



Summary of Meeting with Art Rolnick

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Thursday, January 3, 2008

Present: Verne C. Johnson, chair; Chuck Clay, Paul Gilje, Jim Hetland, John Mooty (by phone), Jim Olson (by phone), Wayne Popham (by phone), and John Rollwagen

Guest speaker: **Arthur J. Rolnick**, senior vice president and director of research, Federal Reserve Bank of Minneapolis

A. Context of the meeting —The Civic Caucus has been deeply concerned about the need for Minnesota lawmakers to overcome politically partisan divisions and take the lead on addressing critical issues facing the state. Comments by leaders seem to indicate real potential that they could develop consensus on early childhood development. Today the Civic Caucus is receiving background on that issue from one of its strongest advocates, Arthur Rolnick.

B. Introduction and welcome —Verne and Paul introduced Rolnick, who has devised a plan for market-based scholarships for at-risk children from pre-natal to age five. Rolnick's essays on public policy issues, including "The Economics of Early Childhood Development" have gained national attention. He is senior vice president and director of research at the Federal Reserve Bank of Minneapolis and an associate economist with the Federal Open Market Committee. He serves on several nonprofit boards, including the Minnesota Council on Economic Education, greater Twin Cities United Way, Citizens League, and Ready 4 K, an advocacy organization for early childhood development. He has bachelor's and master's degrees from Wayne State University, Detroit, MI, and a doctorate in economics from the University of Minnesota.

C. Comments and discussion —During Rolnick's comments and in discussion with the Civic Caucus the following points were raised:

1. Distribution of background materials —Rolnick distributed three handouts:

- a. An article from January 2008 *Twin Cities Business* "Saving the Future", discussing the connection between the next generation of workers and early childhood development for at-risk youngsters.
- b. An article discussing the Minnesota Early Learning Foundation (MELF) in *Community Dividend*, Issue 4, 2007, published by the Community Affairs Department of the Federal Reserve Bank of Minneapolis.

c. A brochure that is just being distributed now, announcing early childhood scholarships from MELF for low-income families in a part of St. Paul north of University Avenue , between Lexington Avenue and I-35E, known as the Frogtown and North End neighborhoods.

2. Background on (MELF)— MELF is a private, non-profit organization, whose board of directors includes CEOs from large companies, including Cargill, Best Buy, and Blue Cross Blue Shield of Minnesota. Its executive director is Duane Benson, former legislator and former head of the Minnesota Business Partnership.

Working with parents and at-risk children from before birth to age five is the most cost-effective approach to assuring that children from low-income families are ready for kindergarten, Rolnick said.

A key part of MELF is empowering parents, he said. Working with mentors, parents are fully in charge of where scholarship money—up to \$13,000 a year—will be spent.

3. Private funding —MELF has raised \$30 million privately to cover costs of scholarships for the Frogtown-North End demonstration, Rolnick said. Already MELF is being contacted by national organizations, including foundations associated with Bill Gates and Warren Buffett, plus a half-dozen governors around the nation. Among cities interested are Omaha, Sioux Falls, Hartford and Seattle. These areas are anxious to follow MELF's progress.

4. Keys to success —Rolnick said his research has demonstrated that keys to success are (a) to start early, before birth as necessary to give help to parents, (b) to make sure parents are engaged at all steps in the process, including the right to choose where the scholarship money is invested, and (c) to start with the at-risk population. Working with this population offers the greatest return on investment.

5. A \$2 billion endowment is sought —Rolnick said that Minnesota needs a \$2 billion endowment for early childhood development scholarships for at-risk children. This approach will assure that the program continues in perpetuity. Such an investment offers vastly more benefits to the economy than comparable investments in sports stadiums, he said.

6. Data demonstrates substantial return on investment —Rolnick described a study conducted by the Highscope/Perry Preschool Study in Ypsilanti, MI, which tracked 123 low-income African-Americans over 40 years, beginning when the individuals were three and four years old. For five years in the mid-1960s, teachers worked with the children closely and visited them once each week in their homes. The study demonstrated that the children who received extra attention were more likely to graduate, had lower crime rates, and had a higher income than their peers who didn't participate.

He said the Highscope/Perry study report demonstrated that for every dollar invested, \$17 was returned on the investment. That figure was calculated as money saved because the public didn't have to incarcerate or remediate the formerly at-risk people, and money earned because they got jobs and paid taxes.

7. St. Paul demonstration now under way —Parents in the Frogtown-North End area of St. Paul now are receiving information and being invited to apply for scholarships. Several organizations are gearing up as potential vendors, including Montessori, Head Start, New Horizons, and the St. Paul school system. Rolnick expects more vendors to appear.

A key requirement of vendors, he said, is that all children who participate will be expected to pass a school readiness test given to all four-year-olds. Currently about 50 percent of at-risk children pass that test, he said. Vendors will be free to try different approaches for preparing children.

In the first year 1,200 scholarships will be available, he said, divided approximately as follows: 400 for pre-natal; 400 for three-year-olds for two-year scholarships, and 400 for four-year-olds for one-year scholarships.

The pre-natal program will involve public health nurses who will meet regularly with mothers, before and after birth, helping them with diet and other aspects of care, including on-going interaction with the child.

8. Staying free from political and bureaucratic interference —MELF had to reject some public money early on, because of potential governmental requirements, he said. Some bureaucrats didn't want to allow illegal immigrants, for example.

9. Some skepticism among public educators —Some educators in the K-12 system aren't happy with the plan, he said, because they fear that allowing parents to choose their early childhood vendors could set a precedent for some kind of voucher system for K-12.

10. MELF sunsets after five years —MELF is the vehicle to get the program started, he said. After five years a \$2 billion endowment should be generating \$100 million a year that will fund the program state-wide for the long-term.

11. Important to focus on mothers —Some existing child care programs don't focus on mothers, which is a key part of the MELF scholarships.

12. Good cooperation from St. Paul schools —Rolnick praised the work of the St. Paul school superintendent, Meria Carstarphen, for her cooperation in the MELF program.

13. Pre-natal mentors' role outlined —Rolnick explained that a public health nurse will be assigned to serve as a mentor to a family in the pre-natal category. MELF is working with a metropolitan association of public health nurses and educators. A public health nurse will be assigned to about 30 or 40 scholarship families and be paid about \$60,000 a year from MELF funds.

14. Evaluation team hired —MELF has contracted with the Stanford Research Institute, Rolnick said, to conduct evaluation of the entire program and to state whether MELF succeeded or failed.

15. Whether impact of early childhood development fades over time —Responding to a question, Rolnick said the Perry pre-school study indicated that the impact of gain in IQ faded with some

students by the time they got to third grade. However, these same children were more inclined to stay in school, get jobs and stay off welfare. The program won't succeed 100 percent, he said, but it would be a huge benefit if 50 percent succeeded.

Rolnick again emphasized that MELF is working towards readiness for school as the main element of measuring success. If four-year-olds are ready for school, that then reduces the need for other expensive efforts, such as special education.

16. Scholarships will follow the parent —If a Frogtown-North End child receives a scholarship from MELF and the family moves out of the neighborhood, the scholarship will still be in effect no matter where in Hennepin or Ramsey Counties the family relocates.

17. Long-term legislative effort —Rolnick said that beginning efforts will occur in the 2008 Legislature to seek support for a long-term \$2 billion endowment to permanently fund early childhood development in the state. MELF leaders believe it is reasonable that one-third of the endowment would be paid for by the state of Minnesota; one third, by private contributions, and one-third, by the federal government.

To illustrate that the \$2 billion is within reach, Rolnick said the gross state product is about \$220 billion annually.

The one-third contribution to the endowment from the state could come from an already-existing public land trust fund that was established for education when Minnesota became a state in 1858, Rolnick said. That trust fund is about \$600 million, which represents nearly the one-third state contribution for the proposed endowment. The trust fund now generates about \$30 million to \$40 million a year that is given to K-12 education. He recommends that the Legislature dedicate the trust fund yield to early childhood development. To replace the \$30 million to \$40 million a year that K-12 would lose, Rolnick said a state economic development program known as JobZ provides questionable benefit, and that \$20 million to \$30 million could be found there. In addition K-12 would save dollars over the long term because of early childhood investment.

A Civic Caucus member observed that perhaps the state could begin to distinguish between operating funds and investment. The early childhood money needs to be regarded as an investment, not just paying for operating expenses, the member said.

18. Potential leadership by lawmakers —A Civic Caucus member observed that Governor Pawlenty and Larry Pogemiller, Senate Majority Leader, while on opposite sides of the political fence, both are on record for strong support of early childhood development.

19. Parental involvement first; bureaucracy later —Rolnick said some existing providers of early childhood development want the long-term organization established before the scholarship program is up and running. Rolnick said MELF is concentrating on involving the parents first and getting the program up and running. The bureaucracy, he said, can come later, as needed.

20. Efforts not restricted to Frogtown-North End —A similar program for at-risk children is active in providing scholarships in western Hennepin County, through an interfaith partnership with the Wayzata public schools, he said. Also the Blandin Foundation has been providing scholarships in

northern Minnesota for some 135 children. The Wilder Foundation provided a very positive evaluation of the Blandin effort, he said.

21. Where public school teachers stand —Responding to a question, Rolnick said the teachers union has been working mainly on trying to require all-day kindergarten and hasn't emphasized the earlier years. Rolnick said he is seeking support among leaders in the teachers union.

22. Whether to concentrate exclusively on at-risk children —Rolnick said some critics advocate that early childhood programs ought to be offered equally to all children, irrespective of whether they are at-risk. Rolnick repeated his point that the return on investment is highest among the at-risk population. In the long run, he said, he expects that income eligibility, now at 185 percent of federal poverty guidelines, will be modified so that the dollar value of scholarships will gradually phase out as income levels rise above the 185 percent level.

23. Thanks— On behalf of the Civic Caucus, Verne thanked Rolnick for meeting with us this morning.

The Civic Caucus is a non-partisan, tax-exempt educational organization. Core participants include persons of varying political persuasions, reflecting years of leadership in politics and business.

A working group meets face-to-face to provide leadership. They are Verne C. Johnson, chair; Lee Canning, Charles Clay, Bill Frenzel, Paul Gilje, Jim Hetland, John Mooty, Jim Olson, Wayne Popham and John Rollwagen.