Funding Our Future

Generating State and Local Tax Revenue for Quality Early Care and Education

October 23, 2019
Alliance for Early Success Annual Meeting
Speakers

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The BUILD Initiative

- The BUILD Initiative (BUILD), is a 17 year old national effort that helps advance state work on behalf of young children (prenatal–five), their families, and communities.

- BUILD’s focus and approach
  - Ensure that every child, regardless of race, neighborhood, or family income, has equitable opportunities to achieve positive health and education outcomes.
  - Partner with early childhood leaders focused on family support and engagement, early learning, health, mental health, and nutrition to create the policies and infrastructure necessary for quality and equity. These efforts help state leaders to increase quality, expand access, and promote equitable outcomes for our youngest children.
  - Provides tailored and timely technical assistance to leaders in partner states.
  - Facilitates learning communities that share the latest research and promising practices.
  - Serves as a knowledge broker by shining a light on promising early childhood systems efforts and highlighting new ideas and successful innovations.
  - Supports new and emerging leaders and works to ensure diversity and equity in all aspects of early childhood systems building.
  - Informs and influences state and national conversations and policy decisions by highlighting emerging issues, innovative approaches, best practices, and results from the field.
The Children’s Funding Project
FIND. ALIGN. GENERATE. ACTIVATE.

The Children’s Funding Project is structured to:

• Increase understanding of the *Find, Align, Generate, Activate* policy levers.

• Showcase communities that map their resources, blend and braid funding, create new dedicated revenue, and assess effectiveness of funding.

• Strengthen local capacity by providing training, tools, and coaching.

• Build momentum for a more pro-active approach to children’s funding.
Agenda

1. Welcome, Objectives, and Introductions
2. Introduction to New Publications
   - Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education, https://www.buildinitiative.org/Resources/Funding-our-Future
   - Innovative Financing to Expand Services So Children Can Thrive https://static1.squarespace.com/static/5b75d96ccc8fedfce4d3c5a8/t/5d69442a0d618100019e48e7/1567179819797/Innovative+Financing+to+Expand+Programming+and+Services+So+Children+Can+Thrive+Small.pdf
3. State Experiences: Louisiana, Colorado, and Oregon
Objectives and Introductions

Objectives

Provide an orientation to:

• State and local tax options.
• Guiding questions for selecting tax mechanism.
• Work in Louisiana, Colorado and Oregon.
• Action planning steps.

Introductions

• What prompted you to come to this discussion?
Why focus on state and local revenue generation?

Political and policy relevance of ECE is on the rise. 

Gap between what is and what is needed is significant, especially for infants and toddlers.

Success begets success.
Tax Policy Areas
Tax Policy Areas

- Corporate and Business Taxes
- Estate and Inheritance Taxes
- Personal Income Taxes
- Property Taxes
- Sales Taxes
- Sin Taxes
- Special District Governments
Guiding Questions
What jurisdiction will levy the tax?

There are many potential entities that can tax and collect revenue:

- State
- City
- County
- School district
- Other level of government

**Examples**

- Oregon Early Success Act- state-corporate
- Colorado- Special district government- special district, property or sales tax
- Cincinnati- Property tax
Is the tax legally feasible?

- Who has the authority to levy the type of tax you are exploring?
- Who decides to have the tax?
  - Legislative body?
  - Voters through ballot/referendum?
Is the tax legally feasible?

Examples

• Dayton Personal Income Tax
• South Carolina Sales Tax
• Next generation ideas
  • Sales tax modernization
  • Sales tax holidays

Can the tax be dedicated to early care and education?

• Is dedication possible?
• Is it necessary to team up with other issues to have early childhood be included as one of the areas of expenditure?

Examples
• Philadelphia Sugary Beverage Tax
• Pre-K 4 SA
Is the tax politically feasible?

What support and political opposition do you face? This may include analyzing the following:

• How hospitable has your state or community been to raising tax revenues in the past?
• What tax proposals are most likely to achieve success in the current political climate?
• What partners can you count on as champions of the effort?
• What is the current appetite of policymakers for generating new revenue?
• What other major interest groups are currently seeking to generate revenue?
Is the tax politically feasible?

Next Generation Examples

- Cannabis legalization
- Sports betting
- Various taxes connected to high wealth
Is the tax progressive or regressive?

Who pays?

How this is related to income and consumption patterns?

Example: Sales tax
Does the tax have communication power related to early care and education?

Is there a connection between the funding mechanism and funding use?

Next generation example
- Estate and inheritance taxes
Who pays for the tax? Who benefits from the tax?

- What taxpayers does the tax disproportionately impact?
- How does this outcome advance or compromise your policy goal?

**Examples**

- Property taxes
- Next generation examples
  - Split roll property taxes
  - Real estate taxes on second residences of high value homes
Is the tax timely?

• Have you considered any new opportunities that may have developed from the passage of recent legislation or are made possible given the local or state context?

• Are there constraints based on the current context?

Next generation example

• Personal income taxes-raising rates for those with highest incomes
How does the projected generated revenue fit into the near- and long-term strategy for meeting the need for quality early care and education?

• How does this fit into the plan to fully fund access to high-quality early care and education?

**Examples**

• Kent County property tax
• Washington state corporate tax
Appendix 1: State tax options by policy area

<table>
<thead>
<tr>
<th>STATE</th>
<th>Increase income tax rates &amp; dedicate funding to ECE</th>
<th>Enact/increase a tax on top earners</th>
<th>Limit/eliminate itemized deductions</th>
<th>Phase out personal exemption/credit or standard deduction for upper-income taxpayers</th>
<th>Eliminate deduction for federal/state income taxes paid</th>
<th>Eliminate special treatment of capital gains income</th>
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<tbody>
<tr>
<td>Alabama</td>
<td>Yes (state &amp; local)</td>
<td>Yes</td>
<td>Eliminate or limit</td>
<td>Yes (Dep exemption currently phases out)</td>
<td>Eliminate federal income tax deduction</td>
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<tr>
<td>Alaska</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Arizona</td>
<td>Yes (state)</td>
<td>Yes</td>
<td>Eliminate or limit</td>
<td>Yes</td>
<td>Eliminate state income tax deduction</td>
<td>Yes</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Yes (state)</td>
<td>Yes</td>
<td>Eliminate or limit</td>
<td>Yes</td>
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<tr>
<td>California</td>
<td>Yes (state &amp; some local)</td>
<td>Yes</td>
<td>Eliminate or limit (currently has steeper phase down)</td>
<td>Yes (PE credit currently phases out/start at lower income)</td>
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<tr>
<td>Colorado</td>
<td>Yes (state and local)</td>
<td>Constitutions prohibits graduated rate, amendment required</td>
<td>Eliminate or limit</td>
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<td>Connecticut</td>
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<td>Delaware</td>
<td>Yes (state and local)</td>
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<tr>
<td>Georgia</td>
<td>Yes (state)</td>
<td>Constitution prohibits top rate higher than 6%</td>
<td>Eliminate or limit</td>
<td>Yes</td>
<td>Eliminate state income tax deduction</td>
<td></td>
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</table>

*Is this strategy relevant to explore in state X?*
Appendix 2: Additional Tax Resources

There is a wealth of information available about tax mechanisms and their uses at the state and local level. While *Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education* provides an overview of several options to generate revenue through the tax system, it is important for early childhood leaders to deepen their knowledge about the intricacies of all the various tax mechanisms and their suitability for and applicability to their community context. This appendix provides links to a variety of resources that you may wish to reference as you begin to examine revenue generation planning and implementation.

**General tax resources**

*The ITEP Guide to Fair State and Local Taxes*

This 2011 guide from the Institute on Taxation and Economic Policy (ITEP) provides a comprehensive overview of state and local tax mechanisms.


**State and Local Backgrounders**

The Urban Institute has compiled several ‘backgrounders’ with brief explanations to help readers better understand state and local expenditures and revenue.
Appendix 3: Fiscal Analysis Resources

While this report is focused on ways to generate revenue, it is also important to understand how much revenue you will need to meet your goals and the sufficiency of your proposed revenue generation mechanism to achieve those goals. Many resources are available both to help to understand the current fiscal landscape in your state or community and to estimate the resources needed to operate a high-quality early childhood program and support a robust early childhood system.

**Fiscal agenda setting and systems modeling**

*Children’s Funding Project*

This organization has several resources focused on helping communities understand the investments it makes in children and youth and identifying opportunities to increase efficiency and effectiveness of funding streams.

https://www.childrensfundingproject.org/resources-start

*The Role of a Fiscal Agenda in Increasing and Targeting Investments for Infants and Toddlers*

2018 presentation from the National Collaborative for Infants and Toddlers meeting on developing a fiscal agenda to support infants and toddlers.


*Staffed Family Child Care Network Cost Estimation Tool*
Innovative Financing Methods
Innovative Financing to Expand Services so Children Can Thrive

• Local Dedicated Funds
• Community Benefit Agreements
• Community Reinvestment Act Agreement
• PILOT recapture / voluntary payments
• Tax Credits
• Reforming Tax Exemption
• Profit from Publicly Held Assets
• Pay for Success/Social Impact Bond
• In-Kind Facilities Usage
• Link to Report
Action Planning: Readiness Checklist
A checklist to help communities and states assess their readiness for a dedicated children’s fund campaign.
Assessment - Have you assessed the needs of children and youth in your community or state and the mechanisms by which you could use direct democracy to levy a local dedicated fund?

• Have you recently assessed the needs of children and youth?

• Have you recently identified gaps in funding (possibly via fiscal map) for children and youth?

★ Have you considered all the guiding questions in the Funding Our Future paper?
Public Will - Have you determined voter preferences and influences in your community or state?

Have recent events motivated or energized the public around child and youth issues?

• Has an organization done any message testing around child and youth issues?
  • Have you done polling on voter’s views on a range of children’s issues and services?
  • Have you done polling to identify level public willingness to support certain kinds of taxes or fees?

• Have you identified trusted champions that are or can be engaged to speak to either the public or policymakers with credibility?
Coalition Motivation (Part 1) - Where is the energy and momentum of your coalition?

• Do you have a network or coalition that works together on a wide range of children and youth issues?

★ Does your community contain an organization willing to take on a leadership role in this effort (convene coalition, fundraise, guide)?

• Has your community identified shared goals/outcomes for children and youth?
Coalition Motivation (Part 2)

• Does your community have a detailed plan that lays out a shared vision for children and youth?

Do you have at least two of the following four groups at the table?

• Local policymaker(s) – e.g. mayor, city council member, county executive, county commissioner.
• Local intermediary(ies) – e.g. coalition, collective impact partnership, advocacy organization.
• Local funder(s) – e.g. foundations, corporate philanthropy, United Way.
• Local business leader(s) – e.g. major local employers.
Discussion
Two Early Childhood Financing Opportunities in Colorado

Bill Jaeger, Vice President
Early Childhood & Policy Initiatives
bill@coloradokids.org
Special Districts (Income & Property Taxes) & Sin Tax in CO

• Colorado Context
  • TABOR, Local Control, & Local Financing
    • 5 locality-specific public funding streams

• Special districts in Colorado
  • Not all communities are defined by existing political boundaries
  • HB 19-1052 (http://leg.colorado.gov/bills/hb19-1052) created EC Development Special District authority
  • Intersection between “Special Government Districts” and “Personal Income”/ “Property Taxes”

• Sin taxes for Preschool expansion
  • Historical role of statewide sin taxes vs. statewide other taxes in Colorado
  • HB 19-1333 (http://leg.colorado.gov/bills/hb19-1333)
  • Tobacco and nicotine & creation of a fund to support preschool access & quality
Dedicated Funding for Early Care and Education in Louisiana

Melanie Bronfin
Policy Advisor
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www.policyinstitutela.org
Louisiana Early Childhood Education Trust Fund

• **Louisiana Background:**
  • No new funding for early care and education in 10 years and substantial cuts to the Child Care Assistance Program; after years of deficits, in 2019 the state had stabilized our budget
  • Advocacy momentum built over the past three years—Created a large bipartisan coalition including Chambers and other business groups, United Ways and advocacy organizations from across the state
  • Elections in October with many legislative champions term limited

• **Louisiana Early Childhood Education Trust Fund**
  • Created in 2017, but never funded
  • Sought to incentivize local funds by providing a state match for local dollars spent on early care and education
  • In the fall of 2018, Louisiana Policy Institute for Children partnered with the Children’s Funding Project to produce: *Prioritizing Our Future: How cities and states dedicate funds for early care and education* (tables in appendices listing all current dedicated funding streams for ECE)
• **2019 Legislative Session—Seeking Dedicated Funding Streams to fund the ECE Trust Fund:**
  
  - **Sports Betting and Fantasy Sports**
    - Projected revenue ranged from $7 million to $30 million. Estimates for how much state tax revenue sports betting could generate in Louisiana range from $7 million to $30 million.
  
  - **Renewal of the Land Based Casino Contract**
    - The new land-based casino contract for Harrah’s provides that up to $3.6 million will go to the fund if the casino revenues exceed $60 million a year, which they have for every year but one (2017) for the last ten years.
  
  - **Excise tax on industrial hemp-derived CBD products**
    - 3% excise tax
Oregon Student Success Act
Historic 2019 Legislative Session

- **Student Success Act**: Annual $1 billion investment in children’s education, starting at birth. Funding will begin in the 2020–2021 school year.
- **Universally Offered Home Visiting**: Significant first investment toward statewide implementation of a universal model of voluntary home visiting for families with newborns. Program will begin in eight early adopter communities.
- **Child Care Task Force**: Established to examine Oregon’s child care crisis and develop recommendations.
- **Paid Family and Medical Leave**: Allows workers up to 12 weeks of paid leave following a birth, adoption, or illness. Will go into effect in 2023.
- **Earned Income Tax Credit**: Raises the tax credits for families with children under the age of 3.
Student Success Act Investments

**STUDENT INVESTMENT ACCOUNT**
$500 Million

**STATEWIDE INVESTMENTS**
$300 Million

**EARLY LEARNING ACCOUNT**
$200 Million
Student Success Act funding source

- 0.57% tax on business gross receipts
- First $1 million exempt
- Up to 35% additional exempt for cost inputs or labor
- Preemption on local business gross receipts tax
- 0.25% personal income tax reduction
Q 1: Who will levy the tax?

Statewide tax levied by the Oregon Department of Revenue
Q 2: Is the tax legally feasible?

New state law required to create a new approach to taxing business
Q 3: Can the tax be dedicated to early care & education?

EARLY LEARNING ACCOUNT

Can be used to fund:

- Early Intervention and Early Childhood Special Education
- Early Head Start
- Healthy Families Oregon
- Parenting Education
- Relief Nurseries
- Oregon Pre-K
- Preschool Promise
- Early Childhood Equity Fund
- Professional development for early childhood educators

$200 Million
SSA Annual Investments in Early Childhood

- Staffing: $2.08 Million
- Healthy Families Oregon: $2 Million
- Relief Nurseries: $2.8 Million
- Capacity Building: $5.8 Million
- Early Learning Equity Fund: $10 Million
- Workforce Development: $12.5 Million
- Early Head Start: $22.34 Million
- Preschool Promise: $30.8 Million
- EI/ECSE: $37.5 Million
- Oregon Pre-K: $44.4 Million
Q4: Is the tax politically feasible?
Q8: Is the tax timely?

1990 & 1995: Property tax restriction measures PASS
1995 until now: school funding declines; state services squeezed
2016: Corporate tax ballot measure fight ensues


Ad opposed:
https://www.oregonlive.com/politics/2017/04/campaign_against_new_business.html
## 2016 Corporate Tax Ballot Measure Failed... badly

<table>
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<tr>
<th>Results</th>
<th>Votes</th>
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<tr>
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<td>808,310</td>
<td>40.97%</td>
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<tr>
<td>No</td>
<td>1,164,658</td>
<td>59.03%</td>
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</table>
Measure 97 Supporters

Adelante Mujeres
Asian Pacific American Network of Oregon (APANO)
Cascade AIDS Project (CAP)
Causa Oregon
Center for Intercultural Organizing (CIO)
Children First for Oregon
Fair Shot For All Coalition
Family Forward Oregon
Health Care for All-Oregon
Healthy Kids Learn Better Coalition
Human Services Coalition of Oregon (HSCO)
Jobs with Justice
Main Street Alliance of Oregon
NARAL Pro-Choice Oregon
ONE Voice for Child Care
OPAL Environmental Justice Oregon
Oregon Center for Public Policy
Oregon Consumer League
Oregon Health Equity Alliance
Oregon Latino Health Coalition
Progressive Party of Oregon
Right 2 Dream Too
Salem Social Justice Collective
Southern Oregon Jobs with Justice
United Seniors of Oregon
University of Oregon Women’s Resource Center
Voices Set Free Family Health Center
We Can Do Better
Education organizations
Association of Oregon Faculties
Community & Parents for Public Schools
Coos Bay School Board
Hermiston School Board
Oregon Music Education Association
Oregon PTA (Parent Teacher Association)
Oregon Save Our Schools
Arlington Education Association
Ashland Education Association
Association of Classified Employees Of Umpqua Community College
Association of Salem Keizer Educational Support
High Desert Education Association
Hillsboro Education Association
Hood River County Education Association
John Day Education Association
Klamath County Education Association
Klamath Falls Association of Classified Employees
Klamath Falls Education Association
Lake Oswego Education Association
Lane County Community College Board of Education[25]
Lebanon Education Association
Lebanon Educational Support Professional Association
Lincoln County Education Association
Linn-Benton Lincoln Education Service District Education Association
Madras Education Association
McMinnville Education Association
Medford Education Association
Milton-Freewater Education Association
Molalla River Education Association
Morrow County Education Association
Mt Hood Community College Classified Education Association
Molalla River Education Association
Mt Hood Community College Classified Education Association

Q 5: Is the tax progressive or regressive?

Debatable...

- Oregon business taxes were the lowest in the nation
- SSA... “would set [a...] flat percentage that would hit smaller businesses harder than multinational, multi-billion dollar corporations.”
Q 6: Does the tax have communication power related to early care & education?

Years of recession-related cuts and decades of disinvestment have taken their toll on Oregon’s schools. Instead of making public education a priority, our state has some of the largest classes, shortest school years, and lowest graduation rates in the country.

There’s no denying the research: Public education is a good investment. People with more education tend to get better jobs, earn more money, and be in better health, and education fuels economic growth. Yet, Oregon continues to fall short.

The Student Success Act investments will go directly to expanding early education access, decreasing class sizes, funding culturally specific programming, adding mental health resources for students, and restoring art, music, PE, and career training.
Q 7: Who pays for the tax? Who benefits from the tax?
Q 9: How does the projected revenue fit into near- and long-term strategy for meeting the need?

Estimated remaining need:

At least $650 million per year
Thank you!

For additional SSA Resources, visit childinst.org/student-success-act-implementation