly Asians, are second most likely to be in center-based care.

Details on center-based preschools over the last 15 years for children 3 to 5 years old are depicted in Table 5. There was a steady increase in total enrollment from 1991 to 1999, with a 2.5% decline since that time. From 1991 to 2001, children in all racial groups are more likely to be in center-based care. The largest increases are for Asian children. Poverty status is important. There is little difference for children from families below 200% of the poverty line, but a sharp increase in center-based care of almost 16% for families above 200% of the poverty line. The largest differentials in poor/nonpoor were for Whites and Hispanics. Finally there is continuous and pronounced effect for mother’s education, from 35% for children with mothers having less than a high school education to 73% for children with college-educated mothers.
There is also variation in center-based preschools by the type of provider. Saluja, Early, and Clifford (2002), relying on a 1997 survey of 4,979 early childhood centers, found that 8% were Head Start programs, 16% were in public schools, 25% were independent nonprofit or public agency run, 22% were affiliated with religious organizations, and 29% were private, for profit.

Quality differences in types of preschool. As in other aspects of child care and preschool research, there is a large literature on quality of care. Currie (2001) provided a useful categorization of quality indicators as “structural” and “classroom processes.” Structural refers to measurable attributes and resources of various sites. Some of the most common indicators are class sizes, staff to student ratios, credentials and experience of teachers and staff, and existence of curriculum standards. “Classroom process refers to less easily quantifiable qualities such as the quality of teacher/child interactions, the layout of classroom materials, and whether activities are ‘developmentally appropriate’” (Currie, 2001, p. 227). There are accrediting organizations such as the National Association for the Education of Young Children. Finally several programs have their own standards, such as the Head Start Performance Standards and the influential National Institute of Early Education Research at Rutgers. The latter publishes a yearly “State of Preschool” that traces changes in enrollment and quality in state-funded early childhood programs. Most of the structural standards just listed are included in their quality indicator list.

Establishing the quality of child care is difficult for some of the categories we are interested in. For example, very poor children avail themselves of Head Start, which, according to one survey study, has higher average quality than nonpublicly funded child care centers (Currie, 2001, p. 228). Similarly, whereas a number of state preschool programs (such as Oklahoma and Georgia) have very highly trained personnel as a requirement, because they are located in public schools, National Association for the Education of Young Children does not accredit them, and thus few schools in those states are accredited (Henry, Gordon, & Rickman, 2006, p. 88).

There are several important studies that indicate that lower income and minority children are likely to be in lower quality preschool situations. The Head Start survey just mentioned, entitled the Family and Child Experiences Survey, also found that quality was higher in sites with higher family incomes and fewer minority students (Currie, 2001, p. 228). Similarly a study by Helburn and Howes (1996) found that quality was affected by the cost of preschool, with higher payments producing higher quality. They also found that center-based preschool was considerably higher quality.
than home-based care, whether provided by a relative or nonrelative. Similarly, Phillips, Voran, Kisker, Howes, and Whitebrook (1994), relying on a national survey of centers, found that centers serving poor families had highly variable quality, whereas those serving the upper-income families were the highest quality and most consistent.

The current level of state support for preschools. Because of the work of the Rutgers University National Institute for Early Education Research (NIEER) we have up to date and accurate information on state run preschool programs. If there is any single characteristic that describes those programs, it is variance. They vary in provision, costs, and quality, and they vary over time. Recent changes in preschool enrollment are considerable. In the 2001–02 academic year, only 8% of 3- and 4-year-olds were enrolled in state-funded preschool programs. In 2004–05, 20% were enrolled. Although this pattern is encouraging for supporters of state programs, the report also indicated that 11 states enrolled fewer students, and only 1 of the 12 states with no programs at all began a program in recent years. In addition, only 12 states provide preschool for more than 20% of their 4-year-old students, and only 2 states (Oklahoma and Georgia) enroll over 50% in state programs (NIEER, 2005, Table 3, p. 13).

The quality of state programs also varies considerably based in NIEER standards. They rate quality on 10 indicators, which in the language just used would be mostly structural characteristics. Although only 39 states have programs, a number of states have multiple programs, all of which are rated separately. Thus there are 48 state programs. The distribution of quality on those programs for 2004–05 (with 10 as the highest quality) were 10–8 for 14 states, 7–5 for 18 states, and 4 and below for 16 states (NIEER, 2005, Table 4).

Finally, and important for the proposal presented next, states also varied in terms of the structures of their programs. As one would expect there is considerable variation in terms of ages of children served, staffing requirements, class sizes, regulations on the programs, curriculum and pedagogical requirements, and reporting. This wide variation is one of the principal reasons for suggesting that states should design their own programs to fit their needs, choices in terms of education, and the politics in each state. One statistic that is important is the degree of income targeting that is employed in current programs—and again the range is considerable.

7That program is important for this proposal. In 2002 Florida voters amended the constitution to mandate required provision of education for 4-year-olds. In 2005, Florida enacted a preschool voucher program.
State Preschool Income-Targeted Vouchers

State provision. The educational reform I propose is to create state level, income-targeted preschool voucher programs. Why states and not national or district-level provision? National provision of preschool through Head Start has been, by almost all estimates, “mediocre.” Although tests scores initially may rise, there is almost universal “fadeout.” A very influential study by Currie and Thomas (2002) argued that fadeout may be the result of the problem schools that Head Start students attend following their Head Start experiences. Given that analysis, the question is how you prevent that. My interpretation is to allow school decisions to be made by families. But perhaps more important is that one is hard-pressed to find strong supporters of the main federal effort at preschool education.

But why not local control and school district programs? The reason is money. Districts are judged under NCLB and other political forces, not on their preschool efforts but on their K–12 results. NCLB reduces this to third grade through high school. So even if the investment strategy is correct, school districts would need to take a longer term view to funnel resources away from the more pressing NCLB requirements. Thus preschool investment requires state leadership and the commitment of state tax dollars.

Center-based preschool. Because I am consciously leaving details to states, I offer minimal guidelines on program details. I would advise that vouchers be granted only to center-based preschool sites. Regulations of those sites would be up to the states. Currently some states require staffing credentials, curriculum standards, and often health and safety. Some also require class size or staff/student ratios and other conditions. My only requirement is that public money be spent only on center-based preschools. The reasons are that quality seems superior in these sites, and organized, formal sites are much easier to deal with in terms of administration and accountability. Home-based systems have considerably less resources, have less formal structures, and would be much more difficult to regulate and audit.

Income targeting. Income targeting versus universal coverage is another often-discussed issue (in this case, more rhetoric than evidence). Some of the issues are irresolvable because they simply weigh values differently. For example, I shrink from using precious and hard-fought public dollars to pay people to do something they are willing to, and have done on their own. Why should public dollars pay for preschool for families making $75,000 and more? As previously noted, they are already
paying for those services, and I do not hear a cry that they need help—they concentrate on tax relief.

There are other reasons less connected to normative values. First, the vast majority of evidence on preschool success comes from studies targeted on poor students. That is true of all three of the major benefit–cost analyses that have been so instrumental in forwarding this proposal and the general support for preschool investment. Generalization to larger populations has had to rely on simulations parameterized with the results of the more targeted programs. As clearly noted in Table 3, national programs that are targeted at 200% of the poverty line or less have more than double the rate of return of universal programs (3.42 vs. 7.68).

Second, proponents of universal program always cite the idea that broad-based programs garner more political support than target programs (think Social Security). However, that is not what has been popular in states to this point. Analysis of the descriptions of state programs in the 2005 NIEER report on state supported preschools indicates that of the 48 state programs operating in 2004–05, 29 have income limits, and 19 have none. However, of the 19, 8 exist in states with multiple programs, and in each of those states one of their programs is income targeted. The most prevalent targeting (11 states) is 185% of the poverty line, which corresponds to eligibility for reduced or free lunch. Thus despite arguments that universal programs may be more politically sustainable, in reality state legislatures and governors seem to support targeted programs.

Finally, one can argue based on need and equity that low-income families should receive subsidies for preschool education. There is clear evidence reviewed previously that lower income families have less access to preschools, center-based preschools, and quality preschool sites. And, given the evidence provided in the previous section, both the need for such education and the effectiveness for children from low-income families dictate a priority in our society. The proposal I offer allows states to go as far as they deem appropriate in terms of beneficiaries. I only suggest that, given budget and political constraints, they are well advised to do what they are currently doing—targeting their aid to the poor.

**Vouchers.** To this point this proposal may not seem very controversial. Some will object to state-based, some to targeting, and maybe even some to center-based preschools. But vouchers will undoubtedly raise many more objections. So why vouchers? By vouchers I mean specifically that parents within the income range would receive from the state a publicly funded certificate to purchase preschool education at any provider that is “center based.” The centers might also have to be approved by state authorities, or
other accrediting agencies. Provision would include the full set of current providers: public, nonprofit, religious, and private for-profit.

There is to date only one preschool voucher program in the United States. It was recently enacted in Florida, and the first students enrolled in 2006. Some of the features of that program may be of use to other states that decide to follow a similar route. It provides a voucher to any student up to $2,500, with an added adjustment for county cost of living. It has some accountability and administrative features that are attractive. However, the universal nature of the program limits the voucher to an amount considerably below the current average spending on center-based preschool, which is more than $4,000. In addition, the program does not offer any transportation aid, which can dramatically affect choices for poor families (Kennedy-Salchow, 2005).

The fact that we have only limited experience with state vouchers for preschool children may be overshadowed by the extensive use of vouchers for federal child care and preschools. Beginning in 1988, the U.S. Congress enacted legislation to allow states to use either vouchers or cash payments for low-income families to purchase child care or preschool services. That option was made mandatory in 1990. Thus states have had to offer those options for 16 years. By 1998, vouchers or cash payments to parents were the “primary method of financing care” (Besharov & Samari, 2000, p. 197). Another estimate had vouchers providing more than 80% of payments, and cash payments another 10% (Schumacher, Irish, & Greenberg, 2002, p. 3). As of 1999, annual federal payments for child care and preschool were estimated to be $13.6 billion (Besharov & Samari, 2002, p. 463).

Surprisingly, given the volume of study and controversy over K–12 vouchers, there is very little research on the use of child care vouchers in the United States. There is, for example, to my knowledge no research comparing the educational effects of children receiving services through the use of vouchers or cash payments and those being funded under contracts to providers. One study of implementation conducted by Besharov and Samari (2002) covered many aspects of implementation and provides very useful recommendations. That study included phone interviews with key child care officials in all of our states. Another study, following the same methodology, included interviews with 24 states (Schumacher et al., 2002).

Because those studies covered more child care than preschool services, they may be of limited use to the arguments in this article. However, several conclusions are relevant. First, vouchers to parents have become the preferred method of funding government-supported child care services. Second, voucher systems in the United States have increased access to child care and enhanced the range of services provided, especially in-home and
informal child care. Third, however, there is mixed evidence on the effects of vouchers on quality of services and the consistency of those services.

These results would seem to confirm an earlier assessment of the prospects for vouchers made closer to enactment of the critical legislation in 1988 and 1990. In a 1993 report from Mathematica, Ross and Kerachsky concluded,

Using vouchers, parents can shape the child care market to provide more of the types and features of child care that they want. Vouchers expand parents’ choice of providers to include relatives and informal providers—persons who are generally not included in contract systems. (p. 56)

There are numerous arguments for and against voucher provision of preschools. Obviously expanded parental choice is an argument for vouchers. Not only are low-income families often priced out of the preschool market, but even if they are eligible for government programs, they have very limited choices of providers. More expensive center-based preschools are usually inconvenient geographically and prohibitively expensive. Vouchers will provide low-income parents with opportunities approaching those of middle and upper-income families.

Vouchers will expand the number of providers and the range of services that are offered (pedagogically, time of instruction, etc.). And, if the data provided previously are correct, private sector provisions are likely to cost less per child. In addition, there are a number of other possible efficiency effects that could emerge. Existing centers will be faced with many potential new customers. If they are currently operating under capacity by, say, only offering half-day preschool in attempt to attract voucher students, they may extend the use of facilities (and staff) to offer either two half-day programs or a full-day program. They may also expand facilities. All of these activities take advantage of economies of scale.

In the first theoretical analysis of the advantages and disadvantages of the Florida voucher program, Kennedy-Salchow, in a paper for the Columbia based National Center for the Study of Privatization in Education, concluded,

No voucher plan can meet all four goals of freedom of choice, efficiency, equity, and social cohesion, there are always trade-offs. The Florida Voucher PreKindergarten program appears to favor the principles of freedom of choice and efficiency at the expense of equity and social cohesion. (pp. 24–25)

Most of the problems with equity, she noted, rest on the underfunded voucher amount and how that will favor families with higher resources.
That may be true, but states need not underfund vouchers and will be much less likely to do so if they target the program. In addition, the argument begs the question of, relative to what? It could be more equitable than what currently exists if now there is a large gap in opportunities based on income. In that case any advance may be more beneficial to those without resources.

As for social cohesion, I have never quite understood what that means except in the context of racial separation and segregation. And it seems very difficult to predict what the type of proposal I am making might lead to in terms of increases in integration or segregation. I would hypothesize that, given the targeted nature of the vouchers, many schools would become more integrated based on income status, and that should mean race as well.

A final important point for the debate over preschool vouchers has to do with the legal situation and court challenges to voucher programs. One interesting detail from our experience with federally funded child care vouchers is that the federal provisions, administered through the states, have never been challenged in court. It is unclear why. Recently a Florida voucher program that allowed K–12 students to obtain vouchers when their school failed state testing standards was ruled unconstitutional on the grounds that it violated provisions in the Florida constitution that mandate that the legislature provide uniform education through free public schools. It could also have ruled against the law, as did a lower court, based on a “Blaine amendment” that is also in the Florida constitution. That amendment “prohibits spending public money in aid of church, sects, religious, denominational, or other sectarian institution” (Harris, Herrington, & Albee, in press; Kennedy-Salchow, 2005). Because almost all states have similar uniformity clauses and 36 others have some form of Blaine Amendment, voucher programs are ripe to challenge. The Florida case will be appealed to the U.S. Supreme Court to see if the Zelman v. Simmons-Harris (2002) decision by the U.S. Supreme Court upholding the Ohio K–12 voucher program as constitutional will overrule the Florida Supreme Court. One obvious test for my proposal will be if a suit is brought against the Florida preschool voucher program, thus breaking the legal moratorium on federally sponsored prekindergarten voucher programs.

Conclusion

The proposal incorporated in this article is necessarily very general. It intentionally imposes minimal restrictions on states. The basic idea is

8Named after early 20th century Congressman James Blaire who, fearing public funding of Catholic schools, toured the country imploring states to amend their constitutions to prohibit funding of religious institutions, especially schools.
that states will design their own programs to fit their particular needs and circumstances. Obviously states that already have universal preschool programs (Oklahoma and Georgia) may wish to stick with public provision programs. Even there, however, as only 60 to 70% of those eligible are taking advantage of the programs, a supplementary voucher program could extend coverage.

Other states will have to fit their programs to existing programs, budgets, and political realities. A wide range of options for voucher amounts, regulations of centers and staff, accountability, transportation, minimal instructional hours required, and many other characteristics are open to negotiation. Existing nonvoucher programs and the Florida program offer useful models and choices on many of these fronts.

But the main thrust of this proposal remains. We need to increase investment in preschool education, especially for the least well off. And a voucher system seems to be the best choice to maximize opportunity and equity and educational efficiency.

References


