



SCHOOL READINESS

HOW TO USE THIS REPORT

Social Impact Research (SIR) reports are a resource for social impact investors to learn about a variety of social problems affecting at-risk populations and nonprofit organizations working on those problems. These reports are written to help investors develop their role in effecting change in the social sector.

This Social Issue Report provides background and context on school readiness, recommends an approach to investing in school readiness, and outlines steps for taking action. It is designed to be read in conjunction with the relevant State Report and Organization Reports. The State Reports provide investors context about how school readiness is being addressed in 5 states (MA, NY, IL, TX, CA). The Organization Reports highlight high-performing nonprofits in major metropolitan areas in the five states working on the issue.

SOCIAL ISSUE REPORT SUMMARY

High-quality school readiness programs that serve at-risk children, including those from low-income families, present a significant opportunity for impact. This report addresses why and how.

- By age three, a low-income child has heard 30 million fewer words than his or her higher-income peers. **For more reasons why school readiness matters, see Page 3**
- A quality center-based school readiness program offers a holistic approach including an education based curriculum, services to support parents, and complementary services to help prevent negative life outcomes for at-risk children. **For more information on approaches to school readiness, see Page 4**
- The annual cost of a school readiness program can be as much as \$11,680. Despite government subsidies, nearly 2/5 of states reported waitlists or frozen intakes for their school readiness programs due to lack of funding. **For more information on school readiness related policies, see Page 5**
- The return on investment in high-performing school readiness programs can reach as high as \$17 per every dollar invested. **For more information on return on investment, see Page 6**

DEFINITION: SCHOOL READINESS

School Readiness refers to the field within Early Childhood Education that prepares children, aged 2½ to 6, to participate in and derive maximum benefit from kindergarten, laying the foundation for continuous success in school. School Readiness programs address language development, cognitive skills, general knowledge, approaches to learning, and social and emotional skills.

INVESTMENT RECOMMENDATION SNAPSHOT

The social and economic impact of academic preparedness and unpreparedness is clear and there is much work to be done to improve access to and quality of school readiness programs across the nation. Investors interested in this issue have several opportunities for investment, including:

Direct Service: High-quality center-based programs that serve the most vulnerable children can provide the greatest return on investment. The most effective center-based programs are defined by the following characteristics:

- Provide a high-quality program with a strong focus on education and socio-emotional skills
- Support parents as educators of the child
- Provide complementary services either in-house or through partnerships to meet holistic family and child needs

Policy, Advocacy and Research: Advocacy and research organizations working at the national and state level offer an opportunity to invest in longer-term systemic change activities including, increasing access to and quality of school readiness programs.

- Access: Improving the ability of low-income families to receive subsidies and vouchers
- Quality: Supporting state efforts to improve quality through increased licensing standards, improved teacher training, and the implementation of public quality rating systems

For next steps in taking action, see the *Take Action* section on Page 2 —————>

TAKE ACTION

Through its research, SIR has identified numerous steps of action that social impact investors could take to effect change on the issue of school readiness. Listed below are a few of SIR's suggestions.

Direct Service

- Get to know and adopt one of the SIR-recommended school readiness organizations in your state
 - Provide holistic support by investing in areas where the organization is most in need. For example, support facilities improvement to reduce overhead costs, create a scholarship fund to help teachers earn degrees, or support accreditation efforts
 - Help the organization scale its work by servicing more kids, opening a new site, or replicating its model
- Use the SIR Methodology to conduct due diligence and select a nonprofit in your community to adopt
- Adopt an under-performing center in your community to increase quality through strengthening the core components of the recommended approach. For example, purchasing assessment tools, increasing services for parents, improving data collection, improving referral systems, or increasing teacher qualifications.
- Adopt a strategy to focus on within a geographic area
 - Create a scholarship fund to help providers increase their education levels
 - Support several centers to improve one aspect of their program, for example literacy, socio-emotional development, teacher training, parent education

Policy, Advocacy, and Research

- Support advocacy and legislation to improve professional development and career track for providers
- Support advocacy and legislation to integrate funding streams and refocus early education subsidies on education rather than a parent's work status
- Support the implementation of a framework to measure and evaluate program outcomes, enabling the assessment of long-term program impact and identifying gaps to inform more effective policy

FACTS: SCHOOL READINESS

5,432,784

As of September 2009

Children ages 3-5 that low-income^{1,2}



48%

As of July 2010

Capacity of US Child Care Centers (as % of children under age 6)³

9.6%

As of July 2010

% of accredited child care centers^{4,5}



Achievement Gap for Low-Income Children

On the National Assessment for Educational Progress, low-income students scored below the average. Chart shows scores out of 500.⁶

	Low-Income	Average
English	227	240
Math	206	221

SOCIAL ISSUE INDICATORS

SIR regards program access, quality, and impact as the most important indicators in measuring the school readiness gap for at-risk children. Data for these indicators are not currently available.

ACCESS

- All low-income children are able to attend a school readiness program

QUALITY

- All school readiness programs serving low-income children meet statewide quality standards

IMPACT

- All low-income children score at grade level or above in third grade

Note: Low income is used as a proxy for at-risk.

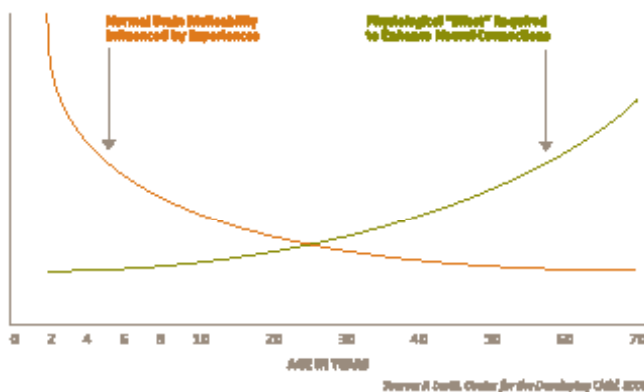
SOCIAL ISSUE OVERVIEW: WHY SCHOOL READINESS MATTERS

Rapid brain development during children’s first few years of life lays the foundation for later growth and learning capacity. Children who thrive in their early years are positioned to become strong learners, leaders, and productive citizens. School readiness programs are critical to ensuring that children, particularly those at risk for negative life outcomes, reach kindergarten ready to learn.

NEUROLOGICALLY, A CRITICALLY IMPORTANT AGE⁷

The brain’s most critical stage of development is in early childhood. In fact, the three- to six-year age range represents the tail end of a small window of opportunity to affect the brain’s development most

FIGURE 1: ADAPTABILITY OF NEURAL CIRCUITS OVER TIME



efficiently.⁸ Early childhood is also the most critical period for the development of the brain’s stress management system. Exposure to unmanageable, or “toxic,” levels of stress before the brain is fully developed can cause children to become overly sensitive to stressors that they will naturally come

across in life. This oversensitivity reduces the ability of both children and adults to engage in the world without experiencing excessive levels of stress and fear. Some of the most common risk factors for toxic stress – including economic hardship, domestic abuse or neglect, and insecure relationships with the primary caregiver – disproportionately affect low-income children.

Because many factors that lead to toxic stress are present even before a child enters kindergarten, school readiness initiatives have the potential to play an important role in promoting healthy child development. By creating safe and nurturing environments and fostering strong caretaker relationships with children, high-quality school readiness programs can help those children who regularly encounter toxic stress at home to develop healthy stress management capabilities. Conversely, low-quality school readiness programs have been found to exacerbate unhealthy stress, severely damaging a child’s future ability to cope with everyday challenges.

THE ACHIEVEMENT GAP FOR AT-RISK CHILDREN

Research from multiple fields including education, economics, and neuroscience reveals that many children begin their lives at risk for negative life outcomes, typically due to overwhelming disadvantages that are tied to their socio-economic situation. Children who face two or more risk factors* often begin kindergarten far behind their peers in terms of social, emotional, physical, and cognitive development. For example, by age three, a low-income child has typically heard 30 million fewer words than his or her higher-income peers.⁹ The further behind a child is upon entering school, the more likely it is that he or she will not be able to compensate for that gap and will experience negative life outcomes.¹⁰

*RISK FACTORS¹¹

- Poverty
- Poor health and nutrition
- Domestic abuse
- Neglect
- Parent/guardian with physical/mental disability
- Un-/underemployed parent
- Mother without high school degree or with low IQ
- No parent fluent in English
- Neighborhood violence and stressful living conditions
- Low-quality schools
- Low attachment to primary caregiver
- Socially isolated parents
- Single/no parent

APPROACHES TO SCHOOL READINESS

Ensuring that a child entering kindergarten is “school ready” is a multi-faceted endeavor that requires support from a variety of stakeholders, from the child’s parents to out-of-home caretakers, policymakers, and society as a whole. No single approach, on its own, offers the turnkey solution to ensure that at-risk children become successful adults. In fact, in addition to in-school education, supplementary services that address other family needs such as nutrition, mental health, and parenting support also play a critical role in ensuring healthy child development.

APPROACHES

Forty-five years of research have begun to clarify some of the best practices and challenges of school readiness. The research focuses primarily on three common approaches:

- **Single Focus Programs** specialize in one core area of development, rather than across multiple areas, related to school readiness. Specialties may include literacy, numeracy, or socio-emotional development; for example, Jumpstart and Raising a Reader are two well-known literacy-focused programs. Single focus programs may partner with other early education and care programs to supplement the broader curriculum taught by the partner.
- **Family Child Care** is a type of early education and child care program that is delivered in a provider’s home. Children in a family child care home may range in age from infancy to school-age, and programs may serve up to 10 children. Some family child care programs are part of a family child care system, which may provide additional supports to providers and families, but generally they are independent; consequently, the quality varies greatly among homes and is difficult to monitor.

■ **Center-Based Programs** are out-of-home programs, delivered at a designated center. SIR’s research determined that, of all approaches, center-based programs offer the greatest opportunity for impact in promoting school readiness for at-risk children. They serve children in groups on a full- or part-time basis. Center-based programs employ a holistic approach to school readiness that includes not only academic components, but also fine and gross motor skills, physical health, and socio-emotional development, which children have the opportunity to practice in a structured classroom environment. Additionally, center-based programs more frequently have the resources and infrastructure to support families with needs that extend beyond a child’s readiness for school, and they enable parents to remain employed by providing full-day, out-of-home care. Center-based programs sometimes increase the number of children they reach by partnering with family child care providers and, though the level of oversight for these arrangements varies, some centers work closely with partners in their network to ensure a consistent pedagogy. As with family child care, the quality of service provided at different centers can vary widely. Quality center-based programs have three main components:

- **A comprehensive, education-focused curriculum** that emphasizes language development, mathematical reasoning, and socio-emotional competency. To date, 29 state governments have begun assessment of children to measure statewide progress on school readiness indicators such as literacy, math, and socio-emotional competency.
- **Services to support parents** to play an active role in the academic success and socio-emotional wellbeing of their children, by promoting both communication and engagement with the center and at-home reinforcement of lessons learned.
- **A solid community presence and local network** that enable organizations to offer critical complementary services for at-risk children. While some preschools are housed within multi-service agencies that provide a variety of services (e.g., health and nutrition, housing, employment, mental health services, parenting, and fuel assistance) through their own internal network, others collaborate with community organizations that address different needs of the same population.

In addition to exhibiting these core components, research on quality school readiness programs has shown that high teacher qualifications and education levels, low turnover rates, and a strong professional development system for teachers increase classroom quality. Additional activities to ease transitions to kindergarten, improve assessment quality, and maintain and report data are strongly associated with program quality.

Federal and state government play a critical role in ensuring that young children are able to access the quality learning experiences and support systems that will prepare them for school. With recent studies confirming that low-income children lag behind their peers in cognitive development even prior to kindergarten, funding and policy to improve access to and quality of early childhood learning are essential to closing the achievement gap.¹²

Federal funds for early education are funneled to states, which are given a great deal of discretion in determining funding allocation and oversight policies. While states have the opportunity to implement policies that would enable all preschool-aged children to access high-quality school readiness programs, few have successfully done so due to lack of funding or a lack of political will.

STATE OF EARLY CARE AND SCHOOL READINESS IN THE U.S.

- Income eligibility thresholds for subsidies are low and the cost of care is high
- Quality varies significantly between and within states
- State inspection and oversight is highly inconsistent and often weak
- Training of the workforce is inconsistent and few providers have the training they need for high-quality classrooms

PROMOTING ACCESS

To make school readiness programs more accessible, states offer subsidized vouchers to families meeting a statewide income-eligibility threshold. But heightened demand in recent years, while reflecting an increasingly enlightened view of the developmental importance of school readiness programs, has also outpaced stagnant federal funding. The funding challenge is exacerbated by the fact that early education and care subsidies are most often tied to a parent's work status and are intended to enable parents to work rather than focused on the need to educate all young children.

Of the approximately 5.4 million low-income 3-5 year olds nationwide,¹³ only 3 million are enrolled in a state subsidized preschool program.¹⁴ In 2009, nearly 2/5 of the states had waitlists or temporarily frozen intake due to a lack of funding for early education subsidies; Pennsylvania's waitlist grew from 8,248 children in early 2008 to nearly 15,000 children within a year. With the average annual cost of center-based care for a 4 year old ranging between \$4,055 and \$11,680,¹⁵ poor and low-income families are typically unable to pay the high cost of school readiness programs on their own. The financial burden often pushes low-income families to send their children to unlicensed and unregulated care, where there is no oversight and quality is dubious.¹⁶ Thus, low-income children who stand to benefit most from early education programs are least likely to attend.

IMPROVING QUALITY

Currently, most state policies, programs, and funding are focused on helping poor and low-income parents gain access to any kind of care and education program by providing subsidies and vouchers. These mechanisms are not necessarily focused on ensuring that children have access to *high quality* care and learning environments. Building up access and quality simultaneously is particularly important because while research has repeatedly confirmed the strong returns on investment produced by high-quality preschool programs, it has also shown that low overall quality — found in between 10 and 20 percent of child care settings — can harm social and cognitive development long-term.¹⁷

Childcare licensing is the first key policy area in which states should invest in terms of quality. Licensing establishes minimum standards of health and safety to which all programs must adhere, but states vary greatly in where they set the licensing baseline and how closely the licensed programs are monitored.¹⁸

- Only 30 states had policies addressing all 10 of NACCRA's recommended basic health and safety requirements as of 2009¹⁹
- Only half of the states require inspections of licensed providers more than once a year, which is not enough to ensure that children are in safe and healthy environments²⁰

- Federal Funding can also be allocated to “license exempt care”, which are not subject to the same quality standards as normal centers. Nationwide, only 76% of centers are licensed or regulated.

Beyond licensing, accreditation by the National Association for the Education of Young Children (NAEYC) requires that centers meet more rigorous standards for provider training, curriculum, safety, and care environment, identifying centers that are true school readiness programs.

Improving provider training is critical to improving overall program quality, as research overwhelmingly confirms that raising teacher qualifications improves early education outcomes.²¹ Despite this research, the federal Child Care and Development Block Grant - the largest federal funding stream to subsidize child care costs - requires no minimum provider training, and as a result, 37 states do not require center-based child care providers to have any pre-service training in early childhood education.²² Furthermore, due to the lack of national minimum standards, only 15 states require a pre-employment sex-abuse registry background check, and 6 states do not require employers to check the state child-abuse registry before hiring an early educator.²³ Lack of national oversight not only encourages programs that are typically of marginal quality - it can be dangerous to children.

RETURN ON INVESTMENT

School readiness is one of the highest-impact areas for investment to achieve positive outcomes for low-income children. The costs of neglecting quality school readiness initiatives for at-risk children can be measured in both loss of human potential and taxpayer dollars. Over the past three decades, studies from diverse academic disciplines indicate that quality school readiness programs can effectively mitigate negative life outcomes, including:²⁴

- Poverty
- Teen pregnancy
- Depression
- Incarceration
- School dropout
- Drug /alcohol abuse

Conversely, the advantages of ensuring that all children, particularly those at risk, enter school ready to learn accrue to individuals and society over time. While no one study has attempted to quantify the outcomes of school readiness programs at all levels of society, longitudinal studies indicate a significant return on investment: the returns from quality programs have been shown to start at \$3 for every dollar invested, and the strongest programs have returned up to \$17 for every initial dollar.²⁵ These returns can be measured in benefits to society as a whole, to government, and to individuals:

SOCIETY:

- Lower crime and related costs
- Increased employment and productivity
- Prevent 63,000-65,000 lives lost yearly as a result of multi-problem behaviors (e.g., alcoholism, violent crime)²⁶

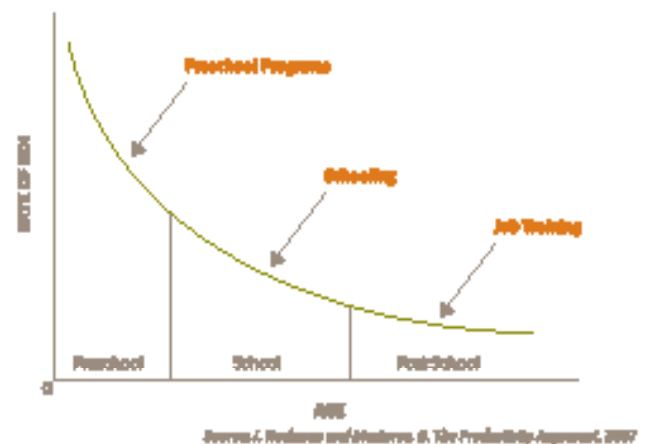
GOVERNMENT:

- Decreased tax spending on remedial/special education, youth delinquency, and social welfare
- Savings could amount to \$335-\$350B each year²⁷

INDIVIDUAL:

- 20% more likely to complete high school,²⁸ increasing lifetime earnings potential by \$456,000²⁹
- 21% more likely to attend college and 20% more likely to gain skilled employment³⁰

FIGURE 4: RETURN ON INVESTMENT IN HUMAN CAPITAL AT DIFFERENT LIFE STAGES



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Social Impact Research (SIR) is the independent research department of Root Cause, a research and consulting firm dedicated to mobilizing the nonprofit, public, and business sectors to work together in a new social impact market. SIR aggregates, analyzes, and disseminates information to help social impact investors identify and support the most effective, efficient, and sustainable organizations working to solve social problems. Modeled after private sector equity research firms, SIR produces research reports, analyzes philanthropic portfolios, and provides educational services for advisors to help their clients make effective and rigorous philanthropic decisions.

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