Federal Head Start Program: Impact Analysis

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Head Start is a federal preschool program serving primarily poor children aged three to five. It is a significant public investment that has *considerable economic impacts to productive labor supply, significant early gains to the children,* and *distributional implications among Hispanics, Blacks, and Whites*.

I. Overview

Over the years, the Head Start program has served from over 300,000 children per year to current high of over 800,000 children[1]. During its existence of 35 years, the program has served more than 20 million children with the cost of over $ 60 billion (see Appendix A). It has experienced increasing growth in funding, as well as the average cost per child. In 2001, the program will receive more than $ 6 billion budget or about $ 6,000 per child (see Appendix B). It is clear that the program is a substantial investment that has served many children. What is not clear is who are actually impacted most by this program.

II. Interest Groups

The program by design mostly benefits *low-income parents of pre-school and/or disabled children*. Only children between the ages of three and five from families whose income falls

[1] This is roughly 30 percent of eligible three to five years old.

below a poverty line are eligible for the services. It is a primarily a *mean-tested* program, although the federal guideline allow not more than ten percent of the participants to exceed the low-income test. There is also a requirement that at least ten percent of the enrollment must be children with disabilities. In practice, 95 percent of children served were poor in 1992 (U.S. Department of Health and Human Services or DHHS, 1993). Latest 2000 data shows that 13 percent of the enrollments are children with disabilities (DHHS, 2000).

This group of parents is not only seen as a key beneficiary but also as a key defender of the program when its future is in jeopardy. The program was designed from early on to allow *parent involvement* in planning and operating activities. Thirty-two percent of the program staff are parents of current or former Head Start children in the year 2000 (DHHS 2000). In fact, the parents have been credited with the program's very own survival (Zigler and Styfco, 1993).

Opponents of Head Start program are those who believe that extending *vouchers* or tax relief to low-income *school-age children*, to attend quality elementary and secondary schools of their parents' choice, is a better public investment than federal preschool program (Hood, 1992). Their arguments are the followings: Achievements of public schools in general have been disappointing; early gains from the Head Start program will disappear in the long run; and a formal preschool is no better than an informal one and at home. To make a further judgment, we also need to understand overall impacts of this program to economy.

III. Economic Impacts

The idea behind the Head Start program is that if we intervene early in poor children lives, they will be more prepared for school, less likely to drop out of school, and more likely to graduate and be employed as productive laborers. Study shows that 6 years old Head Start children do make significant early gains in test scores and grade repetition (Currie and Thomas,

1995). And previous study suggests that students who perform well in early grades or do not repeat grade are less likely to drop out of school, and thus increase their expected future wages. Both studies tell us that the Head Start program will keep the poor children longer in school so that they will earn more money and be less likely to end up in poverty.

Looking at the cost saving side, the infamous Perry study shows that preschool for poor children might significantly reduce crime, increase graduation rate, increase employment, and lessen dependency on public services (Hood, 1992). They emphasize their point even further by saying, "every dollar spent on quality preschool education saves about $5 in future economic, education, welfare, and crime costs."[2] Overall, we can say that the current investment in Head Start program can be beneficial to the economy by increasing tax revenues, generated by a *larger supply of productive labors*; and reducing social spending related to *lower poverty and crime rates*. The question now is whether the benefits of the program are worthy enough to spend that $6,000 per child.

IV. Efficiency Impacts

Average family with an employed mother spent about $3,000 on childcare in 1991 (Casper, 1994). Poorer family spent even less than that. Whereas Head Start program costs about $4,000 per child in 1993. What can the family expect to gain from this more expensive program is short-term benefits in cognitive developments which *fade-out* in a longer term, but may *spill-over* to other family members.

Studies have shown that children who are enrolled in Head Start enjoy significant gains during and immediately after completion. Those short-term gains are improvement in future school attendance and reduction in probability of remedial education placement (Mc Key, 1985); and better cognitive test scores and socio-emotional test scores (HHS report, 1985). But these

[2] Quoted in "The State of America's Children 1991", Children's Defense Fund, 1991, p.6.

early benefit either fade-out or disappear in long-term. Barnett (1992) reports that test score gains fade away three or four years later. Whereas HHS report (1985) mentions that test scores benefits do not remain superior to those of disadvantaged non-Head Start students.

In spite of this shortcoming, there are *positive information externalities* associated with the program. Specifically, the benefits spill over from older to younger siblings for education and health outcomes (Currie and Thomas, 1995). Evidence from similar preschool program called Abecedarian even suggests that the positive externalities, in terms of test scores, extend to other kids in the neighborhood who do not receive the services (Subcommittee hearing, 2000).

Other benefits from *heath services* do *not* seem to be *cost effective*. Children gain greater access to preventive health care, but show no effect on long-run health status (Currie and Thomas, 1995). Considering that health service provided by Medicaid in 1990 costs only $468, the $3,500 average cost per child in 1992 look quite expensive. Even if the program cost effectiveness is questionable and insignificant, we should find out further if some groups benefit more than others.

V. Distributional Impacts

If we look at enrollment numbers in 2000 (Appendix D), the Head Start program benefits more 3-4 years old Hispanics, Blacks, and Whites who live in California, Texas, and New York. Among these three main beneficiaries of subpopulations, *Whites* gain more than Blacks in terms of *benefits retention*; and *Hispanics* gain more than Whites in terms of *educational disparity*. Even among Hispanic subgroups, those with *native-born mothers* and those of *Mexican origin* benefit more than others from the program.

Among Black children, early significant gains in vocabulary and reading test scores quickly fade out, whereas Whites retain these benefits well into adolescence (Currie and

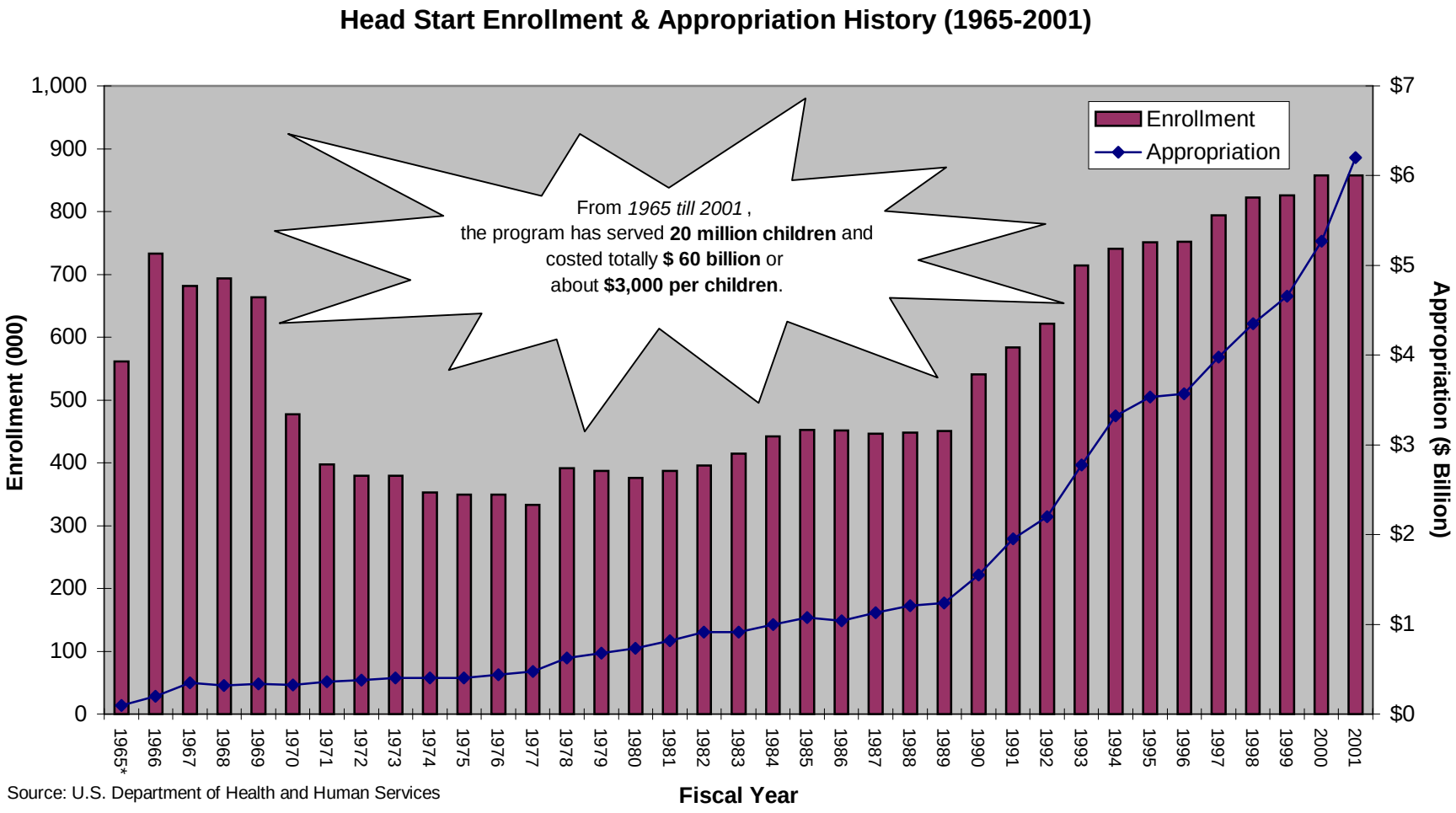
Thomas, 1995). Recent study reveals that this fade out effect among blacks can be in part attributed to their subsequent attendance of inferior schools (Currie and Thomas, 2000). Black children also do not benefit from grade repetition in comparison to Whites.

If we compare non-Hispanic white children to Hispanics, the program contributes to closing the gap in test scores at least a quarter and grade repetition by two third between both groups (Currie and Thomas, 1999). Among the Hispanics, those with native-born mothers and those of Mexican origin benefit most from the program. Previous research suggests that these two subgroups might benefit from their increased *exposure to English* and their preschool experiences that enhance their *cultural assimilation.*

VI. Summary

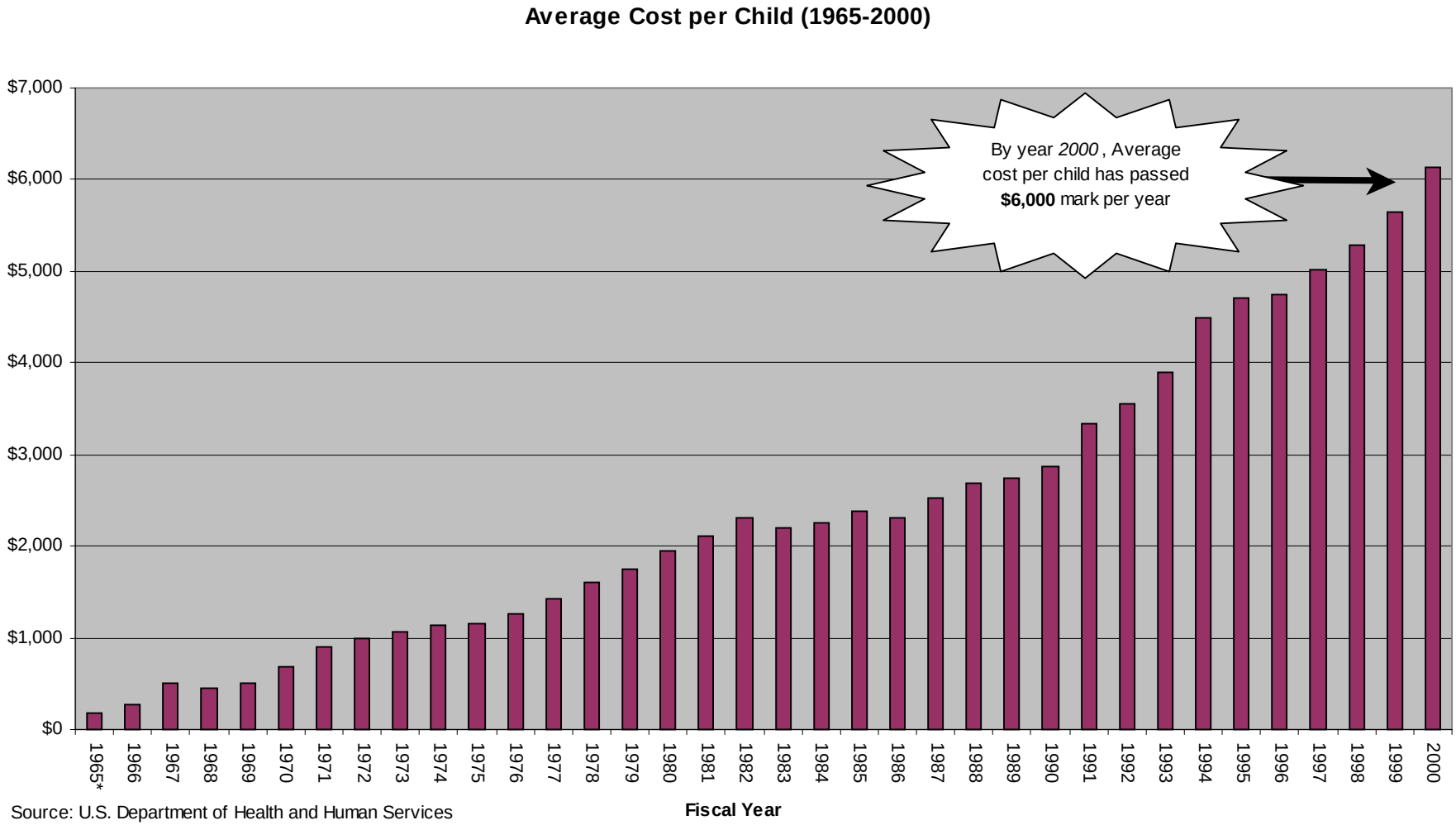
Head Start can become a more cost effective program if government *expands it into early grades* so that children can retain initial gains from fading out, and *cutback health services* that can be provided by other program more efficiently. But his expansion and cutback should never occur at the expense of quality. Government can allocate a higher proportion of support activities budget from current 3.1% (see Appendix C) for *quality improvements*. Therefore, further studies are needed to assess the impact of the early grades expansion and quality improvements afterward.

Appendix A:



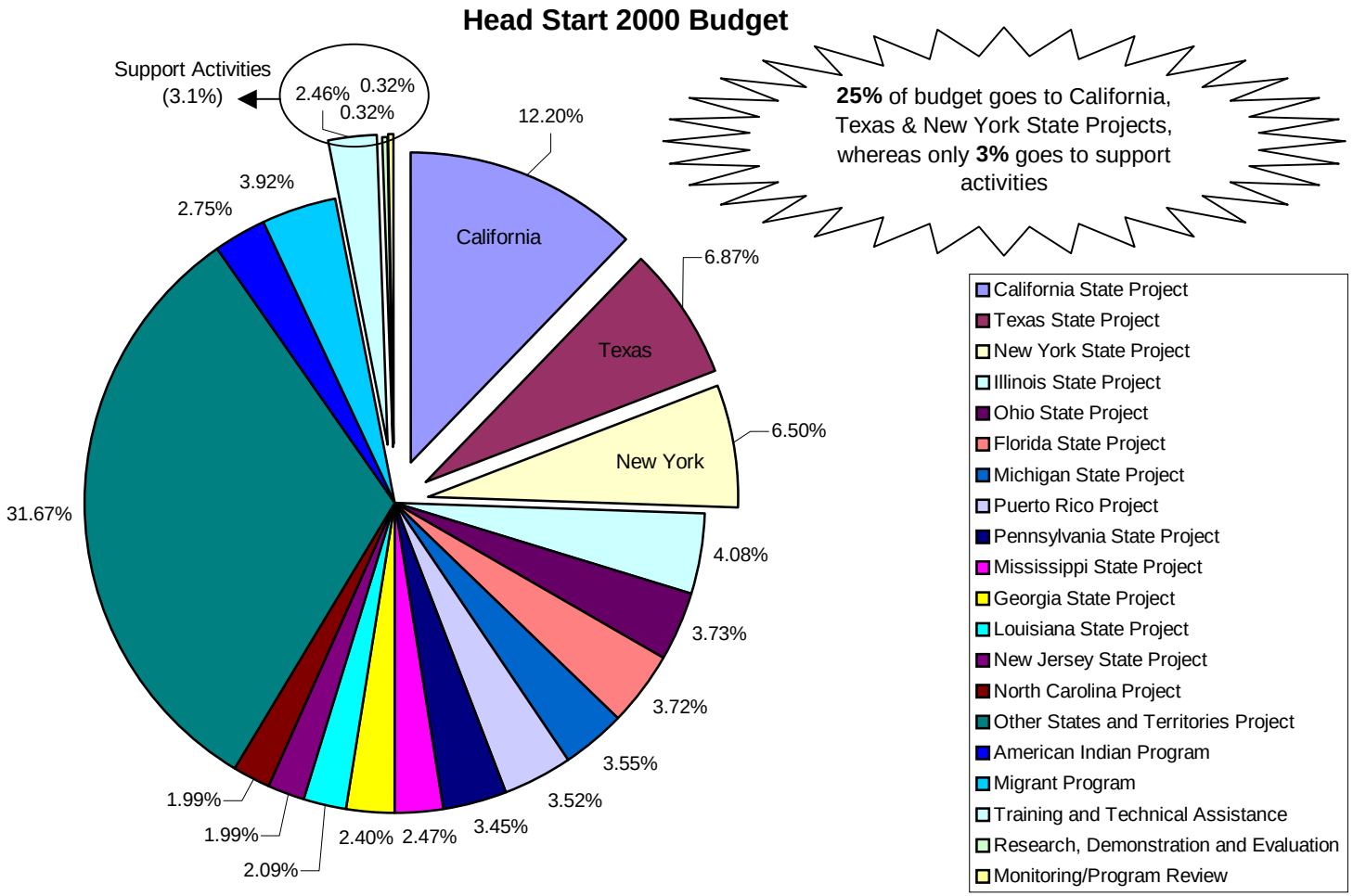
Source: U.S. Department of Health and Human Services

Appendix B:



Source: U.S. Department of Health and Human Services

Appendix C:



Source: U.S. Department of Health and Human Services

Appendix D: Head Start 2000 Enrollment

A. Total Enrollment by Ages

5 years old and older	5%
4 years old	56%
3 years old	33%
Under 3 years old	6%

B. Total Enrollment by Ethnic Groups

American Indian	3.3%
Hispanic	28.7%
Black	34.5%
White	30.4%
Asian	2.0%
Hawaiian/Pacific Islander	1.0%

C. Total Enrollment by States

California	11.1%	95,280
Texas	7.4%	63,171
New York	5.5%	46,805
Others	76.1%	652,408
Total	100%	857,664

Source: U.S. Department of Health and Human Services

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