



# Funding Our Future

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

October 23, 2019  
Alliance for Early Success Annual Meeting



**FUNDING OUR FUTURE:**  
Generating State and Local Tax Revenue  
for Quality Early Care and Education



# Speakers



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Bill Jaeger, Vice  
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Children's  
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Amelia Vaughn,  
Project Manager,  
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Funding Project

# 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
4. Approaching the Work: Action Planning

# 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?

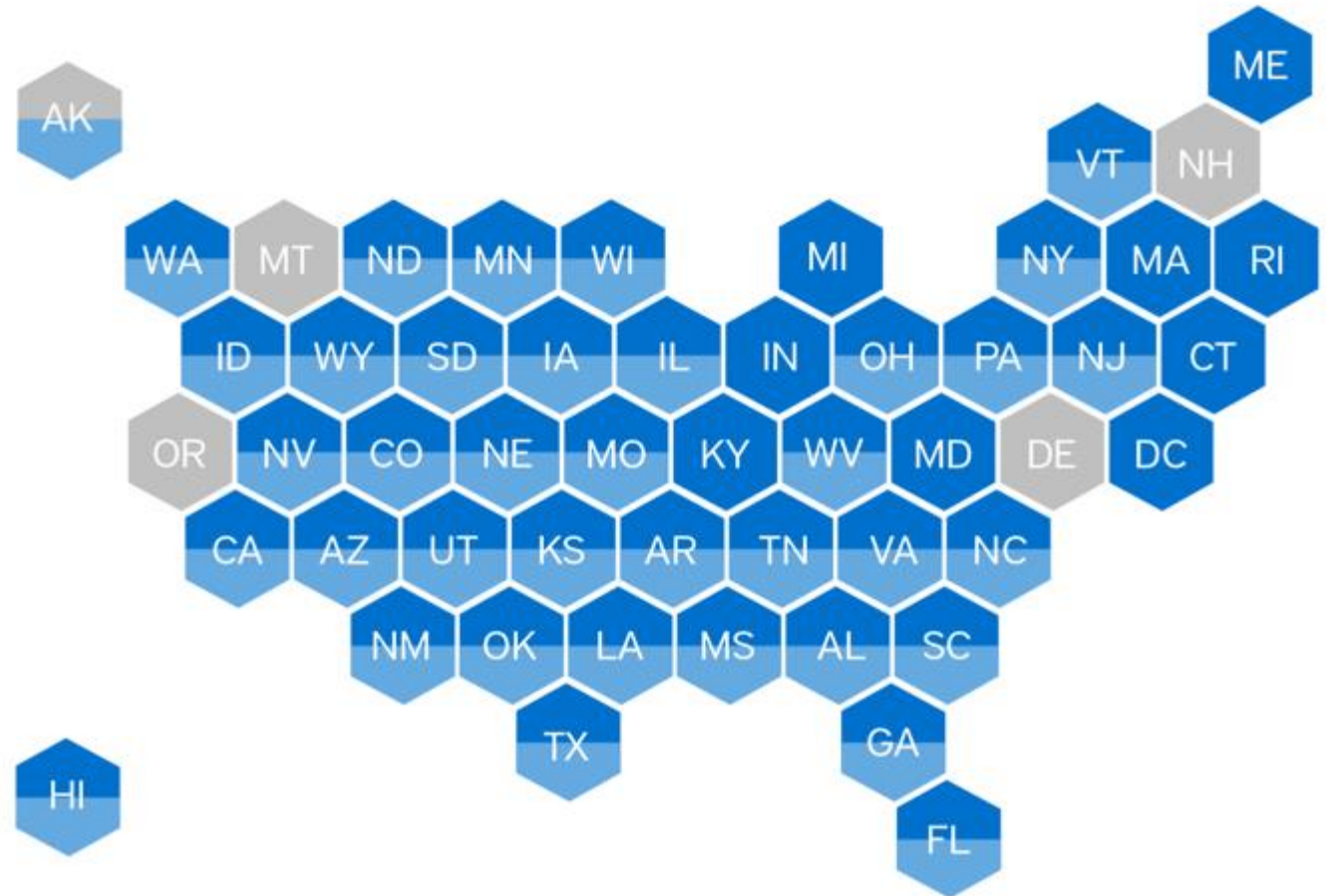


# Is the tax legally feasible?

## Examples

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

Figure 4. States with Sales Taxes and States Allowing Local/Regional Sales Taxes



States with No Sales Tax

States with Sales Tax

States Allowing Local/Regional Sales Taxes

# 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

Funding Our Future: Generating State and Local Tax Revenue for Quality Early Care and Education 2019



PERSONAL INCOME TAXES						
	Increase income tax rates & dedicate funding to ECE	Enact/increase a tax on top earners	Limit/eliminate itemized deductions	Phase out personal exemption/credit or standard deduction for upper-income taxpayers	Eliminate deduction for federal/state income taxes paid	Eliminate special treatment of capital gains income
STATE	Is this strategy relevant to explore in state X?					
Alabama	Yes (state & local)	Yes	Eliminate or limit	Yes (Dep exemption currently phases out)	Eliminate federal income tax deduction	
Alaska	No income tax					
Arizona	Yes (state)	Yes	Eliminate or limit	Yes	Eliminate state income tax deduction	Yes
Arkansas	Yes (state)	Yes	Eliminate or limit			Yes
California	Yes (state & some local)	Yes	Eliminate or limit (currently has steeper phase down)	Yes (PE credit currently phases out/start at lower income)		
Colorado	Yes (state and local)	Constitution prohibits graduated rate; amendment required	Eliminate or limit			
Connecticut	Yes (state)	Yes				
Delaware	Yes (state and local)	Yes	Eliminate or limit	Yes		
District of Columbia	Yes (state)	Yes	Eliminate or limit (currently has steeper phase down)	Yes		
Florida	No income tax					
Georgia	Yes (state)	Constitution prohibits top rate higher than 6%	Eliminate or limit	Yes	Eliminate state income tax deduction	

# Appendix 2: Additional Tax Resources

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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.

<https://itep.org/wp-content/uploads/guide.pdf>

#### *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

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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.

<http://www.buildinitiative.org/OurWork/StateandLocal/NationalCollaborativeforInfantsandToddlers/TheRoleofaFiscalAgendaforInfantsToddlers.aspx>

#### *Staffed Family Child Care Network Cost Estimation Tool*





# Innovative Financing Methods

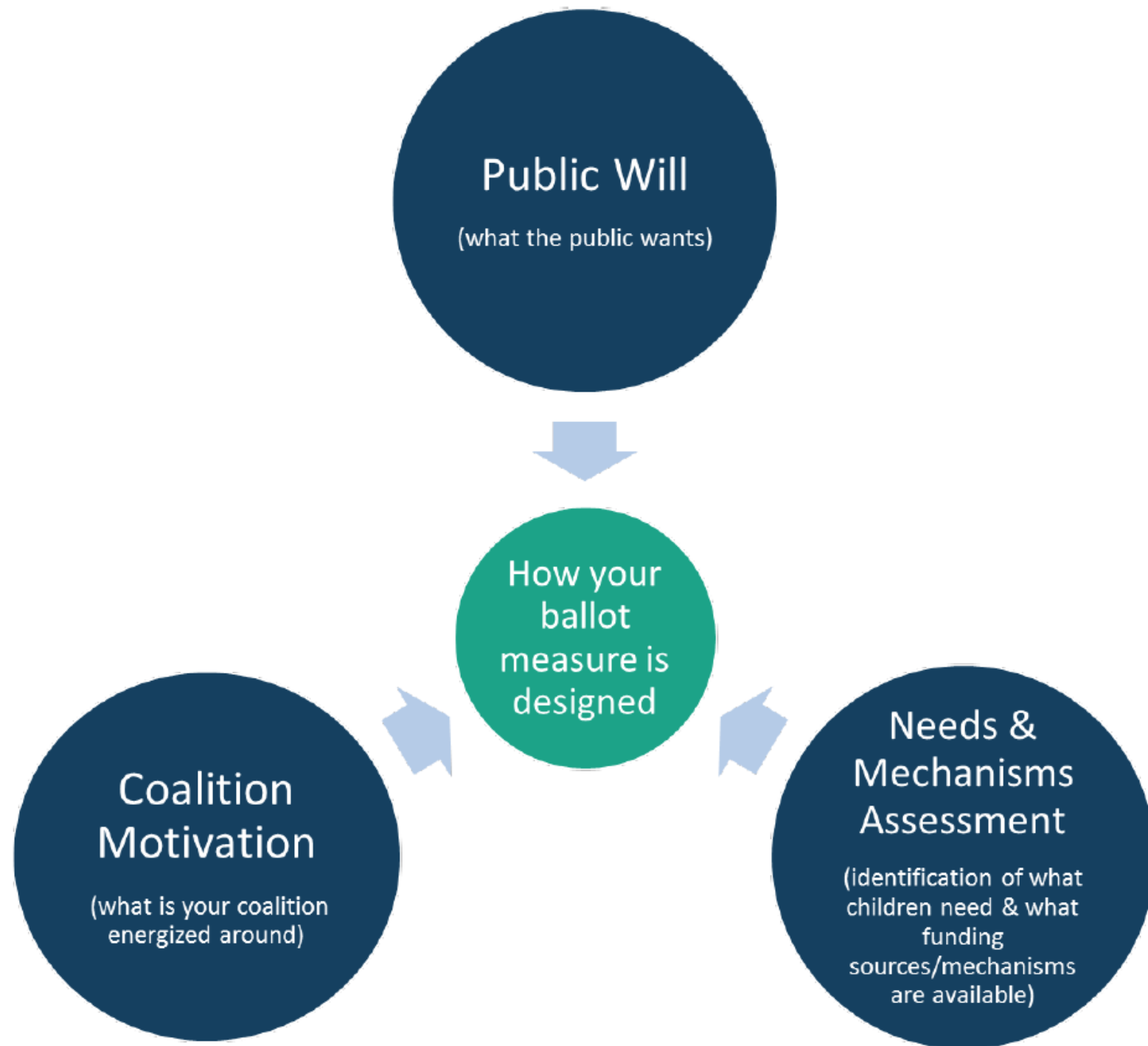
# Innovative Financing to Expand Services so Children Can Thrive

- 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

## FUNDING OUR FUTURE: Generating State and Local Tax Revenue for Quality Early Care and Education

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# Two Early Childhood Financing Opportunities in Colorado

Bill Jaeger, Vice President  
Early Childhood & Policy Initiatives

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**COLORADO CHILDREN'S CAMPAIGN**  
*Every Chance for Every Child*



# 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

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[www.policyinstitutela.org](http://www.policyinstitutela.org)



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A Stronger Louisiana Starts  
with Successful Children  
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# 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)

# Louisiana Early Childhood Education Trust Fund

- ***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

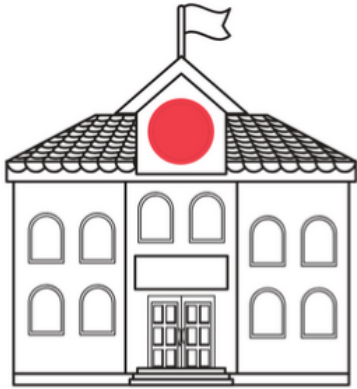
# Historic 2019 Legislative Session

- **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?



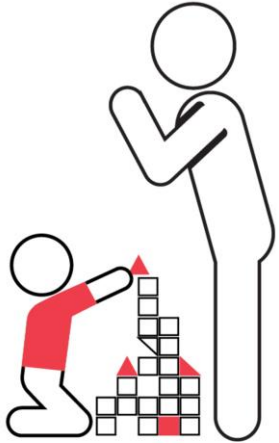
Statewide tax  
levied by the  
Oregon  
Department of  
Revenue

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

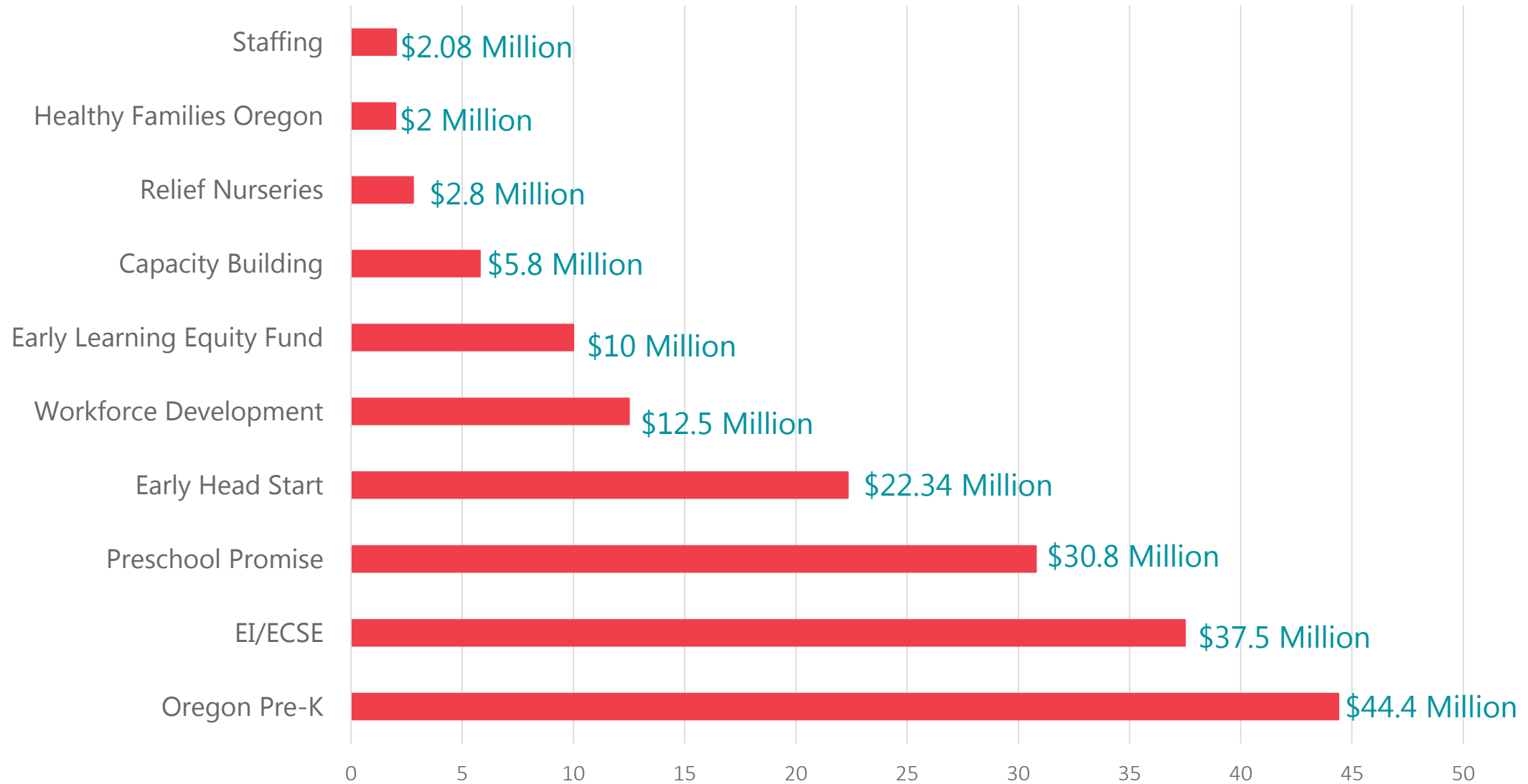


**\$200 Million**

### 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

# SSA Annual Investments in Early Childhood



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

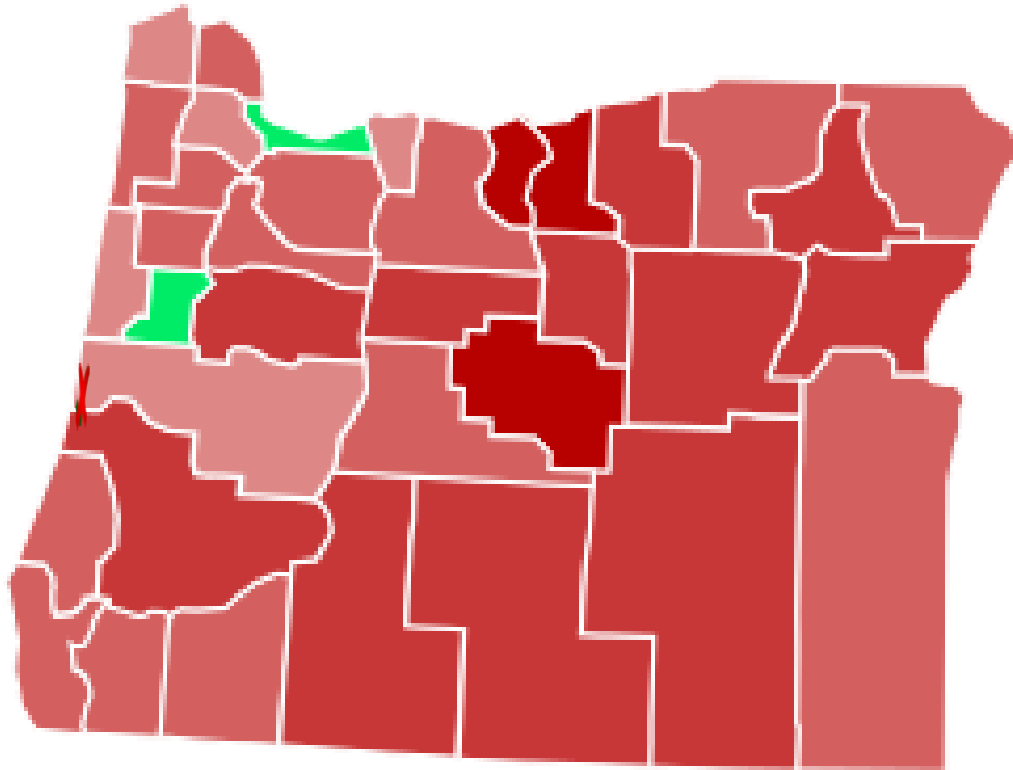
Ad in favor: <https://www.opb.org/news/series/election-2016/oregon-measure-97-corporate-tax-hike-tv-ads/>

Ad opposed:

[https://www.oregonlive.com/politics/2017/04/campaign\\_against\\_new\\_business.html](https://www.oregonlive.com/politics/2017/04/campaign_against_new_business.html)

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# 2016 Corporate Tax Ballot Measure Failed... badly



Results		
	Votes	%
Yes	808,310	40.97%
No	1,164,658	59.03%



# 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

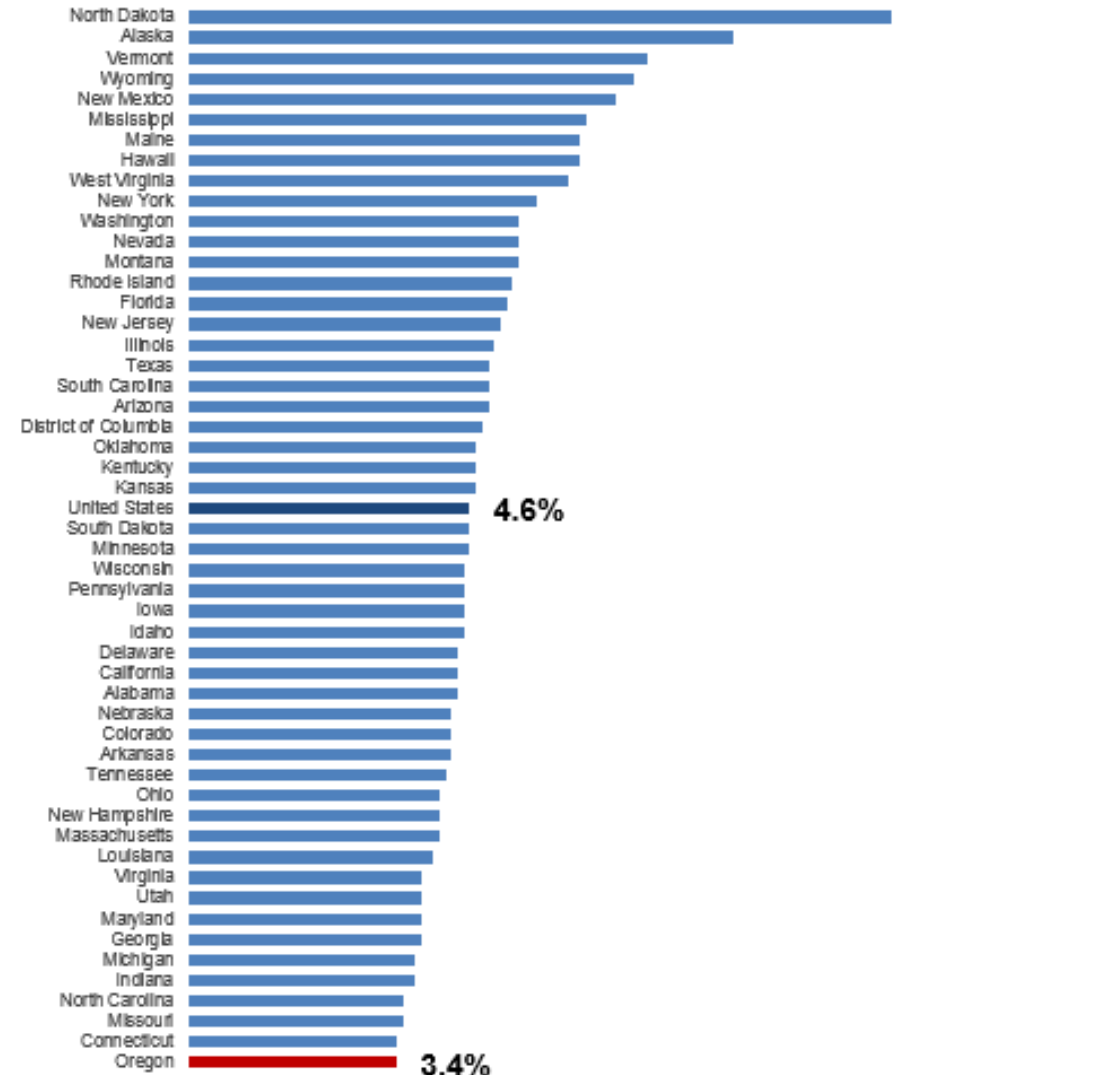
## Q 5: Is the tax progressive or regressive?

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.”

## Oregon's business taxes tied for lowest

(FY 2014 state and local business taxes as a share of private sector GSP by state)



Source: OCPP presentation of Council on State Taxation data.

## 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.

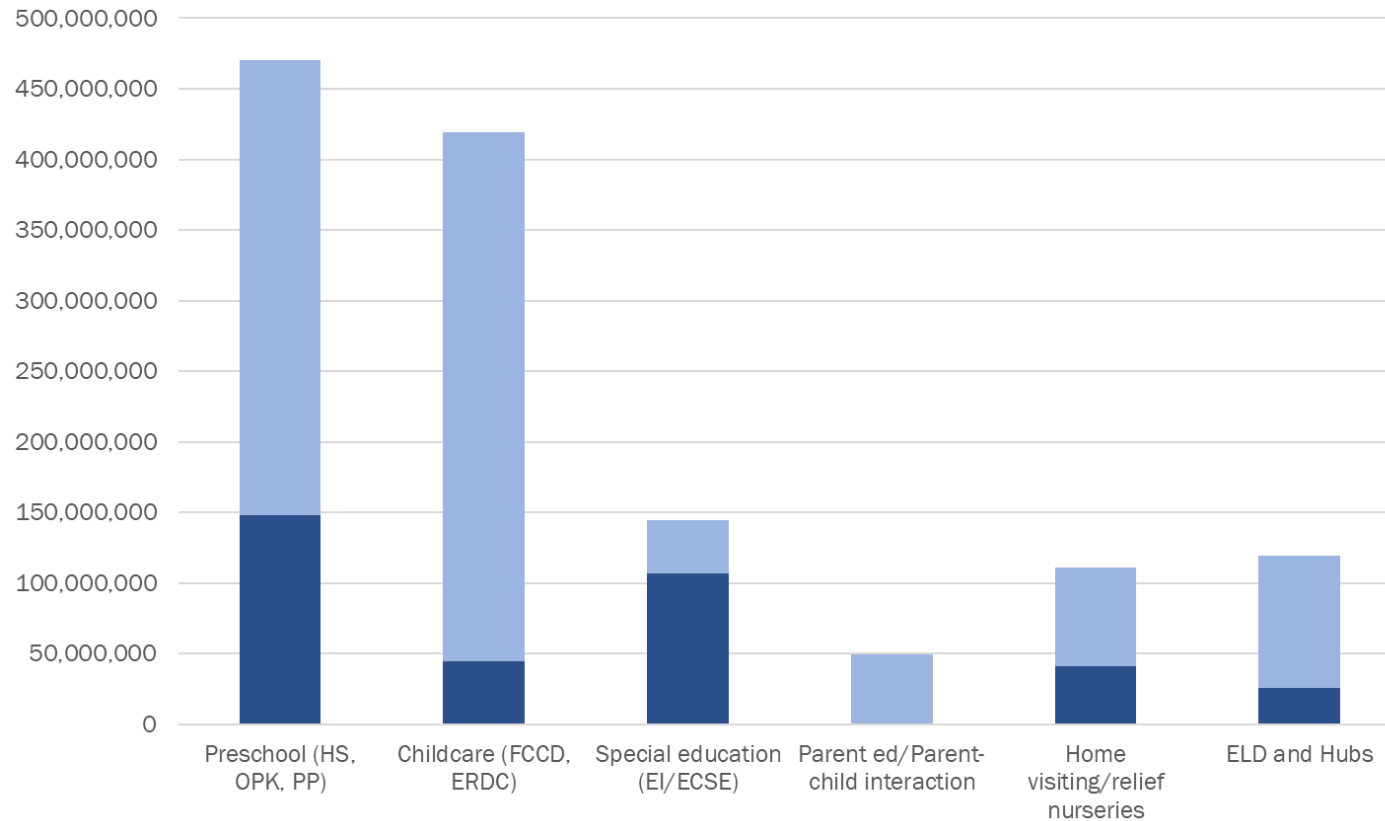
The Student Success Act investments will go directly to **expanding early education access**, decreasing class sizes, funding culturally specific programming, adding mental health resources for students, and restoring art, music, PE, and career training.

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](http://childinst.org/student-success-act-implementation)



[Childinst.org](http://Childinst.org)

[Facebook.com/ChildrensInstituteOregon](https://www.facebook.com/ChildrensInstituteOregon)

[Twitter.com/Childinst](https://twitter.com/Childinst)