



A Cost-Benefit Analysis of Universally-Accessible Pre-Kindergarten Education in Texas

NEED FOR PRE-K: Over the last two decades, Texas’ economy has shifted from an emphasis on extractive industries like oil and agriculture to an emphasis on knowledge and technology. Texas residents showed much less educational improvement than the residents of other states. If the state continues this path, by 2040 the proportion of households living in poverty will increase by 4 percent and average annual household income will decrease by \$6,500. This will result in losses in tax revenue and increases in the demand for health, criminal, and social services from the state. Upgrading our educational system is an obvious solution to labor quality problems now facing Texas, and **pre-kindergarten is one of the most cost-effective educational investments the state can make.**

OUR ANALYSIS: This analysis of a high-quality, universally-accessible pre-kindergarten program is based on our interpretation of some of the recommendations from *The Texas Plan: Statewide Early Education and Development System (SEEDS)* developed by the Texas Early Childhood Education Coalition (TECEC) and the Texas Program for Society and Health (TPSH) at the James A. Baker III Institute for Public Policy at Rice University. The proposed program contains 50 policy recommendations covering three core educational areas—effective infrastructure, quality standards, and families and communities—that should be implemented over a ten year period. Our analysis concerns the costs and benefits of infrastructure and educational quality.

BENEFITS: The benefits of universally-accessible, high-quality pre-kindergarten for four-year-olds in Texas greatly outweigh the costs. Program participants benefit from increased graduation and retention rates and increased lifetime earnings. Mothers of participants also receive increased lifetime earnings and increased income. Benefits to the State of Texas are lower juvenile crime, less child abuse, and increased tax revenue. The benefits of pre-kindergarten are particularly large for children from low-income and minority households.

RATE OF RETURN: Our analysis was very conservative, overestimating the costs and underestimating the benefits of the program. **For every dollar invested in universally-accessible, high-quality pre-kindergarten, the State of Texas will receive \$3.50 in return.**

	70% Enrollment	80% Enrollment	90% Enrollment
Program Costs	-\$5,268.00	-\$5,446.00	-\$5,585.00
Total Benefits	\$18,462	\$18,462	\$18,462
Rate of Return	\$3.50	\$3.39	\$3.31

Because Texas already has approximately 160,000 four-year-olds enrolled in state-funded pre-kindergarten at a cost of \$2,721.58 per pupil (Barnett et al. 2004), the state would only need to spend an additional \$2,724.42 per pupil when upgrading and expanding the program so that 80 percent of all four-year-olds in the state are enrolled in a high-quality public or private pre-kindergarten program.