Creating a Bigger Pie: Revenue-Generating Strategies for State Early Childhood Programs

National Issues>State Action | October 21, 2020

While we wait to get started, please put your organization in the chat — AND include the response you get when you advocate for raising revenue for early childhood programs.
Housekeeping

Welcome

Goals of Call

Please submit Q&A through the Questions function for our guests to answer during the call and with live Q&A follow-up

All materials will be shared electronically on Monday
SPEAKERS

Elizabeth Gaines
Executive Director
Children’s Funding Project

Bill Jaeger
Vice President, Early Childhood & Policy Initiatives
Colorado Children’s Campaign

Ruth Schmidt
Executive Director
Wisconsin Early Childhood Association

Kenny Francis
Director, Policy and Advocacy
Agenda for Children

Olivia Allen
Asst. Director, Strategy
Children’s Funding Project
WHY NOW

GROWING THE PIE FOR EARLY CHILDHOOD

SHARE IN THE CHAT:
What messages have you heard about why now is NOT the time to grow the pie?
WHY NOT NOW?

It’s not early childhood’s “turn”

Don’t we already pay for that?

No way people will support a tax right now

It’s just too expensive

We need that money for other priorities
FIND. Does your state have a clear picture of its full set of investments in early childhood?

ALIGN. How do we make policy decisions that encourage the most efficient and effective use of the funding we already have?

GENERATE. We have big gaps in our federal, state, local, and private funding. How do we generate new resources?

ACTIVATE. What methods can we use to administer funds for maximum impact?

KENTUCKY
Built a searchable early childhood fiscal map detailing federal, state, and tobacco MSA funds

MINNESOTA
Using their Governor’s Children’s Cabinet to lead on early childhood

OREGON
Passed $2B Student Success Act with significant revenue for ECE

KANSAS
Children’s Cabinet directs money from Tobacco Master Settlement Agreement to early childhood
PROBLEM STATEMENT: THE BOTTOM LINE

Early childhood systems are dramatically underfunded, and access to high quality programs is deeply inequitable, despite overwhelming voter support for public funding.

EMPHASIZE URGENCY
In order to reach adequacy, the current early childhood system requires $53 billion in additional investments (1)

NAME THE HARM
Inadequate funding means that one-sixth of children eligible for subsidized early care and education receive it (2)

FOCUS ON EQUITY
Only 1% of Latinx children and 4% of Black children in America access high-quality state pre-K programs. (3)
By raising public revenue we can “grow the pie” of funding for equitable, high quality early childhood opportunities.
#GROWTHEPIE FOR AN EQUITABLE SYSTEM

The Great Recession’s worst impacts on state pre-K occurred up to **four** years after the recession began

Without support, **two out of five** child care businesses could close permanently.

In rural areas, demand for care for infants and toddlers outweighs supply at a rate of 9 to 1.

During the COVID crisis, rates of food insecurity among Black households with children was nearly **2x** higher than white households

Rapidly rising inequity requires investment in equitable recovery strategies.

Despite our scarcity mindset, the United States has abundant wealth that could be used to combat inequity.
SAN ANTONIO
EQUITABLE RECOVERY PLEDGE

Actively listen to student and community voice to understand ongoing issues
Use power to leverage resources to minimize inequities across individual institutions
Use influence to help align resources to minimize inequities across Bexar County
Educate community on inequities perpetuated by COVID-19
Work collectively with Bexar County leaders to fulfill these commitments
#GROWTHEPIE WITH PUBLIC SUPPORT

“The care and education of children is publicly funded starting in kindergarten. It should be the same for younger children as well.”

An overwhelming, bipartisan majority supports increased public investments in early childhood.

Sources: https://www.ffyf.org/why-it-matters/political-demand/polling/2020poll/
Regardless of party, voters overwhelmingly say high-quality, affordable child care for families with young children is an essential service—just like healthcare and education.

Sources: https://www.ffyf.org/why-it-matters/political-demand/polling/2020poll/
“New American localism:” where collaborative local solutions are the norm and voters—the same ones who vehemently disagree on the direction we should go federally—can come together and agree that the vulnerable children in their community should be safe, healthy, connected and educated.

Sources: https://news.gallup.com/poll/243563/americans-trusting-local-state-government.aspx
• A majority of voters support state funding for quality child care.
  • Four in five likely voters think the government should have at least some role in caring for children. Furthermore, a plurality feel either the State or Federal Government is primarily responsible for funding additional quality child care programs.

• There is also support for increasing funding for quality child care.
  • A majority favor funding child care in general and are roughly on the same page regarding the most important features, largest obstacles to accessing child care, etc.
  • The cost of childcare, lack of qualified teachers, and a lack of information about child care options in general were the main obstacles to accessing quality child care. Educating voters on the issues with current child care options may increase interest in additional funding.

• Messaging was effective at increasing support for early child care funding.
  • Voters responded the most strongly to messaging focused on enabling parents to work and generally the economic benefits that early child care will bring to the state.
"There is no such thing as a “good time” or the “right time” to push for any of this...the “right time” is when you have the energy and capacity to push." – Kenny Francis
A fully-funded early childhood system will require an increased investment of $50.3 billion annually* in addition to the $50 billion needed this year for pandemic-related relief.

*National Academies of Sciences, Engineering, and Medicine, nap.edu/read/24984/chapter/1
## Generate: Revenue Options & Funding Mechanisms

<table>
<thead>
<tr>
<th>Common</th>
<th>Innovative</th>
</tr>
</thead>
<tbody>
<tr>
<td>City or County dollars</td>
<td>Dedicated public funds (set aside or new tax)</td>
</tr>
<tr>
<td>State dollars</td>
<td>Community Benefit Agreements</td>
</tr>
<tr>
<td>Federal dollars</td>
<td>Individual or Business Tax credits</td>
</tr>
<tr>
<td>Local United Way</td>
<td>Opioid Settlement dollars</td>
</tr>
<tr>
<td>Local Foundation</td>
<td>Medicaid reimbursements</td>
</tr>
<tr>
<td>National Foundation</td>
<td>Community Reinvestment Act agreements</td>
</tr>
<tr>
<td>Individual Donors</td>
<td>Profits from publicly held assets</td>
</tr>
<tr>
<td>Corporations</td>
<td>Reforming tax exemptions</td>
</tr>
<tr>
<td>Fee Based Services</td>
<td>PILOT recapture</td>
</tr>
<tr>
<td></td>
<td>In kind facilities usage</td>
</tr>
</tbody>
</table>

**READ:** Innovative Financing to Expand Services So Children Can Thrive
REVENUE RAISING OPTIONS TO #GROWTHEPIE

Common Tax Mechanisms

- Personal Income Taxes
- Sales Taxes
- Estate and Inheritance Taxes
- Corporate and Business Taxes
- Property Taxes
- Special District Government Taxes
- Sin Taxes

Other Taxes and Taxing Strategies:

- Eliminate tax credits and exclusions that disproportionately benefit the rich
- Enact state-enabling legislation to allow for taxation at the local level
- Dedicate tobacco and opioid settlement dollars to children
- Close nicotine/tobacco tax vaping loopholes
- Tax tech (ex. digital advertising tax)

For greater detail on these mechanisms, read: Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education
EVALUATING THE OPTIONS FOR RAISING REVENUE

GUIDING QUESTION 1
What jurisdiction will levy the tax?

GUIDING QUESTION 2
Is the tax legally feasible?

GUIDING QUESTION 3
Can the tax be dedicated to early care and education?

GUIDING QUESTION 4
Is the tax politically feasible?

GUIDING QUESTION 5
Is the tax progressive or regressive?

GUIDING QUESTION 6
Does the tax have communication power related to early care and education?

GUIDING QUESTION 7
Who pays for the tax? Who benefits from the tax?

GUIDING QUESTION 8
Is the tax timely?

GUIDING QUESTION 9
How does the projected generated revenue fit into the near- and long-term strategy for meeting the need for quality early care and education?
Wisconsin Infant Toddler Policy Project (WITPP)
Fiscal Considerations and Revenues

Ruth Schmidt, Executive Director, WECA
<table>
<thead>
<tr>
<th>WITPP State Collaborative Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancing a Healthier WI Endowment</td>
</tr>
<tr>
<td>Black Child Development Institute</td>
</tr>
<tr>
<td>Milwaukee</td>
</tr>
<tr>
<td>Children’s Health Alliance of WI (Reach Out and Read WI)</td>
</tr>
<tr>
<td>Ho-Chunk Nation Dept. of Education/ Hoocak Ee Cooni Waziperes Hocira Kids Forward</td>
</tr>
<tr>
<td>League of WI Municipalities</td>
</tr>
<tr>
<td>Northwest WI Workforce Investment Board</td>
</tr>
<tr>
<td>OEM Fabricators</td>
</tr>
<tr>
<td>Office of Early Learning Initiatives-City of Milwaukee</td>
</tr>
<tr>
<td>Penfield Children’s Center</td>
</tr>
<tr>
<td>Prosperity Southwest WI</td>
</tr>
<tr>
<td>Reach Dane/Reach Green</td>
</tr>
<tr>
<td>Rural WI Health Cooperative</td>
</tr>
<tr>
<td>Supporting Families Together Association</td>
</tr>
<tr>
<td>UMOS</td>
</tr>
<tr>
<td>United Way of Greater Milwaukee &amp; Waukesha Co.</td>
</tr>
<tr>
<td>United Way of Portage County</td>
</tr>
<tr>
<td>United Way of Wisconsin</td>
</tr>
<tr>
<td>WI Alliance for Infant Mental Health</td>
</tr>
<tr>
<td>WI Chapter of the American Academy of Pediatrics &amp; WIAAP Foundation</td>
</tr>
<tr>
<td>WI Community Action Program</td>
</tr>
<tr>
<td>WI Council of Churches</td>
</tr>
<tr>
<td>WI Counties Association</td>
</tr>
<tr>
<td>WI Early Childhood Association</td>
</tr>
<tr>
<td>WI Head Start Association</td>
</tr>
<tr>
<td>WI Philanthropy Network</td>
</tr>
<tr>
<td>WI Primary Health Care Association</td>
</tr>
<tr>
<td>WI Strive Together Partnership</td>
</tr>
<tr>
<td>WI Towns Association</td>
</tr>
</tbody>
</table>
WITPP Goals

- Goal 1: All low-income families have equitable access to the information and supports they need to promote optimal early childhood development and well-being.

- Goal 2: All low-income families will have equitable access to a range of affordable, high quality, culturally-and linguistically-responsive child care options that meet their employment and family needs.

- Goal 3: The early childhood workforce will have the skills, training, and support to deliver high quality care with commensurate compensation.
WITPP
Children’s Funding Project

Phase 1: Fiscal Mapping - assess which activities are currently being funded within the implementation plan and to what degree

Phase 2: Cost Modeling and Gap Analysis - To place a price tag on a) the cost of scaling currently funded activities, and b) the cost of developing activities that do not currently exist or are not currently funded

Phase 3: Revenue Options and Strategic Financing - To identify potential revenue generating mechanisms, traditional and innovative, to cover the costs of scaling and funding activities in the implementation plan
Fiscal Mapping - assess which activities are currently being funded within the implementation plan and to what degree

Pre data collection:
By plan activity: determined if currently funded, sources of funding, measurable goal of each activity, data needs for each activity

Data collection:
Looked across system level funding items, analysis for prior two biennial budgets, across state/federal/private sources. Tied funding to applicable activities in our plan.

Deliverable: Spreadsheet of data collection with summary of results.
Cost Modeling and Gap Analysis - To place a price tag on a) the cost of scaling currently funded activities, and b) the cost of developing activities that do not currently exist or are not currently funded.

Cost Modeling: regional subsidy rate analysis, QRIS/YoungStar cost implications, salary schedules and recommended staffing patterns.

Gap Analysis: For each plan goal, based on fiscal mapping, cost projections linked to modeling.

Budget Requests

Create an infant toddler stabilization fund that is targeted at programs operating below full capacity: Cost - $30 million annually.

Expand the Wisconsin Shares child care subsidy for low income parents:

- Increase program eligibility to 200% of the Federal Poverty Limit to help working parents stay in the workforce: Cost - $6.4 million annually
- Increase subsidy reimbursement rate for infant and toddler care, which is the most expensive age group in care: Cost - $13.7 million annually.

Create a pilot program in high need areas of the state where slots for 50 infant and toddler classrooms would be reimbursed at the actual cost of care: Cost - $9.9 million annually.
Revenue Options and Strategic Financing - To identify potential revenue generating mechanisms, traditional and innovative, to cover the costs of scaling and funding activities in the implementation plan

- Identification of funding mechanisms
- Review of guiding questions from Funding Our Future report to understand tradeoffs
- Selection process
Generating Revenue for Early Childhood in Colorado

October 21, 2020

COLORADO CHILDREN’S CAMPAIGN
Every Chance for Every Child
How did we get here?

- Statewide tax context
- 2016 unsuccessful tobacco tax effort
- Two key differences in getting ECE into the proposed measure
- Champion in Gov. Jared Polis
- Polling
- Citizen’s Initiative as the first path, curtailed by COVID
- Bipartisan, bicameral referred measure
What is the problem?

- Colorado’s **teen vaping rate is 29 percent**, among the highest in the nation.
- Yet, our excise tax on vaping products is **zero** and tax on tobacco products is among the lowest in the nation.
- COVID-19 has created a **financial crisis for the state** - including a possible $500M in cuts to K-12 education.
- **Preschool is expensive and hard to find.** Only half of Colorado kids attend preschool before kindergarten. Colorado provides some of the lowest funding in the country for preschool. Consequently, the Colorado Preschool Program only has funding to serve 40% of eligible students.
What will the tax increase fund?

$176M in total revenue 2020-21, increasing to $275M in 2027-28

2021 - 2023:
- K-12 public schools, including set-aside for rural schools
- Affordable housing and rental eviction assistance
- Tobacco education, prevention and cessation

2023-24 and After:
- Preschool
- Tobacco education, prevention and cessation
- Health care programs
As ballots arrive in mailboxes, Colorado voters will consider a statewide ballot initiative to boost taxes on tobacco products and create a new tax on vaping products to:

1. **Save lives by reducing tobacco and vape** use through higher product prices & funding tobacco prevention & cessation programs.

2. Shield K-12 schools from deep budget cuts caused by COVID and provide universal, free preschool in fall of 2023.
Who Else Is Supporting?

American Academy of Pediatrics, Colorado Chapter
American Federation of Teachers Colorado
American Heart Association
American Lung Association
Centura Health
Children’s Funding Accelerator
Children’s Hospital Colorado
Colorado Alliance of Boys & Girls Clubs
Colorado Coalition for the Homeless
Colorado Concern
Colorado Council of Churches
Colorado Education Association
Colorado Latino Leadership, Advocacy, & Research Organization (CLLARO)
Colorado Nonprofit Association
Colorado Rural Schools Alliance
Colorado Succeeds
Colorado Women’s Chamber of Commerce

Denver Metro Chamber of Commerce
Denver Public Schools
Executives Partnering to Invest in Children (EPIC)
Florence Crittenton Services
Kaiser Permanente
League of Women Voters of Colorado
Mile High United Way
Pikes Peak United Way
Pro 15
Rose Community Foundation
Susan G. Koman
The Bell Policy Center
The Colorado Forum
The Women’s Foundation of Colorado
UC Health
& many, many more!

Check out the full list of endorsers at forcokids.com/endorsements
Special Districts (Income & Property Taxes)

• 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”
Local Dedicated Funds – the reach

18 of these funds dedicate significant funding to early childhood specifically.
Continued viability

November 2008, immediately following stock market’s largest single-day drop:

Franklin County & St. Louis County MO both establish voter-approved Children’s Services Funds

April 2020, as US unemployment breaks records, voters in Anchorage pass an alcohol retail tax for human services including children’s services, and voters in Cuyahoga County increase their health and human services special tax.
On the ballot in 2020

Total money generated at peak (if passed): $556M/year
If we believe in a strong start for all children, it’s time we add political action to early-childhood advocacy.

- Impact Fellows

Children’s Funding Project & Children’s Funding Accelerator are coordinating with the Impact Fellows to add support for local and state policy advocacy to the early childhood landscape.
Questions
Thank you.