CHILDREN’S FUTURE FUND
Impact children and families for generations

SOCIAL INVESTMENT PROSPECTUS

HUMAN CAPITAL RESEARCH COLLABORATIVE
University of Minnesota
Impact children and families for generations

SOCIAL INVESTMENT PROSPECTUS

OFFERED BY THE HUMAN CAPITAL RESEARCH COLLABORATIVE

HCRC
UNIVERSITY OF MINNESOTA

HUMAN CAPITAL RESEARCH COLLABORATIVE
301 19TH AVENUE SOUTH
MINNEAPOLIS, MN 55455

www.humancapitalrc.org
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EXECUTIVE SUMMARY

The Problem: Creating Long-Term Solutions for Our Children in a Short-Term Society

• AN OFFERING. This offering is to create the Children’s Future Fund: A Fund for Early Childhood Research and Innovation at the Human Capital Research Collaborative (HCRC), University of Minnesota. The Children’s Future Fund will provide stable, long-term funding to support longitudinal research studies, shape public policy over decades, pilot and scale up effective programs and practices, and assist child development professionals in the field today and years hence.

• LONG-TERM BENEFITS. We face the unsustainable contradiction of the urgent need to give our children the care and education they require for positive long-term benefits in a society that looks for short-term remedies.

• HCRC AS A SOURCE OF LONG-TERM SOLUTIONS. The HCRC was created to apply rigorous academic research to make visible the needs of our youngest children and inform the decisions of policymakers and practices of early care and education professionals. It is a source of long-term solutions for child development in a short-term society.

• PATIENT CAPITAL FOR A LONG-TERM PERSPECTIVE. HCRC must have a permanent funding source that provides a sustainable financial platform as a source of patient capital for the long-term perspective required by child development research and practice.

The Solution: Action Research for Long-Term Solutions

• A UNIQUE PARTNERSHIP. The HCRC is a unique partnership between the University of Minnesota and the Federal Reserve Bank of Minneapolis to promote public policies and programs for young people through multidisciplinary research from prenatal to early adulthood. HCRC conducts research on the determinants of well-being from prenatal to young adulthood; investigates the efficacy and cost-effectiveness of social programs; synthesizes, integrates, and disseminates knowledge on socially significant programs and topics; and designs and implements intervention strategies to promote child well-being.

• INTERDISCIPLINARY LEADERSHIP. The co-directors of the HCRC are Arthur Reynolds of the Institute of Child Development and Art Rolnick, former director of research at the Federal Reserve Bank of Minneapolis and current faculty at the Humphrey School of Public Affairs. The Steering Committee also reflects the HCRC’s interdisciplinary nature (Appendix B).

• HCRC OFFERS A STRONG VALUE PROPOSITION

The Action Research Model. The underlying philosophy of all HCRC’s work is to put its research into action by applying it to the formation of data-driven public policy and discovering and disseminating best practices with early care and education professionals. HCRC’s action research model is a three-legged stool resting on research, application, and evaluation.

Multidisciplinary and Innovative. HCRC brings together researchers and faculty members from around the university with economists at the Federal Reserve to develop and synthesize research on cost-effective investments in young people. HCRC’s multidisciplinary research allows it to take a holistic approach and offer integrated policy prescriptions.

Neuroscience-Based Research. A major influence on HCRC’s work is a deep understanding of the development and plasticity of young children’s brains. Over the past 50 years, many methodologically rigorous and independently conducted studies have documented the positive effects of early childhood programs.

Market-Based Solutions. HCRC carries on the effort to develop effective market-based solutions for the needs of families with young children begun with the Minnesota Early Learning Foundation (MELF). HCRC will use its research to help create consumer-driven markets for high quality early care and education that is bottom-up, parent-focused, and competitive.

Continued on page 4
Early Childhood Development as Economic Development. Cost/benefit and internal rate of return (IRR) analyses indicate that Early Childhood Development (ECD) investments can yield up to a 16% IRR. Economists who study the economic development “miracle” of nations that once were at the bottom rung of the economic ladder – Japan, South Korea, Singapore – and now occupy the top, all agree on the importance of investment in human capital. Most modern high-growth economies invest heavily in broad-based, high quality early childhood development.

National Reach. HCRC will produce great benefits for Minnesota and has an expanding national impact, significantly represented by its role in replicating the Child Parent Centers. National policymakers, including U.S. Senators Franken and Klobuchar, former Federal Reserve Chairman Bernanke, and President Obama, have noted the work of the HCRC.

Scaling Up and Sustaining Effective Programs. To achieve maximum benefits for children, effective programs must be scaled up and maintained at a level of quality that will continue to positively impact future cohorts of families. HCRC prioritizes research and outreach to ensure that scaling-up and sustainability efforts will succeed. This includes developing innovations in financing, identifying effective organizational structures, identifying key program elements, and developing quality assurance systems.

• HCRC’S FLAGSHIP PROJECT: CHILD-PARENT CENTERS. HCRC received a 5-year, $15 million U.S. Department of Education Investing in Innovation (i3) grant to implement the Midwest Expansion of the Child-Parent Center Education Program, Preschool to Third Grade Initiative. With private foundations and corporations contributing close to $3 million, combined federal, private, and district funding for the project totals more than $20 million. HCRC brings the program to four school districts in the upper Midwest, in both urban and suburban settings. The Child-Parent Centers project is led by Arthur Reynolds, HCRC co-director, whose research interests are the effects of early childhood intervention on children’s development from school entry to early adulthood. The Centers were originally developed in the Chicago Public Schools in 1967 by District 8 Superintendent Lorraine M. Sullivan. In the CPC expansion, the program has been revised to enhance its effectiveness and capacity for sustainability.

Social Return on Investment
• EARLY CHILDHOOD DEVELOPMENT OFFERS SOCIAL INVESTORS A LARGE AND DEFINITIVE SOCIAL RETURN ON THEIR INVESTMENT. ECD creates demonstrable outcomes for children that carry through their entire lives and give society both incremental income and cost-avoidance benefits.

• THE LIVES OF CHILDREN AND PARENTS ARE BETTER BECAUSE OF EXCELLENT EARLY CHILDHOOD CARE AND EDUCATION. Low-income families have the same aspirations for their children as middle- and higher-income families. They want their children to have safe, nurturing child care that develops the full potential of the child; they want their children to receive a good education that prepares them for post-secondary education or career training. ECD investments help families achieve these goals for their children.

Growth and Financial Sustainability
• THE HCRC IS A CROSS-SECTOR PARTNERSHIP. The HCRC is a joint venture of the University of Minnesota and the Federal Reserve Bank of Minneapolis.

• A SUSTAINABLE INCOME MIX. HCRC will have a mix of income sources to ensure its long-term financial sustainability made up of endowment income from the Children’s Future Fund, grant income for research projects, and fee income from contract research, as well as university operating support.

• LEVERAGE WITH COLLABORATIVE INSTITUTIONS. HCRC will leverage its research and organizational capacity by collaborating with an array of other academic research centers and policy advocacy groups. Alliances with these groups will allow HCRC to disseminate its research, conduct joint studies, expand its geographic footprint, and build policy advocacy coalitions.
Offering

• **HCRC IS SEEKING $10 MILLION TO ENDOW THE CHILDREN’S FUTURE FUND: A FUND FOR EARLY CHILDHOOD RESEARCH AND INNOVATION.** Investments will be solicited to endow a stable funding stream of $500,000 a year.

• **FUNDING WILL BE USED TO SUPPORT ONGOING LONGITUDINAL RESEARCH, DISSEMINATION, AND OUTREACH.**
  
  • Provide stable funding of longitudinal studies and action research projects.
  
  • Create model programs based on HCRC research that can be adopted by early childhood practitioners and educators.
  
  • Compensate scholars and graduate students working on projects on behalf of the HCRC.
  
  • Support general administration expenses.
  
  • Carry out policy outreach and education with federal, state, and school district policymakers, with the ultimate objective of bringing access to high quality education to scale.
  
  • Hold conferences at which HCRC researchers and other national experts can present their work to other scholars, early childhood educators can learn latest best practices, and policymakers can be engaged in using HCRC research for data-driven policy formation.
1. THE PROBLEM: CREATING LONG-TERM SOLUTIONS FOR OUR CHILDREN IN A SHORT-TERM SOCIETY

One of the distinguishing characteristics of human beings is the length of childhood. In contrast to our closest primate relatives, human babies are born more dependent on parental care and take longer to develop into fully independent adults. Our big brains, the source of human civilization, are complex and require a long period of nurturing and development. It takes a long time to make a healthy, productive adult. It is a decades-long journey that starts in the womb.

This leaves us with the contradiction of the urgent need to give our children the care and education they require, from conception to graduation, in a society that is impatient and focused on short-term remedies.

Giving our children what they need isn’t just an ethical issue, it is an economic imperative. As Art Rolnick, co-director of HCRC, and Risa Lavizzo-Mourey, CEO of the Robert Wood Johnson Foundation, wrote in a recent Star Tribune editorial:

“We cannot achieve significant economic growth without investing in the development of our children. Among 34 major countries, the United States ranks 14th on literacy and 25th on mathematics. And, for the first time, we are raising a generation of children who may live shorter, sicker and less productive lives than their parents. Nearly half of children born into poverty will remain poor throughout childhood. Nearly one-third of poor children will remain impoverished into adulthood.”

The Human Capital Research Collaborative (HCRC) was created to apply rigorous academic research to make visible the needs of our youngest children and to inform the decisions of policymakers and practices of early care and education professionals. The HCRC is a source of long-term solutions for child development in our short-term society. As a cross-sector and multidisciplinary research center with a decades-long perspective, the HCRC is uniquely positioned to be a source of patient capital – intellectual, social, and financial capital – to invest in America’s children.

To make this patient capital available, the HCRC must have a permanent funding source, a funding source that provides a long-term financial platform for the long-term perspective required by child development research. That is the purpose of this offering, to create the Children’s Future Fund: A Fund for Early Childhood Research and Innovation. An endowment will provide the stable, long-term funding to support longitudinal research studies, shape public policy over decades, and assist child development professionals in the field today and years hence.
2. SOLUTION: ACTION RESEARCH FOR LONG-TERM SOLUTIONS

Human Capital Research Collaborative’s Value Proposition

The HCRC was created to promote public policies and programs for young people through multidisciplinary research from prenatal to early adulthood. In support of this mission, HCRC conducts research on the determinants of well-being from prenatal to young adulthood; investigates the efficacy and cost-effectiveness of social programs; synthesizes, integrates, and disseminates knowledge on socially significant topics; and designs and implements intervention strategies to promote child well-being.

Human capital is the knowledge, skills, competencies, and attitudes that are required to be successful in an advanced society. Not only does human capital have a long history in economic thought, it also is an increasingly used framework in education, psychology, and human development for understanding and promoting well-being. Early childhood development programs and practices are a form of human capital investment. Investments of personal and financial resources in educationally enriching experiences and activities promoting child well-being can increase economic and social returns over the course of a child’s life. The human capital perspective emphasizes the longer-term effects of programs and practices. Demonstration of immediate and shorter-term effects, while an important first step, is not sufficient. Measuring long-term effects is increasingly becoming a major focus of early childhood programs.

Beyond its focus on children from prenatal to young adulthood, HCRC has several compelling elements in its value proposition:

THE ACTION RESEARCH MODEL

The underlying philosophy of all HCRC’s work is to put its research into action by applying it to the formation of data-driven public policy and discovering and disseminating best practices with child care professionals and educators. As HCRC founder and co-director Art Rolnick says, “There is no better public investment than high-quality early childhood education for our most vulnerable children. This works; we need to do it consistently.”

HCRC’s action research model is a three-legged stool resting on research, application, and evaluation. HCRC first conducts multidisciplinary academic research creating a body of knowledge that is then applied by practitioners in child care and education settings. To close the cycle of learning, outcomes produced in the operating programs are evaluated and data are used to inform further research and refinement of best practices. The result is a virtuous cycle of applied learning. One leading innovator in ECD, Terrie Rose, recognizes the value of action research for practitioners like herself. Rose, the social entrepreneur who created Baby’s Space and the author of *Emotional Readiness: How Early Experience and Mental Health Predict School Success*, has this to say about HCRC’s work:

“Science is vital to helping us all understand the critical nature of early experiences, the underlying neurobiology, and the research base for effective programs. Translating research-based information into well-defined, understandable public messages helps us rally the public will and support necessary to sustain and inform programs and policies.”

MULTIDISCIPLINARY AND INNOVATIVE

It is well established that, as 3M executive Alex Cirillo observed, “Innovation happens at the boundaries.” When people with specialized knowledge are able to combine their knowledge with that from other disciplines, new and exciting ideas emerge. HCRC brings together researchers and faculty members from around the University of Minnesota with economists at the Federal Reserve to develop and synthesize research on cost-effective investments in young people. HCRC research is conducted by teams drawing on the expertise of researchers in many fields, including neurology, psychology, sociology, criminology, education, economics, and public health.

Because policy tends to be created in silos – education, housing, economic development, and health – con-
nections are often missed on how policy influences child development. HCRC’s multidisciplinary research allows it to take a holistic approach and offer integrated policy prescriptions.

**NEUROSCIENCE-BASED RESEARCH**

A major influence on HCRC’s work is our deeper understanding of the development and plasticity of young children’s brains. The catalyzing publication in the field was *Neurons to Neighborhoods: The Science of Early Childhood Development*, released by the National Research Council and the Institute of Medicine of the National Academies in 2000. It became a catalyst to rally early childhood advocates and place ECD on the national policy agenda.

The key findings of *Neurons to Neighborhoods* were:

1. Early experiences affect the development of the brain and lay the foundation for intelligence, emotional health, and moral development.
2. Healthy early development depends on nurturing and dependable relationships.
3. How young children feel is as important as how they think, particularly with regard to school readiness.
4. Although society is changing, the needs of young children are not being met in the process. We now know how critical the early years of a child’s life are because we know that 90% of brain development occurs by age 5.

Over the past 50 years, many methodologically sound and independently conducted studies have documented the positive effects of early childhood programs. Advances in knowledge have not only contributed to the development and improvement of programs, but have spurred expansion of services across the nation. These policy developments and changes have been motivated by the synergy of three sets of findings. First, early childhood development programs have demonstrated strong effects on school readiness, including language and literacy, numeracy, and socio-emotional skills. Given the connection between school readiness and later performance, early education is a reliable strategy for improving child development outcomes. Second, ECD programs can affect broader well-being, ranging from preventing child maltreatment and crime to promoting health and economic wellness. Most other social programs do not show such broad and enduring impacts. Finally, ECD programs have demonstrated high levels of cost-effectiveness by reducing the need for later remediation and treatment and increasing social benefits. Thus, they are widely considered to be more economically efficient investments than other social programs. Together, these findings have contributed to raising early education to a national priority.

**MARKET-BASED SOLUTIONS**

HCRC carries on the effort to develop market-based and innovative solutions for the needs of families with young children begun with the Minnesota Early Learning Foundation (MELF). It builds on the work done at MELF to create consumer-driven markets for high quality ECD programs that are bottom-up, parent-driven, and competitive. Art Rolnick and Risa Lavizzo-Mourey describe how MELF used the power of the market in service of early childhood development.

“Done right, early childhood development programs that engage parents, even before birth, can make an extraordinary difference in outcomes, both for their children and for society at large. To that end, the Minnesota Early Learning Foundation piloted a program that offered early childhood education scholarships for at-risk children. Parents received access to home-visiting mentors and to a four-star program rating system they could use to decide for themselves which would best meet their children’s needs.”

Today, the work of MELF continues to bear fruit. Governor Dayton and the Minnesota Legislature created early childhood education scholarships, based on the MELF model for Minnesota children ages 3 through 5, allocating $46 million for scholarships for the 2014-15 biennium. HCRC will continue to disseminate research to help bring the scholarship program to scale, making it accessible for all qualifying Minnesota children. In the spirit of HCRC’s commitment to scientific rigor, it will conduct longitudinal studies to determine the long-term effects of scholarships on children receiving them.

Secretary of Education Arne Duncan applauded Minnesota for its forward looking approach to providing our
most vulnerable children with access to high quality early education. The Minnesota Model enjoys bipartisan appeal shown by support of the model from diverse local and national policymakers.

A New Horizon Academy moving into St Paul is another example of the market reacting to properly designed incentives. The early childhood scholarships offered by MELF created higher demand in the low-income neighborhoods of St. Paul, which in turn created the economic justification for New Horizons to offer its high-quality program there. The market works for early childhood.

By using sound, scientific methods to determine efficiency and effectiveness of programs and services, HCRC will identify the best return on investment in ECD. In addition, HCRC’s approach helps ensure that the public’s investment is limited and impactful. Rather than covering the exorbitant costs associated with social programs and incarceration in adulthood, HCRC identifies cost-effective measures that will greatly reduce the likelihood of these far greater costs to society. By investing in programs and services that set children on a positive, productive course, we eliminate the need for expensive, long-term remedial programs and services for adults. ECD investments, for example, offer cost reductions in special education, one of the most costly and fastest rising expenses in public education.

**Early Childhood Development as Economic Development**

Although the economic benefits of early childhood programs have been documented since the 1980s, wide-scale adoption of cost/benefit analysis (CBA) has occurred only recently. In 2001, Arthur Reynolds and Judy Temple (now HCRC researchers) published the first cost-benefit analysis of a large-scale public program called the Child-Parent Centers. Based in the Chicago School District, the program was found to return more than $7 for every dollar of cost. This and subsequent studies encouraged greater funding for early childhood programs and use of the CBA approach.

In Minnesota, research on the economic effects of early childhood development conducted by Federal Reserve Bank of Minneapolis economists Art Rolnick and Rob Grunewald helped to expand the return on investment approach to one of economic development. The title of the report, *Early Childhood Development: Economic Development with a High Public Return*, conveys the central message of the analysis: Investments in ECD yield a demonstrable economic return to society. Using both cost/benefit and internal rate of return (IRR) analysis, Rolnick and Grunewald estimated that the public would receive up to a 16% IRR from investments in ECD. This work accomplished two things in redefining the problem. First, it gave the issue a much higher visibility in the media because a staid and highly reputable institution, the Federal Reserve Bank, published the report; second, it opened the door to enlisting businesses as advocates for early childhood development.

During his testimony to the U.S. Senate Subcommittee on Health Education, Labor, and Pensions, Rolnick referred to the status of his hometown to underscore the importance of education in economic development.

“I’m from Detroit, my hometown. I don’t care how much money the government gives General Motors, 75% of children in the Detroit public school system don’t graduate high school. That economy will remain a third world economy for now and the next 20 to 30 years if that continues, no matter how much money the government gives to GM. You’ve got to educate your kids, that is the proven way to sustain economic growth.”

Economists who study the economic development “miracle” of nations that once were at the bottom rung of the economic ladder – Japan, South Korea, Singapore – and now occupy the top, agree on the importance of investment in human capital. Most modern high-growth economies invest heavily in broad-based, high quality early childhood development. The HCRC will bring this message to policymakers across the United States.

**National Reach**

While HCRC is based in Minnesota and will produce great benefits for the state, it has an expanding national impact, significantly represented by its role in
replicating the Child-Parent Centers, described in the following section.

Several national policymakers, including U.S. Senators Franken and Klobuchar, former Federal Reserve Chairman Bernanke, and President Obama, have noted the work of HCRC. In his 2013 State of the Union address, President Obama stated, based on the work of HCRC and other researchers,

“Every dollar we invest in high-quality early childhood education can save more than $7 later on – by boosting graduation rates, reducing teen pregnancy, even reducing violent crime. . . . We know this works. So let’s do what works and make sure none of our children start the race of life already behind. Let’s give our kids that chance.”

HCRC’s Projects and Products

HCRC is currently engaged in several high-profile projects that illustrate its excellent reputation and the importance of issues it is addressing.

Child-Parent Centers. HCRC’s flagship project is implementation of the 5-year, $15 million U.S. Department of Education Investing in Innovation (i3) grant received in 2012 to implement the Midwest Expansion of the Child-Parent Center Education Program, Preschool to Third Grade Initiative. With private foundations and corporations contributing close to $3 million, combined federal, private, and district funding for the project totals more than $20 million. This work is based on findings from the Chicago Longitudinal Study, which examined the effects of the Chicago Child-Parent Centers, a comprehensive education intervention targeted to serve children in poverty from preschool through third grade. Other research had shown that the results gained from preschool interventions that ended at kindergarten can “fade” over time. Without continuing services into the early grades, overall effects are diminished.

The implementation of the i3 grant brings the work of HCRC into four school districts in the Upper Midwest, including both urban and suburban settings.

The Child-Parent Centers project is led by Arthur Reynolds, HCRC co-director, whose research interests are the effects of early childhood intervention on children’s development from school entry to early adulthood and family and school influences on children’s educational success. Reynolds draws on his experience as the director of the Chicago Longitudinal Study that tracks the life-course development of 1,500 children who attended early childhood programs in inner city Chicago.

National Conferences. HCRC-sponsored conferences are opportunities to bring together leading ECD thinkers from across disciplines and institutions to share knowledge and discover opportunities for innovation. Past conferences have dealt with such topics as “Health and Early Childhood Development,” “Critical Issues in Cost Effectiveness in Children’s First Decade,” and “Risk, Resilience, and Race in Early Childhood,” with a third national conference planned for 2015.

Childhood Programs and Priorities in the First Decade of Life: A Human Capital Integration. A Human Capital Integration was written with an eye toward influencing ECD policy and reform. Leading scholars connected to HCRC offer their findings on the effects and cost effectiveness of the most influential state and federally funded programs, policies, and practices.

Health and Education in Early Childhood: Predictors, Interventions, and Policies. This book, to be published in 2014, is a multidisciplinary study of the links between children’s health in their early years and how health is both a contributor to growth and mental development and a predictor of later life health and social success.

Policy and Facts Briefs. The briefs are two-page summaries of ECD topics of interest to ECD scholars and practitioners. Topics include high-quality preschool, class size, curriculum, fade-out, funding, and parent involvement.

Research Projects and Papers. HCRC projects include program evaluations, comparative cost/benefit studies, prediction and validity analyses, reviews, and methodological perspectives. Topics span from early learning and parent involvement to long-term predictors of adult well-being. A discussion paper series is also available.
Future Directions

Given the intellectual resources available to HCRC and the prevalent need for supporting child and youth development, HCRC can envision a number of other initiatives to undertake. The following examples are not yet formal HCRC commitments, but are being explored with partners:

1. Develop longitudinal studies to address the effectiveness of interventions specific to varied populations.
   a. Minnesota children who receive scholarships.
   b. Children impacted by the trauma of homelessness (in partnership with nonprofit agencies serving families, such as People Serving People).
   c. Children of incarcerated parents (in partnership with early childhood organizations serving this at-risk population).

2. Conduct cost/benefit analyses of early mental health interventions, well child visits, and other health related investments.

3. Assess best practices of K-3 models.
   a. Potentially develop a K-3 Parent Aware rating system as an extension of the preschool Parent Aware model.
   b. Assess educational outcomes for kindergarten to grade three schools and align those data with current educational rating systems to (1) equip parents to be better informed consumers, and (2) provide educators with more long-term outcome data to inform their educational practices.

4. Replicate the MELF model outside Minnesota. Inquiries have been received from the following cities interested in replicating the model: Alexandria, Virginia; Atlanta, Georgia; Boston, Massachusetts; Erie, Pennsylvania; Cleveland, Ohio; Detroit, Michigan; Rochester, Minnesota; Phoenix, Arizona; and Santa Barbara, California.
3. SOCIAL RETURN ON INVESTMENT

Rate of Return

There are few, if any, social issues that offer social investors as large and definitive a social return on their investment as does Early Childhood Development. In a speech delivered to the national conference of the Children's Defense Fund in 2012, Federal Reserve Chairman Ben S. Bernanke observed:

“Economically speaking, early childhood programs are a good investment, with inflation-adjusted annual rates of return on the funds dedicated to these programs estimated to reach 10% or higher. Very few alternative investments can promise that kind of return. Notably, a portion of these economic returns accrues to the children themselves and their families, but studies show that the rest of society enjoys the majority of the benefits, reflecting the many contributions that skilled and productive workers make to the economy.”

ECD creates demonstrable outcomes for children that carry through their entire lives and give society at large both incremental income and cost-avoidance benefits.

A recently released PBS documentary titled “The Raising of America - Are We Crazy About Our Kids?” tells the story of how the Canadian province of Quebec, taking its inspiration from comprehensive child development programs studied in a few American cities, launched its own ECD policy initiative. A team of researchers lead by psychologist Camil Bouchard submitted an analysis of the state of early childhood care and development in Quebec and recommendations for reform. It hit a nerve. “When Bouchard and his team released the report in 1992 the public reaction was ecstatic. Advocates for children were galvanized.” Talking about the effect of the report, Bouchard said, “There was enormous pressure on the government to create something significant.”

The groundswell of support for ECD caused by Bouchard’s research eventually pushed the Quebec provincial government to invest $1 billion per year in early childhood care and education. It was a huge investment for a province with one of the highest poverty rates in Canada, but that investment has paid off. Efficacy of Quebec's investment is indicated by the fact that it now has the lowest child poverty rate of any Canadian province. HCRC is dedicated to playing a similar catalyzing role in the U.S. policy debate over ECD rate of return.

The Human Story

There are also human stories behind the return on investment data. The lives of children and parents have been made better by having access to excellent early childhood care and education. Low-income families have the same aspirations for their children as middle-class families. They want their children to have safe, nurturing child care that develops the full potential of the child; they want their children to receive a good education that prepares them for post-secondary education or career training. ECD investments help families achieve these goals for their children.

Interfaith Outreach & Community Partners, a community development organization serving portions of the suburbs west of Minneapolis, took part in a pilot program with the Minnesota Early Learning Foundation to test the ECD scholarship model. The program, called the Caring for Kids Initiative (CfKI), gives low-income families access to high quality pre-K child care and education. Parents participate in the program alongside their children by taking part in parenting training and other supports. Participating parents have felt the effects of CfKI. “With the scholarships CfKI has provided, my sons are college bound and excited for learning. … Your giving not only changed our today, you’ve also changed our tomorrow.”

Parents participating in the HCRC’s Child-Parent Center Education Program see the difference the program makes not only for their children, but for themselves as well. As one parent reported, “I just wanted to say thank you for ALL your helpful words, our talks help me get through the days. I’m not sure where I’d be or where I’d be going in life without your help. You helped me get on that path again.”
The HCRC Investor Report

As with any other investment, investors should expect to receive regular reports detailing the performance of their investment. Children’s Future Fund investors will receive an annual investor’s report that describes the results HCRC is producing. The report will be built around three key performance areas and their related indicators. The key performance areas are:

- Social return on investment
  - Social benefits accruing to society
  - Outcomes for children participating in a program using HCRC research
- Organizational effectiveness and sustainability
  - Financial performance
  - Leverage of resources though collaborations
- Action research
  - Expanding ECD knowledge
  - Programmatic applications of HCRC models and tools
4. GROWTH AND FINANCIAL SUSTAINABILITY

Building an institution dedicated to creating long-term solutions for child development requires a long-term plan for growth and sustainability. HCRC has the leadership, governance, and financial plans to ensure that it has the organizational capacity to grow and expand its impact for decades to come.

Organization Development Milestones

HCRC was first envisioned in 2006 when Arthur Reynolds and Judy Temple, renowned early education researchers, joined the faculty at the University of Minnesota and began working with Art Rolnick of the Federal Reserve Bank of Minneapolis to develop a strong multidisciplinary collaborative. HCRC also has ambitious plans for its growth. Figure 1 on the following page shows the major developmental milestones to build the organization.

Leadership and Governance

The cross-sector and multidisciplinary nature of HCRC is reflected in its leadership, starting with its co-directors. The co-directors of the HCRC are Arthur Reynolds of the Institute of Child Development and Art Rolnick, former director of research at the Federal Reserve Bank of Minneapolis and current faculty of the Humphrey School of Public Affairs. See Appendix A for profiles of the co-directors.

Art Rolnick devoted his career to economic research at the Minneapolis Federal Reserve of Minneapolis and came to early childhood development by way of researching the drivers of economic development. Arthur Reynolds has immersed himself in learning how young children develop and what parents and teachers can do to produce healthy, productive citizens.

Rolnick and Reynolds have set out to infuse the HCRC with their combination of academic excellence and passion for creating practical solutions, but know they are building an institution that must be sustainable after their tenure. Many other capable leaders are deeply involved in HCRC’s strategic planning and governance.

Organizationally, HCRC is a partnership between the University of Minnesota and the Federal Reserve Bank of Minneapolis. It is located at the University of Minnesota and co-sponsored by the Humphrey School of Public Affairs and the College of Education and Human Development. Among the many additional collaborators and partners at the university are faculty and researchers from the Institute of Child Development; Carlson School of Management; Department of Applied Economics; Center for Human Resources and Labor Studies; Center for Neurobehavioral Development; Center for Early Education and Development; Consortium for Children, Youth and Families; School of Public Health; and the Center for Personalized Prevention Research in Children’s Mental Health.

Strategic direction for HCRC is set by the Steering Committee in conjunction with university and community partners/affiliates and expert advice from the National Advisory Committee. See Appendices B, C, and D for a list of Steering Committee members, the National Advisory Committee, affiliated university faculty and Federal Reserve staff.

Financial Sustainability

HCRC will have a mix of income sources to ensure long-term financial sustainability composed of endowment income from the Children’s Future Fund, grant income for research projects, fee income from contract research, and university operating support.

Leveraging HCRC with Collaborative Institutions

HCRC will leverage its research and organizational capacity by collaborating with an array of other academic research centers and policy advocacy groups. Alliances with these groups will allow HCRC to disseminate its research, conduct joint studies, expand its geographic footprint, and build policy advocacy coalitions. Some of the organizations HCRC will continue to enhance working relationships with are:

Continued on facing page
Center on the Developing Child at Harvard University. The Center on the Developing Child is a pioneer in neuroscience research as applied to child development that conducts groundbreaking research at the intersection of neuroscience and developmental psychology.

University of Chicago and its Center for Social Program Evaluation at the Harris School for Public Policy at the University of Chicago and the Pritzker Consortium on Early Childhood Development.

Ready Nation. Ready Nation is a national think-tank and policy advocacy organization that organizes leaders from government, business, and philanthropy to support early childhood that strengthens families and develops a competitive workforce.
5. CAPITAL REQUIREMENTS & OFFERING

In this era of “catalytic philanthropy,” donors see themselves as active participants in the business of solving social and environmental problems and in advancing the causes they care about. These social investors want to achieve as much impact as possible and, as such, they collaborate and use their joint influence to make the changes that government cannot make by itself. In the book *Do More Than Give: The 6 Practices of Donors Who Change the World*, the authors have this to say about engaged philanthropists:

“Philanthropists who want to make a difference in today’s socio-politico-economic climate must proactively leverage government resources to advocate the causes they believe in, rather than keeping their private philanthropic pursuits separate from public affairs.”

This offering is directed at philanthropists who expect a high social return on their investment and seek to make a long-term, broad impact in the lives of children.

**Offering**

HCRC is seeking $10 million to endow the Children’s Future Fund: A Fund for Early Childhood Research and Innovation. Investments will be solicited from individuals, corporations, and foundations to endow a stable funding stream of $500,000 a year to support ongoing longitudinal research, dissemination, and sustainability efforts that will benefit children, families, and communities not only today but for years to come. The fund is asking for minimum units of $250,000 from investors. In the context of this offering, “investment” refers to nonrevocable and unconditional contributions that are entirely charitable in nature and will generate no financial returns to the investor.

HCRC, through its Children’s Future Fund, is offering philanthropic investors the opportunity to (a) ensure that Minnesota and the United States receive the highest returns from investment in young people for generations to come, regardless of the ebb and flow of individual funding streams, and (b) sustain longitudinal research spanning decades to create the necessary knowledge base to inform policy and practice for years to come.

**Use of Funds**

The endowment is expected to yield $500,000 annually with proceeds used to:

- Provide stable funding of long-term longitudinal studies.
- Conduct action research projects on:
  - Determinants of well-being from prenatal to young adulthood.
  - Long-term impact and cost effectiveness of policies.
  - Innovation, development, and implementation of evidence-based interventions.
- Create model programs based on HCRC research that can be adopted by early care and education professionals.
- Determine effective and innovative approaches to scale up and sustain programs and practices.
- Compensate scholars and graduate students working on projects on behalf of HCRC.
- Support general administration expenses.
- Carry out policy outreach and education with federal, state, and school district policymakers.
- Hold conferences at which HCRC researchers can present their work to other scholars, early care and education professionals can learn the latest best practices, and policymakers can be engaged in using HCRC research for data-driven policy formation.
APPENDICES

A. Co-directors’ Profiles

ART ROLNICK
Art Rolnick serves as a co-director for the Human Capital Research Collaborative at the University of Minnesota. He previously served at the Federal Reserve Bank of Minneapolis as a senior vice president and director of research and as an associate economist with the Federal Open Market Committee—the monetary policymaking body for the Federal Reserve System.

He has served as a board member for several Minneapolis nonprofit firms, including the Minnesota Early Learning Foundation and Ready 4 K, an advocacy organization for early childhood development. He currently serves as a board member for Parent Aware for School Readiness and the Northside Achievement Zone. A recipient of numerous awards for his work in early childhood development, he was named Minnesotan of the Year by Minnesota Monthly magazine in 2005.

Rolnick holds degrees in mathematics and economics from Wayne State University and has a Ph.D. in economics from the University of Minnesota.

ARTHUR REYNOLDS
Arthur Reynolds serves as co-director of the Human Capital Research Collaborative, professor of child development at the University of Minnesota, director of the Chicago Longitudinal Study (CLS) of the Child-Parent Centers of Chicago, and principal investigator for the Midwestern Child-Parent Center Expansion project (U.S. Department of Education Investing in Innovation Grant).

As CLS director, Reynolds has managed, over a span of two decades, one of the largest longitudinal studies of the effects of early childhood programs. Through a partnership with Chicago schools and many government agencies, the project has amassed a rich array of program evidence for over 1,500 CPC graduates.

In 2011, under the leadership of Reynolds, HCRC received a 5-year, $15 million U.S. Department of Education Investing in Innovation (i3) grant to implement the Midwest Expansion of the Child-Parent Center Education Program, Preschool to Third Grade Initiative. As the principal investigator for this grant, Reynolds has fostered relationships with numerous educational and nonprofit agencies, including bridging a partnership between the Institute of Child Development and the Humphrey School of Public Affairs.

In addition to being a leading scholar in pre-K through grade 3, Reynolds has also collaborated with many districts and educational institutions in developing, implementing, and analyzing educational programs from preschool to high school. Reynolds is interested in school and family influences on children’s development, the evaluation of social programs, prevention science, intervention research, and the determinants of economic and social well-being in early adulthood.

B. HCRC Steering Committee Members

• Laurie Davis, Advance Consulting
• Michelle Englund, Institute of Child Development, University of Minnesota
• Rob Grunewald, Public Affairs, Federal Reserve Bank of Minneapolis
• Morris Kleiner, Humphrey School of Public Affairs, University of Minnesota
• Suh-Ruu Ou, Institute of Child Development, University of Minnesota
• Arthur Reynolds, Institute of Child Development, University of Minnesota
• Art Rolnick, Humphrey School of Public Affairs, University of Minnesota
• Cheri Rolnick, Public Health Consultant
• Aaron Sojourner, Carlson School of Management
• Judy Temple, Humphrey School of Public Affairs and Department of Applied Economics, University of Minnesota
C. HCRC National Advisory Committee

- Jeanne Brooks-Gunn, Child Development, Columbia University
- V.V. Chari, Economics, University of Minnesota
- Greg Duncan, Education, University of California, Irvine
- James Heckman, Economics, University of Chicago
- Sharon Ramey, Developmental Psychology, Georgetown University
- Jack Shonkoff, Pediatrics, Harvard University
- Deborah Vandell, Education, University of California-Irvine
- Kenneth Wolpin, Economics, University of Pennsylvania
- Edward Zigler, Psychology, Yale University

D. Affiliated University Faculty and Federal Reserve Staff

**FEDERAL RESERVE BANK OF MINNEAPOLIS**
- Richard Todd, Community Development
- Rob Grunewald, Public Affairs

**UNIVERSITY OF MINNESOTA**
- Gerald August, Department of Psychiatry
- Dante Cichetti, Institute of Child Development
- Elizabeth Davis, Department of Applied Economics
- Michael Georgieff, Department of Pediatrics and Institute of Child Development
- Ann Masten, Institute of Child Development
- Scott McConnell, Department of Educational Psychology
- Elton Mykerezi, Department of Applied Economics
- Susie Nanney, Department of Family Medicine & Community Health
- Anthony Pellegrini, Department of Educational Psychology
- Amy Susman-Stillman, Center for Early Education and Development
- Phil Zelazo, Institute of Child Development

E. Acknowledgement and Media Coverage

The following documents, articles, and videos are representative of the research, programs, and results of the HCRC.

- Child Parent Centers video
  [http://youtu.be/g07mxQAqNFQ](http://youtu.be/g07mxQAqNFQ)


- St. Paul Pioneer Press, “A new Minnesota Miracle: Putting market forces to work for early learners”

- St. Paul Pioneer Press, “Minnesota’s preschool funding praised by U.S. education chief”


- Star Tribune, “An education secretary’s view of Minnesota” by Arne Duncan
  [http://www.startribune.com/opinion/commentaries/216228551.html](http://www.startribune.com/opinion/commentaries/216228551.html)

- Federal Reserve System Chair Ben Bernanke’s address to the Children’s Defense Fund National Conference, Cincinnati, Ohio

- Art Rolnick’s testimony to the U.S. Senate Health Education Labor and Pensions Subcommittee
• Documentary, “Are We Crazy About Our Kids?”, Prologue; Economists Ponder Child Development: Why Start Early?
http://www.youtube.com/watch?v=SuPQFtI_vJk&feature=youtu.be&t=0m0

• TEDxTC, Art Rolnick. “Economic Case for Early Childhood Development”
http://www.youtube.com/watch?v=M02Z1vAuwBs

F. HCRC Research Contributions

A REGISTRY OF PRE-K TO 3RD GRADE PROGRAMS
Fund by Foundation for Child Development
Contributors: HCRC Faculty and Staff
September, 2013

Although many registries and clearinghouses of effective programs exist, none focus on prekindergarten to third grade (PK-3) programs and practices. Given the increased public and research interest in better integrating early childhood and school-age programs, the Registry of PK-3 Programs was developed to describe promising and proven approaches for enhancing children’s school performance and well-being.

MINNESOTA HEAD START ASSESSMENT 2011
Prepared for Minnesota Head Start Association
Contributors: Michelle M. Englund, Erin Lease, Nicole Smerillo, and Mallory Warner-Richter
December, 2011

The Minnesota Head Start Association is a representative organization with the intent of advocating on issues of importance to low-income families and gathering information regarding delivery of Head Start programs in Minnesota in order to improve overall quality of services. The overall purpose of this report is to provide information to assist the Minnesota Head Start Association in making decisions regarding gathering and using data from Head Start programs to inform child progress and the development of school readiness goals.

ASSESSING THE VALIDITY OF MINNESOTA SCHOOL READINESS INDICATORS
Prepared for Early Learning Services, Minnesota Department of Education
January, 2011

The State of Minnesota has established the goal that by the year 2020 all children entering kindergarten will be school-ready. In this report, HCRC assessed the validity of the Minnesota Work Sampling System Kindergarten Entry Developmental Checklist (MWSS) in predicting third-grade school performance.

PRESCHOOL EDUCATION, EDUCATIONAL ATTAINMENT, AND CRIME PREVENTION: CONTRIBUTIONS OF COGNITIVE AND NON-COGNITIVE SKILLS
Fund by National Institute of Health, University of Wisconsin Graduate School and Doris Duke Charitable Foundation
Contributors: Judy Temple, Arthur Reynolds, and Suh-Ruu Ou
October, 2006

This study investigated the extent to which cognitive and non-cognitive skills accounted for the measured links between participation in preschool intervention and high school completion, highest grade completed, and incarceration history in early adulthood. Using data from the Chicago Longitudinal Study, an ongoing 20-year investigation of the effects of the school-based Child-Parent Center early intervention program for over 1,500 children, the study assessed the contribution of a variety of cognitive and non-cognitive measures to the estimated effect of preschool.

Continued on page 20
PK-3 EDUCATION: PROGRAMS AND PRACTICES THAT WORK IN CHILDREN’S FIRST GRADE
Contributors: Arthur Reynolds, Katherine Magnuson, Suh-Ruu Ou
August, 2006
This report reviews the knowledge base on the effectiveness of PK-3 intervention programs and practices for young children making the transition to school. The coverage includes extended early childhood interventions, preschool programs, full-day kindergarten, reduced class sizes in the early grades, parent involvement, instructional practices, and school transitions (mobility). New findings on PK-3 programs and practices from the Early Childhood Longitudinal Study-Kindergarten Cohort of 1998-99 are also documented. After summarizing the evidence in each of these areas, evidence is reviewed on the cost effectiveness of PK-3 programs and practices with particular attention to findings from a few extensive longitudinal studies. The report concludes with a discussion of the implications and policy recommendations from this evidence.

EFFECTS OF A SCHOOL-BASED, EARLY CHILDHOOD INTERVENTION ON ADULT HEALTH AND WELL BEING: A 20-YEAR FOLLOW UP OF LOW INCOME FAMILIES
August, 2006
Although the benefits of early childhood interventions are well established, few studies have investigated effects into adulthood, especially for large-scale, publicly funded programs. A 20-year follow-up was conducted at age 24 of a cohort of 1,539 low-income children (93% black, 7% Hispanic) born in 1979 or 1980 who enrolled in the Child-Parent Center (CPC) Program in 20 sites or an alternative early childhood intervention in randomly selected or matched schools in Chicago, Illinois. The CPC program studied provides educational enrichment, family support services, and health services in the Chicago public school system from preschool to up to third grade.

Related Faculty and Staff Research

CAN INTENSIVE EARLY CHILDHOOD INTERVENTION PROGRAMS ELIMINATE INCOME-BASED COGNITIVE AND ACHIEVEMENT GAPS?
Funded by the Institute of Education Sciences, U.S. Department of Education and the National Institute for Child Health and Human Development
Contributors: Greg Duncan (HCRC Advisory Board) and Aaron Sojourner (HCRC Steering Committee)
December, 2011
The goal of this study is to answer this question: By how much would an intensive two-year center-based Abecedarian-type intervention, begun at age one, close income-based gaps in cognitive ability and school readiness? Both universal and targeted versions of the program are considered, where targeted offers the intervention only to children in families with incomes up to 180 percent of the poverty line. Estimates are generated by drawing data from the Infant Health and Development Program (IHDP), which randomly assigned a treatment consisting of the Abecedarian curriculum to nearly 1,000 low birth weight children from both higher and low-income families.

MEASURING THE HIGH SCHOOL GRADUATION RATE IN THE NINTH FEDERAL RESERVE DISTRICT
Contributors: Wonho Chung and Rob Grunewald (HCRC Steering Committee)
November, 2011
This study estimates the high school graduation rate for five states in the Ninth Federal Reserve District (Minnesota, Montana, North Dakota, South Dakota, and Wisconsin) by adjusting the upward bias in the National Center for Educational Statistics (NCES) high school status completion rate. The methodology used is based on the work by Heckman and LaFontaine (2007), which excluded GED holders and immigrants never enrolled in U.S. secondary schools, included the institutionalized population, and adjusted for response bias and low sample coverage.
G. Prior Philanthropic Support

HCRC’s work is supported by grants from government agencies, foundations, and corporations, including:

- Boeing Corporation
- Celebrate Children Foundation
- Doris Duke Charitable Foundation
- Evanston Community Foundation
- Finnegan Family Foundation
- Foundation for Child Development
- Foundation 65
- Francis Biedler and Elizabeth Beidler Tisdahl Foundations
- Greater Twin Cities United Way
- J.B. and M.K. Pritzker Foundation
- Joyce Foundation
- Lewis-Sebring Foundation
- McKnight Foundation
- Minneapolis Foundation
- Northwestern University
- Pearson Foundation
- St. Paul Foundation
- Target Foundation
- W.K. Kellogg Foundation

TO DONATE

To donate on-line please go to the Human Capital Research Collaborative's web-site at:
www.humancapitalrc.org

Just click on Donate under Early Childhood Research and Innovation Endowment at the top of the right-hand sidebar. You will be taken to the University of Minnesota Foundation page to make a secure donation.

OR

Mail a check to:
Human Capital Research Collaborative
Attn: Art Rolnick
301 19th Ave S
Minneapolis, MN 55455

Make checks payable to University of Minnesota Foundation and designate in the check description line: HCRC Endowment

Please feel free to email HCRC@umn.edu or call 612-625-3003 with any questions.