

# Strengthening Businesses in the Capital Region<sup>1</sup> of Pennsylvania through Investments in Pre-Kindergarten:

## How Investments in Early Learning Increase Sales from Local Businesses, Create Jobs and Grow the Economy

One of the keys to sustained economic growth is to generate additional sales of local goods and services, while also creating new jobs. That is why the Pre-K for PA campaign asked researchers from ReadyNation /America's Edge to model the impact of significant expansion of Pennsylvania's high-quality pre-k system and its potential impact on the economy of the state and its major economic regions. This report documents that investments in early learning provide a significant, immediate economic boost for local businesses and help build stronger communities over the long term.<sup>2</sup>

Pre-K should be a critical component of Pennsylvania's economic growth. Based on two scenarios modeled for this

analysis, if all Pennsylvania children ages three and four were given access to quality pre-kindergarten at a cost of an additional \$1 billion<sup>3</sup>, that investment would generate \$1.8 billion in sales of goods and services for Pennsylvania businesses.<sup>4</sup> Investments in quality early learning generate more new spending for local businesses than investments in seven other major economic sectors. For every \$1 invested in pre-K in Pennsylvania, an additional 79 cents are generated, for a total of \$1.79 in new spending in the state. And nearly all of these dollars generated in Pennsylvania would stay in Pennsylvania – helping local businesses prosper while also creating almost 28,000 new jobs, including 5,600 jobs outside the early learning sector.

### The early learning sector in Pennsylvania generates more additional spending in the economy than other major economic sectors

#### Economic Sectors

#### Output Multipliers

Transportation	\$1.85
Construction	1.84
<b>Early Care and Education</b>	<b>1.79</b>
Retail Trade	1.77
Other	1.76
Wholesale Trade	1.75
Farming, Forest, Fishing, Hunting	1.72
Manufacturing	1.68
Mining, Oil, Gas	1.66
Utilities	1.43

Every \$1 invested in the early learning sector generates an additional 79 cents in the local economy.

## New spending generated by early care and education investments

Location	Percent of unmet need, relative to state	Total new investment to serve unmet need for pre-K for 3- and 4-year-olds <sup>3</sup>	Total new spending generated in the economy	Total new spending generated outside the early education sector	Spending by Major Sector			
					Services (23%)	Real estate and construction (17%)	Insurance and finance (18%)	Retail and wholesale (13%)
Pennsylvania	100%	\$1 billion	\$1.8 billion	\$790 million	\$179 million	\$135 million	\$143 million	\$103 million
Capital region <sup>5</sup>	6%	\$60 million	\$107 million	\$47 million	\$11 million	\$8 million	\$8 million	\$6 million

**In the Capital region of Pennsylvania, a \$60 million investment in pre-K would generate \$107 million in new spending in the local economy, including \$47 million outside of the early education sector. This spending would be spread over several major sectors, including \$11 million in services, \$8 million in real estate and construction, \$8 million in insurance and finance, and \$6 million in retail and wholesale trade.**

Yet another strategic reason for this investment is that access to quality early education will increase the ability of Pennsylvania businesses to attract skilled employees. High-quality programs for our youngest children are needed for the same reasons communities strive to have a strong K-12 education system to attract skilled workers and new businesses.

Finally, such an investment will establish a foundation for sustained economic growth because quality early learning is key to ensuring that future employees have the skills Pennsylvania businesses need in a highly competitive global market. Research confirms that quality early learning is the crucial first step in the development of those skills. And the long-term return on investment is impressive: Studies of high-quality early education programs for at-risk children have shown that quality programs average \$22,000 in net economic benefits (benefits minus costs) for each child served.

**THE BOTTOM LINE:** With limited funds available to help businesses and our economy stay on track, few investments make as much sense for Pennsylvania businesses' balance sheets as do investments in high-quality early education.

### Endnotes

<sup>1</sup>The Capital region includes the counties of Cumberland, Dauphin, Lebanon and Perry.

<sup>2</sup>This brief summarizes data from a report by READY NATION/AMERICA'S EDGE, Strengthening Pennsylvania Businesses through Investments in Pre-Kindergarten: How Investments in Early Learning Increase Sales from Local Businesses, Create Jobs and Grow the Economy. For a copy of the full report, see: <http://www.americasedge.org/research/americas-edge-research/>

<sup>3</sup>READY NATION/AMERICA'S EDGE commissioned an analysis of the most recently available data (2012) for Pennsylvania on the economic impact of the early education sector on other sectors. We estimate that approximately \$1 billion (\$1,023,050,000) in new early education investments are needed in Pennsylvania to serve an additional 170,800 children ages 3-4 who do not have access to publicly funded, high-quality pre-K. Data on the number of children currently lacking access were obtained from a recent report by the Pennsylvania Partnerships for Children. Per-child cost for pre-K was estimated at \$7,900 for disadvantaged children (i.e. children at or below 300 percent of the federal poverty level; approximately 88,000 children). We estimated the per-child cost for non-disadvantaged children (approximately 80,000 children) as half that amount, \$3,950, assuming a sliding fee scale with only some of the costs being covered by public funding. These figures were based on the current estimated cost per child for the Pre-K Counts program (\$7,900). For more detail, see the full report: <http://www.americasedge.org/research/americas-edge-research/>

<sup>4</sup>The \$1.8 billion estimate of the total new spending generated in Pennsylvania's economy from \$1 billion in new early education spending was calculated by taking the Type SAM Output multiplier for Pennsylvania, 1.79, and multiplying it by the \$1 billion, which yields \$1.8 billion in new spending. This new spending includes the \$1 billion new direct spending in the ECE sector, plus the new indirect and induced spending (with a subtotal of \$790 million) which ripple out to other sectors of Pennsylvania's economy, yielding \$1.8 billion in new total spending. For more detail, see the full report: <http://www.americasedge.org/research/americas-edge-research/>

<sup>5</sup>For Pennsylvania, input-output modeling analyses were conducted to identify economic impacts. Pennsylvania's Type SAM output multiplier was 1.79. The figures for the regional impacts represent a proportional estimate of the statewide economic impact, estimated based on the proportion of unmet need in the region.

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Contact us at: ReadyNation/America's Edge  
 (202) 657-0600  
[info@readynation.org](mailto:info@readynation.org)  
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 105 North Front Street, Suite 305 | Harrisburg, PA 17101