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## ***An Opportunity Missed?***

### ***Funding for Early Childhood Small While Spending Grows on Business Breaks***

IOWA CITY, Iowa (April 19, 2012) — Iowa’s approach to economic development is skewed toward business subsidies and falling short on long-term investments through early childhood education.

“Many economists have shown the effective investments states can make in our economy by focusing on a child’s first 2,000 days. Those investments produce better-educated, more productive workers, which draw better-paying businesses,” said Lily French, research associate for the nonpartisan Iowa Policy Project.

Her new report for the nonpartisan Iowa Fiscal Partnership examines funding for critical early childhood education programs, and compares it to spending on business tax breaks.

“While business tax credits have risen dramatically in Iowa, state funding of early childhood education overall has remained very small and declined within specific programs,” French said. “This is not a cost-effective strategy for Iowa in the long run, and it is shortchanging our children.”

The report looks primarily at three state-designed programs supporting Iowa children with early care and education from birth to age 5 — Early Childhood Fund, School Ready Fund, and Statewide Voluntary Preschool Program. It finds:

- Early Childhood grants declined nearly \$1 million since FY2009, resulting in a 12 percent cut over the past three years.
- School Ready grants have declined nearly \$16.5 million since FY2008, a 43 percent cut over the past four years.
- Statewide Voluntary Preschool for 4-year-olds began in 2008 and rose as intended until being cut \$6.1 million to \$58.4 million in FY2012, also thwarting program growth needed to implement the program as intended statewide.

“At the same time, Iowa’s overall investments in the education and development of young children remain small in comparison with those for school-aged children,” French wrote, with about 9 cents invested in infant and toddlers’ development and 27 cents invested in a preschoolers’ development for every dollar invested in a school-aged child.

#### ***First 2,000 Days***

Research shows that the care a child receives during the first five years of life dramatically affects future educational attainment, job participation, wage acquisition, and civic engagement.

Ensuring that all children have positive experiences with their caregivers, whether that is a parent or a child care provider, from birth to age 5 enables children to enter kindergarten ready to learn.

Investments in early childhood care and education lead to a more productive workforce, a citizenry of lifelong learners and more engaged community members. Ultimately, they create our greatest resource for a brighter Iowa future.

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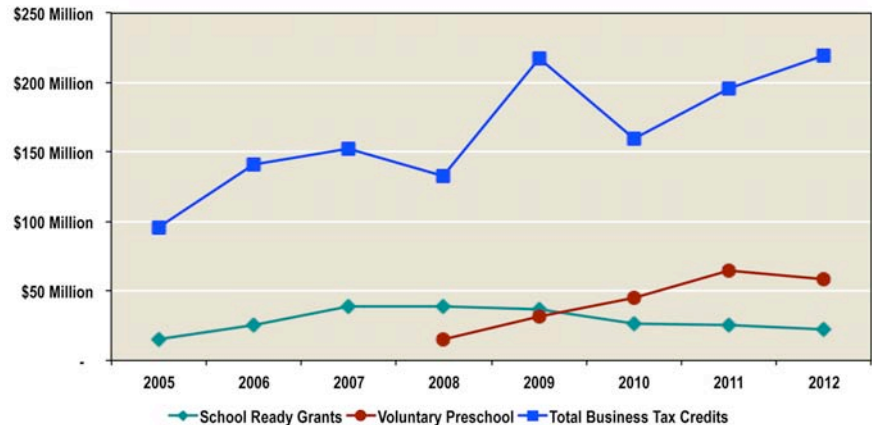
The report notes that while funding has declined in recent years for Early Childhood and School Ready funds, and over the last year for Voluntary Preschool, “lawmakers have continued to increase funding to a number of business tax credits.”

“Projections for FY13 indicate that Iowa will lose or give away more than \$220 million to businesses on the grounds of improving our state’s prosperity, but in many cases this spending has limited oversight and little or questionable evidence of impact,” French wrote.

“In comparing both the size of allocation and fiscal trends, there is considerable difference between state spending on business tax credits intended to spur economic development and early childhood education.”

The report shows that investments in business tax credits range from just below \$100 to over \$200 million annually, while Early Childhood Iowa School Ready grants never reached \$50 million per year, even at the height of funding, and Voluntary Preschool funding declined after its peak of \$64.5 million in FY2011.

**Spending on Business Tax Credits Accelerates in Comparison to General Fund Spending on Early Childhood Services**



“The comparison is stark,” French said. “Tax credits have more than doubled in seven years, while the early childhood education investments were mixed, and far below the business credits in size.”

Both School Ready grants and Voluntary Preschool are comparable to business tax credits because the source of both is the state General Fund, and under the discretion of the Governor and Legislature. In the current budget year, FY2012, funding for Voluntary Preschool dropped to 1 percent of General Fund revenues and School Ready Grants dropped to 0.37 percent, while business tax credits rose to 3.71 percent.

“As Iowans, we devote significant public resources in the name of economic development, primarily through business tax credits, which have grown steadily over the last decade,” French said. “There is very little evidence that these investments have actually produced economic activity.”

“At the same time, there is an undeniable and unacceptably wide gap between what we know about the long-term public and economic benefits from ECE investments and what we actually do as a state to ensure healthy development during a child’s first five years. Too little is being done to capture this potential.”

The Iowa Fiscal Partnership is a joint public policy analysis initiative of two nonpartisan, nonprofit Iowa-based organizations, the Iowa Policy Project in Iowa City and the Child & Family Policy Center in Des Moines. Reports are at [www.iowafiscal.org](http://www.iowafiscal.org).

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