PRIORITIZING OUR FUTURE
How cities and states dedicate funds for early care and education
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How Cities and States Dedicate Funds for Early Care and Education

January 2019

ACKNOWLEDGEMENTS
This report was developed by the Louisiana Policy Institute for Children (LPIC) in partnership with the Children’s Funding Project (CFP). Special thanks to Melanie Bronfin, JD, Executive Director of LPIC; Olivia Allen, Project Manager, CFP; and Heather Cope, Principal at Blue Otter Consulting for their research and writing.

The Louisiana Policy Institute for Children also thanks the W.K. Kellogg Foundation, Alliance for Early Success, Baptist Community Ministries, DJR Foundation, Zemurray Foundation, Huey and Angelina Wilson Foundation, Institute of Mental Hygiene, and Entergy for their generous support of this project. The views and analyses in this report are the responsibility of the authors alone.

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The Louisiana Policy Institute for Children is a non-partisan, non-profit, independent source of data, research, and information for policy makers, stakeholders and the public at large around issues related to young children in Louisiana. The Institute develops policy proposals informed by research, best practices, and the experiences of other states and performs educational and outreach activities around these recommended policy solutions.

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The Children’s Funding Project is a hub for leaders in cities and counties around the country who are interested in increasing and improving the return on their investments in children, youth, and families. The Children’s Funding Project seeks to consolidate and strengthen the guidance, examples, tools, and strategic support available to local leaders to analyze funding sources, identify opportunities for better alignment, generate new funding when needed, and measure investments based on evidence of what is working.

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INTRODUCTION

On November 7, 2006, voters in Arizona decided to tax themselves in order to increase their state’s investment in early childhood. Arizonans voted yes on Proposition 203, a citizen’s initiative ballot measure to increase state taxes on several tobacco products and specifically dedicate that new revenue to “early childhood development and health.” The initiative, now known as First Things First Arizona, is just one of many models for dedicating funding to early childhood care and education (ECE) and represents the demand for significant and sustained public investments in early childhood.

As Americans have come to understand the value of early childhood programs and supports, federal and state governments have been persuaded to increase their investments in early childhood: in Fiscal Year 2017, federal and state governments spent $29 billion on early care and education, and state governments alone increased funding for pre-K programs by $480 million, or 7%. Even so, these investments are a fraction of the funds necessary — an estimated $140 billion annually — to provide high-quality ECE to all children nationally.

Much of the funding for early care and education is allocated through the annual budget process, including in Louisiana, which leaves early childhood systems unable to count on a sustained investment. In the best of times, appropriations in the annual budget process are dependent on Congress and state legislatures, leaving the consistency of funding vulnerable to changes in political will. As it stands now, funding for children is projected to make up a shrinking percentage of the federal budget in coming years. Additionally, most, though not all, state funding has been targeted at pre-K programs that are often limited to 3- or 4-year-olds. While publicly funded pre-K programs are a critically important investment, funding programs only for 3- and 4-year-olds leaves most communities far from a comprehensive set of services and supports for families.

In Louisiana specifically, state funding for ECE has decreased over the last 10 years, while costs have gone up, due in large part to the rising quality standards under the state’s ECE accountability system. Legislatively controlled funding for state pre-K programs, which only include 4-year-olds, has gone from $83.5 million in Fiscal Year 2010 to $80.7 million in Fiscal Year 2019. These reductions have been offset by increases in federal funding available for pre-K programs for 4-year-olds — namely the Pre-K Expansion Grant and Title I, which nearly doubled funding from $28 million to $52 million during that same time — allowing the state to serve over 90% of 4-year-olds in need. Yet, funding for the Child Care Assistance Program, the only state administered program for children under age four, went from $122 million, including $6.6 million in state general funds, to $88 million, which includes no state general funds, in that same period. The number of children served in that program has gone from almost 40,000 to under 20,000 today. There is no state funding specifically dedicated for ECE in Louisiana.

Holes in funding for comprehensive early childhood systems necessitate that parents shoulder an often unrealistic financial burden. For example, the average cost of child care for an infant or toddler is approximately 17% of the national median income, a tremendous cost for families when unsubsidized. In Louisiana, child care is becoming increasingly cost prohibitive. Louisiana families with one infant and one preschooler experienced a 35% increase in child care costs between 2010 and 2016. Single parents in Louisiana pay 38% of their income for infant center care, and 45% of the state’s children are in single parent families. Some states and localities have developed creative public financing mechanisms to fill these holes with sustainable funding, often by dedicating public funding streams specifically to early childhood.
Public, dedicated funding streams for early childhood have emerged as models for financing child- and youth-serving systems. Often voter-approved, these streams demonstrate public desire for a continued financial commitment to affordable, high-quality pre-K and child care programs. While not necessarily easy to enact, dedicated revenue streams are both practical and attractive sources of funding for early childhood because they provide the sustainability and continuity required to build a true system of ECE supports and services.

This paper will highlight models of public, dedicated funding for early childhood to show the variety of creative financing mechanisms that states and localities have used to protect investments in early childhood from reallocation or reduction. The featured examples were selected for their focus on child care (an area of critical need in Louisiana) and their feasibility, both legally and politically, in our state. A range of models at both the state and local levels are discussed, with the hope that they will inspire and spark creativity to implement something similar in Louisiana, if not an exact replication.

For a full list of dedicated funding streams for early childhood at both the state and local levels, see Appendices A and B.

**State Funding Mechanisms**

**“Sin taxes”**

Sin taxes (e.g., excise taxes on certain “vices,” such as tobacco, gambling, alcohol, sweetened beverages) are a popular mechanism for financing supports for children, youth, and families. These taxes, designed both to generate revenue and discourage certain behaviors (like smoking, gambling, or consumption of alcohol or soda), are popular with voters as sources of funding for services for children, who are vulnerable to the second-hand consequences of these behaviors. A variety of sin taxes have been used to support early childhood in the United States, the most popular of which is the tobacco tax. In addition, a sweetened beverage tax currently supports early childhood education in Philadelphia. Previously, a now-defunct beer tax in Arkansas supported child care and pre-K for ages 0-5, and riverboat gaming fees (essentially a gambling tax) funded the Missouri Preschool Project until 2013.

**Tobacco taxes**

The opening of this brief introduced First Things First Arizona, a tobacco tax for early childhood levied by voters in 2006, making Arizona the second state, after California, to levy a tobacco tax primarily for early childhood. These two funding streams are some of the largest in the nation dedicated to early childhood at $358.3 million a year levied in California (California ties with Georgia’s $358 million lottery revenue dedicated to the state’s pre-K program) and $143.3 million in Arizona (fiscal year 2018). The size of these funding streams has allowed both states to dedicate funding to a broad set of system-building services in the early childhood space, administered both by a statewide board and regional councils.

- **First Things First Arizona** was created by a proposition known as the “Arizona Early Childhood Development and Health Initiative” and was designed to “provide dedicated funding to improve the quality, accessibility, and affordability of early childhood development opportunities in the setting of the parents’ choice.” Funding is administered by regional partnership councils that are tasked with “identifying and prioritizing the unmet need for early childhood development and health programs” in their respective regions and submitting a report on needs, assets, and coordination opportunities in their region to the Arizona Early Childhood Development and Health Board bi-annually, as well as a budget. The regional councils use funding to support
programs and services directly, as well as to make grants to public and private organizations, depending on the ability of the councils to independently meet the needs outlined in their biannual reports. The majority of funding is used to support quality child care and preschool (46%, or $66 million in Fiscal Year 2018) through quality improvement supports for providers and scholarships for children ages 0-5. Funds also go to:

- Strengthening families through voluntary parenting education and home visits (22%, or $31 million);
- Preventative health screenings, education, and referrals (10%, or $14.9 million);
- Workforce development scholarships and training for a broad range of early caregivers (4%, or $6.2 million);
- Family and community engagement (2%, or $2.8 million);
- Research (data collection) and evaluation (2%, or $2.5 million); and
- System coordination (1%, or just under $1 million).

The administration of these funds has also allowed systems to leverage additional federal funding. When the 2012 recession led to the elimination of all general fund appropriations for child care vouchers, the state of Arizona was unable to meet maintenance of effort requirements for receiving Child Care and Development Fund (CCDF) dollars from the federal government. First Things First coordinated with the governor’s office and the Arizona Department of Economic Security (lead agency for CCDF in Arizona) to create a memorandum of understanding certifying First Thing First’s investments in child care assessment, quality improvement, professional development, and scholarships as the necessary matching dollars for CCDF. This allowed Arizona to leverage approximately $37 million in federal child care subsidy dollars that the state would otherwise have been unable to draw down. This is just one example of the power of dedicated funding streams to secure sustained investments in early childhood.

- **First Five California** was also approved by voters, as the California Children and Families Act (Proposition 10) in 1998. Like First Things First Arizona, First Five California uses regional councils to administer funding, but is guided by slightly different funding priorities. Funding from First Five California is used for six focus areas: early learning and care quality improvement, effective interactions and teaching, positive parenting, smoking cessation, public outreach, and policy and advocacy.

Arizona and California’s dedicated tax increases for early childhood place their total tobacco tax rates above the national average. They have the 16th and 10th highest state cigarette taxes nationally. By contrast, Louisiana has the 37th highest tobacco tax rate. Arizona and California also have some of the lowest adult smoking rates (California is 2nd lowest nationally and Arizona ranks 17th lowest). In comparison, Louisiana is ranked 49th for our adult smoking rates. This is both a potential positive result of the use of a sin tax, as well as a major challenge: inherent in the use of sin taxes to fund early childhood is the danger that, if the tax works as intended, it will lower the use of the taxed product, lowering revenue for early childhood and compromising the sustainability of the funding stream. Some states, like California, are proposing solutions to this challenge that involve new sin taxes, such as on the budding marijuana industry. An additional challenge comes from the powerful lobbying groups funded by industries that are traditionally subject to sin taxes. These lobbies have the ability to drive up both the campaign and political costs of establishing a dedicated sin tax. The political pressure experienced by the mayor of Philadelphia in the process of establishing a sweetened beverage tax for pre-K, community
schools, and parks, and the recent Pennsylvania state supreme court case on the topic, are examples of the power of the soda lobby.\textsuperscript{xiv, xxv}

The dedication of funding from the Tobacco Master Settlement Agreement (MSA) has also been a popular way to finance early childhood. While not quite a sin “tax,” the MSA functions somewhat like an excise tax on tobacco, requiring tobacco companies to pay states sums based in part on the number of cigarettes sold. Four states have dedicated a portion of dollars from the MSA to ECE.

- **Missouri** (2013) — In 2013, the riverboat gambling fees previously dedicated to the Early Childhood Development, Education, and Care fund (ECDEC) were replaced by MSA dollars as the dedicated revenue source for the Missouri Preschool Project, child care subsidies, and other early childhood system supports and services.\textsuperscript{xxvi} House Bill 1731 requires that at least $35 million annually be transferred from the MSA to the ECDEC fund.

- **Kansas** (1999) — Funds from the MSA go into the Kansas Endowment for Youth Fund, which transfers a set percentage of funding to the Children’s Initiative Fund yearly. These funds are allocated by the Kansas Children’s Cabinet, which focuses primarily on services for early childhood, including home visiting, the Kansas preschool program, and child care assistance. In Fiscal Year 2017, $40 million from the MSA went to early childhood programs and services specifically.

- **Connecticut** (2014) — Annually, $10 million from the MSA goes to grants administered by the Connecticut Smart Start Program to local and regional boards of education to reimburse capital or operating expenses incurred for expanding or establishing a quality pre-K program.\textsuperscript{xxvii} This dedication must be reauthorized in 2024.

- **Kentucky** (2000) — One-quarter of funds are earmarked for early childhood development, equaling $23.5 million in Fiscal Year 2017.\textsuperscript{xxviii}

In Louisiana, tobacco taxes generated $314 million in Fiscal Year 2017 and are split between the state general fund (39%) and specific healthcare-related funds (61%). The healthcare-related funds support cancer research, smoking cessation treatment and marketing, children’s healthcare, school-based health clinics, and Medicaid. Approximately 60% of Louisiana’s MSA funds go to the Bond Security and Redemption Fund. The remaining 40% of funds are divided between health- and education-related funds. The education funds support financial assistance for students attending Louisiana postsecondary institutions through TOPS ($58 million in Fiscal Year 2018) and instructional enhancements for students in pre-K through grade 12 ($13 million for grades K-12 and $2.6 million for pre-K in Fiscal Year 2018).

**Lottery dollars**

Though traditional gambling taxes have previously been used to fund pre-K programs, lottery dollars are now the only gambling-related funding used for early childhood. In most cases, state legislatures have dedicated lottery funding broadly to the education system, which means that any dollars that reach early childhood flow through the state education agency’s budget process, or in North Carolina’s case, allocations are determined annually by the state legislature. However, two states have passed legislation that allocates a dedicated portion of lottery dollars to early childhood annually.

Lottery dollars are dedicated in part to both the **Georgia** and **Tennessee** quality pre-K programs for 4-year-olds. Tennessee’s dedicated lottery funding, though a much smaller amount of funding than allocated to Georgia’s pre-K program, is a more secure funding stream. The then-governor’s proposed Voluntary Pre-K for Tennessee Act of 2005 dedicated $25 million annually in excess lottery dollars
specifically to grants for establishment of quality pre-K classrooms.**xxix** Georgia’s pre-K program, Bright from the Start, received $358 million from the lottery in Fiscal Year 2017**xxx**, but shares the overall lottery revenue with a universal scholarship program for higher education. Either program could face a cut in funding for the benefit of the other program if the need continues to outpace the revenue generated by the lottery. The dedication of lottery dollars to Bright from the Start in the Georgia Lottery for Education Act made it possible for Georgia to transform its pilot program for at-risk children into the nation’s first state-level, “universal” voluntary pre-K program for all 4-year-olds (though demand for slots continues to outpace availability).

In Louisiana, lottery funds predominantly support the Minimum Foundation Program (MFP), the state’s K-12 school funding formula, providing $176.5 million for the MFP in Fiscal Year 2017.

**Land trust funds**

In 1867, **Nebraska** was admitted to the Union as its 37th state and was endowed by Congress with several million acres of land specifically for the “support of the common schools,” as all states joining the Union were at that time.**xxx** To this day, revenue generated from land sales and agricultural, mineral, and renewable energy leases managed by the Nebraska Board of Educational Lands and Funds is deposited into an Educational Lands and Trust Fund and used to support education.**xxxi** The amount of income generated by these lands continues to grow and is a sustainable source of revenue. Twenty other states use their land trusts for education, as well.**xxxii** In contrast, some states, like Louisiana, have sold all of their trust lands.

In 2006, Nebraska’s voters amended their state’s constitution to include early childhood education as a qualifying recipient of funds from the trust by changing the definition of a “common school.” This allowed funds from the Educational Lands and Trust Fund to be dedicated to the Nebraska Early Childhood Education Endowment (also known as the Sixpence Early Learning Fund) at a rate of $40 million annually.**xxxiv** The bill that established this endowment and dedicated the land trust funding — LB 1256 — also dedicated $20 million in private funding to the endowment, creating a public-private partnership that has been able to leverage additional state funding in recent years.**xxv** Resources from the fund are administered as grants that require at least a 50% match from the recipient. The name “Sixpence” was derived from the ability of every $1 of the original private contribution to the endowment to leverage a $6 return in blended public funding. Grants from this fund support a broad range of services for children ages 0-3, including family engagement, home-based family services, center-based early care and education, and school partnerships with center- and home-based child care providers.**xxxvi**

**Sales taxes**

While general sales and use taxes are often used by states for their general funds, one state dedicates a portion of sales tax revenue to early childhood. **South Carolina’s** 1984 Education Improvement Act (EIA) raised the state sales and use tax by one cent and required the revenue be collected in a fund separate from the general fund,**xxxvii** generating $15.5 million in Fiscal Year 2017. The bill outlined a comprehensive set of education reforms and included a mandate for funds to be spent on providing voluntary, half-day “early childhood development programs for four-year-old children who have predicted significant readiness deficiencies.” Though South Carolina has expanded its scope of state-funded pre-K programs since 1984, EIA-funding still supports these public school-based four-year-old kindergarten or “4K programs” for 4-year-olds who qualify as “most at-risk” in accordance with a county’s need and capacity.**xxxviii**
Inclusion in school funding formulas

As in South Carolina and several other examples, early childhood is often financed through funding dedicated to education more broadly. Inclusion of pre-K in a state’s constitutional definition of core educational services allows funding for pre-K programs to flow through the state education financing formula, and in many states, programs are offered in a wide variety of settings, including community-based program providers through local grants or contracts, also known as mixed delivery. Inclusion in school funding formulas has both pros and cons. While it affords some stability of funding by providing a more predictable stream of resources (as compared to grant-based funding for pre-K programs, for example), the level of funding allocated per child is subject to the amount of funding allocated by the legislature, which may choose to cover all eligible students or to cap available funding. Additionally, while some states have decided that all 3- and 4-year-olds are eligible for full-day pre-K via the school funding formula, others have limited eligibility by income, disability status, or other characteristics, and some only provide programs for a short portion of the day.

Currently, nine states plus Washington, DC, include funding for pre-K slots in their funding formulas: Colorado, the District of Columbia, Iowa, Kentucky, Maine, Oklahoma, Texas, Vermont, West Virginia, and Wisconsin. Eligibility for funding via the formula varies dramatically. For example, Vermont’s legislature passed Act 166 in 2014, which requires all school districts to make 10 hours per week for 35 weeks of high-quality pre-K available for all children ages 3-5 not enrolled in kindergarten, and in 2017 achieved 60% enrollment for 3-year-olds and 75% enrollment for 4-year-olds. By comparison, in Kentucky, state funding for pre-K is only available for 4-year-olds with family incomes under 160% of the federal poverty level (FPL) and all 3- and 4-year-olds with developmental delays or disabilities. Eligibility was recently expanded by the legislature from 150% to 160% of the FPL. The per-pupil funding amount also varies dramatically by state. The per-pupil amount for pre-K allocated through formulas ranges from just over half the per-pupil amount for K-12 students in Iowa to 1.28 times the amount for K-12 students in Wisconsin (pro-rated for number of hours covered by the programs).

Tax credits

Tax credits are currently being used and studied as a model for supplementing existing early childhood resources, particularly in the area of child care. They can be an effective, efficient means of incentivizing quality in a targeted way as is done currently in Louisiana. However, they are not a substitute for child care subsidies or a direct appropriation, as they are only paid once a year and not at the level needed to cover the cost of care. In addition, they are only effective as an incentive for low-income tax payers if they are refundable; they can also be difficult to distribute equitably and cannot entirely fund a system. Four states currently offer tax credits related to ECE:

- **Louisiana School Readiness Credits** are five refundable tax credits for a variety of child care-related expenses or activities structured to incentivize quality care. The parent and provider credits increase with the quality of the center; the teacher credit increases with the continued education/certification of the teacher and the amount of time spent in the child care sector; and the Child Care Resource and Referral Credit for businesses is a dollar for dollar credit to businesses for donations up to $5,000 to their local resource and referral agency. These credits have been used as the state match to draw down federal funding. They average around $17 million annually.

- **Oregon Child Care Contribution Credit** provides a 50-cent state tax credit (down from 75 cents before 2015) for every dollar donated to the Child Care Contribution Tax Credit Program/Child Care Fund. Contributions can be made, either in cash or by stock, by businesses or by
individuals. The only cap on funding is the $500,000 maximum credit annually. Funds are distributed to community agencies for the purpose of improving quality and affordability of child care in Oregon, with a specific focus placed on supporting professional development and bolstering provider wages.

- **Colorado Child Care Tax Credit** incentivizes monetary contributions to promote the accessibility, affordability, and quality of child care opportunities for Colorado children 12 and under. Taxpayers are eligible for an income tax credit of 50% of the total qualifying contribution, up to $100,000 annually. Qualifying donations must be made to licensed child care facilities and can be made for a variety of purposes, including to provide financial assistance with tuition for families, train child care providers, provide referral services, and establish or operate a child care center, among other purposes. In 2016, $50 million in donations were eligible for the tax credit, allowing the state to receive $50 million in child care funding for the price of $25 million in tax credits.

- **Pennsylvania Educational Improvement Tax Credit Program** allows businesses subject to certain taxes in Pennsylvania (corporate net income tax, malt beverage tax, etc.) to receive a tax credit for donations to an Educational Improvement Organization, Scholarship Organization, or Pre-Kindergarten Scholarship Organization (PKSO). In the case of donations to PKSOs, businesses receive a 100% tax credit on donations, up to $10,000 annually, and 90% on donations up to $200,000 annually.

**LOCAL FUNDING MECHANISMS**

Localities use many of the same funding mechanisms as states to dedicate resources to early childhood, but have also had the opportunity to explore additional mechanisms, dependent on any restrictions in their respective state constitution or laws. Localities have used taxes on tobacco, alcohol, soda, gambling and gaming, marijuana, and lottery dollars, as well as a variety of property taxes, sales taxes, income taxes, and budget set-asides to guard early childhood funding from reallocation or reduction. For the most part, local dedicated funding for early childhood primarily relies on sales and property taxes.

**Sales taxes**

Examples include Pre-K 4 San Antonio, Denver’s Preschool Program, and Kids First for child care and affordable housing in Aspen, Colorado. Though this is a simple tool for generating new revenue, sales taxes may be seen as regressive and their use by localities requires enabling legislation in some states.

- **Kids First (Aspen, CO)** — Funded through a 0.45% sales tax levy that splits its revenue between supporting child care and affordable housing. Kids First is a department of the City of Aspen that acts as a funding administrator and early childhood resource center. Funding is used to provide financial aid for child care to parents; technical assistance, resources, and coaching to child care providers; and other child care and early childhood-related services.
Property taxes

A common mechanism for sustainable, dedicated, public financing for child and youth services, property taxes are how most public schools are funded. The ways in which taxes are levied can vary widely between localities.

- **Straight property tax (King County, WA)** — Approved by voters in 2015, the Best Starts for Kids fund is fueled by a six-year tax levy of 14 cents per $1,000 of assessed property value, which at an average cost of $56 per year for homeowners is estimated to raise $65 million in 2016 and nearly $400 million over the six-year period. The initiative provides comprehensive child development services, including a focus on prenatal to five strategies such as home-based services, connection to health services, training for child care providers on trauma-informed care, and developmental screenings.\(^{\text{lii}}\)

- **Combined with public school levy (Cincinnati, OH)** — In 2016, voters in the Cincinnati Public School District approved a referendum to levy an emergency school millage that increases property taxes by 7.93 mills for five years.\(^{\text{liii}}\) Funds raised by the millage are allocated to expand preschool access through Preschool Promise ($15 million) and to strengthen K-12 education ($33 million).

- **Pay in lieu of taxes, or PILOT (Memphis, TN)** — In addition to leveraging traditional property tax, Memphis funds its pre-K program in part with $60 million of expired PILOT revenue.\(^{\text{liv}}\) PILOT is a tax incentive that reduces the amount of property tax paid by a company for several years in exchange for bringing a business (and accompanying jobs and other economic boosters) to a locality. When PILOTs expire, companies begin paying the normal property tax rate. In Memphis, the additional revenue that the city will receive when companies begin paying the full property tax will be dedicated to pre-K. This method allows Memphis to capture new funding rather than reallocate existing funding.

- **Commercial real estate tax (San Francisco, CA)** — In June 2018, voters in San Francisco authorized an additional commercial real estate tax on landlords with annual gross receipts over $1 million.\(^{\text{lv}}\) The commercial real estate tax is estimated to generate $146 million annually, 85% of which will be dedicated to child care and early education for children ages 0-5.

- **Special taxing districts (Florida)** — Florida is the only state with enabling legislation that allows for the creation of special taxing districts for child and youth services. Special taxing districts are geographic areas (districts) that levy a property tax for a dedicated purpose. Special taxing districts are often used for airports, libraries, fire services, or wastewater treatment. These Florida districts are created by voter-approved ballot measures and governed by quasi-governmental bodies called independent Children’s Services Councils (CSCs).\(^{\text{lvii}}\) Florida has eight independent CSCs that devote different amounts of funding to early childhood services and supports, depending on the needs and will of their communities.

**CONCLUSION**

While Louisiana has made some investment in early childhood, the absence of a dedicated public funding stream leaves us behind other states. In all regions of the country, states and cities are dedicating specific funding streams, especially sin taxes, for early care and education to ensure stable, secure funding for this critical time of life. It is time for early childhood to join K-12 and higher education in receiving stable, consistent funds in Louisiana’s budget.
Currently, Louisiana spends less than ½ of 1% of its general funds on early care and education and is serving less than 15% of its children in need under age four. By contrast, two-thirds of young children in Louisiana have both parents — or their single parent — working, and child care costs almost as much as a public college tuition. As new funding streams become available, Louisiana should, like other states leading in this field, dedicate these new tax revenues for the care and education of our children birth through age three.

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Prioritizing Our Future: How Cities and States Dedicate Funds for Early Care and Education

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## State Dedicated Public Funding Streams for Early Care and Education

### Appendix A

### Prioritizing Our Future: How Cities and States Dedicate Funds for Early Care and Education

<table>
<thead>
<tr>
<th>State</th>
<th>Funding Mechanism</th>
<th>Amount of Funding Stream</th>
<th>Source of Funding Stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>Early Childhood Development and Health Initiative</td>
<td>$1.43 million (FY06)</td>
<td>Competitive grants from the Arizona State Board of Education</td>
</tr>
<tr>
<td>California</td>
<td>First Things First - Arizona</td>
<td>$1.35 million (FY12)</td>
<td>State Legislature and Governor's Office</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Kentucky Tobacco Settlement Master Fund</td>
<td>Approx. $3.4 million (FY17)</td>
<td>Kentucky State Legislature</td>
</tr>
<tr>
<td>Missouri</td>
<td>Tobacco Settlement Master Fund</td>
<td>Approx. $3.5 million (FY17)</td>
<td>Missouri State Legislature</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Connecticut Tobacco Fund</td>
<td>$10 million (FY14 - 2014)</td>
<td>Connecticut State Legislature</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Kentucky Tobacco Settlement Master Fund</td>
<td>Approx. $10 million (FY14 - 2014)</td>
<td>Kentucky State Legislature</td>
</tr>
</tbody>
</table>

Note: The table above highlights state dedicated public funding streams for early care and education. It includes information on the state, the specific funding mechanism, the amount of funding, and the source of the funding. The data is compiled from various sources, including state legislatures and state education departments. The information is subject to change based on annual legislative actions and budgetary allocations.
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<table>
<thead>
<tr>
<th>State/District</th>
<th>Year (Est.)</th>
<th>Funding Mechanism</th>
<th>Source of Funding Stream</th>
<th>Aim of Funding Stream</th>
<th>Amount of Funding Stream (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pennsylvania</strong></td>
<td>2001</td>
<td>Earned Income Tax Credit/Educational Improvement Tax Credit (EITC)</td>
<td>Educational Improvement Organization, Scholarship Organization, Pre-Kindergarten Scholarship Organization</td>
<td>Provide funds to children with low income, expand access to preschool, reduce poverty, and support early childhood education</td>
<td>$25 million (2016)</td>
</tr>
<tr>
<td><strong>Colorado</strong></td>
<td>2004</td>
<td>Tax Credits</td>
<td>Non-profit Pre-Kindergarten Scholarship Organizations</td>
<td>Provide funding for early childhood education and care, including scholarships and grants to families</td>
<td>Varies based on amount contributed.</td>
</tr>
<tr>
<td><strong>Oregon</strong></td>
<td>2003</td>
<td>Tax Credits</td>
<td>Oregon Child Care Contribution Tax Credit</td>
<td>Provide funding for early childhood education and care, including scholarships and grants to families</td>
<td>$991,800 in credit available as of September, 2018</td>
</tr>
<tr>
<td><strong>Louisiana</strong></td>
<td>2008</td>
<td>Tax Credits</td>
<td>Louisiana School Readiness Tax Credits</td>
<td>Provide funding for early childhood education and care, including scholarships and grants to families</td>
<td>$17 million (FY19)</td>
</tr>
</tbody>
</table>

### Access the full report at www.policyinstitutela.org
Prioritizing Our Future: How Cities and States Dedicate Funds for Early Care and Education

State Dedicated Public Funding Streams for Early Care and Education

Appendix A

Access the full report at www.policyinstitutela.org

http://kschildrenscabinet.org/
https://kidsnow.ky.gov/Pages/index.aspx
https://www.tobaccofreekids.org/assets/factsheets/0365.pdf
http://decal.ga.gov/
https://www.tn.gov/education/early-learning/voluntary-pre-k.html
https://www.tn.gov/education/early-learning/voluntary-pre-k.html
https://www.singasongofsixpence.org/
https://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2008/pewpknfundingthefuturefeb2008pdf
http://revenue.louisiana.gov/IndividualIncomeTax/SchoolReadinessTaxCredit
http://oregonearlylearning.com/administration/tax-credit/
https://secure.sos.state.or.us/oard/displayDivisionRules.action;JSESSIONID_OARD=GeIOTXCsSLsswpB5RK-IjPdtyNv2EqyN_mDZTKjLeDL4iufQBvam!143575988?selectedDivision=1917;http://library.state.or.us/repository/2013/201306141140185/index.pdf
https://oregonearlylearning.com/administration/tax-credit/#overview
https://www.colorado.gov/pacific/sites/default/files/Income35.pdf
https://dced.pa.gov/download/eitc-pre-k-organization-guidelines/?wpdmdl=84183
http://www.cpbj.com/article/20180627/CPBJ01/180629911/educational-tax-credit-program-to-expand
Local Dedicated Public Funding Streams for Early Care and Education

<table>
<thead>
<tr>
<th>Amount of Funding</th>
<th>Aim of Funding Stream</th>
<th>Source of Funding Stream</th>
<th>Funding Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>$58 million annually</td>
<td>Early Learning contracted with schools to provide the SP.</td>
<td>Property Tax (2014) in Seattle, WA</td>
<td></td>
</tr>
<tr>
<td>$42 million annually</td>
<td>Oversight body and the City of Seattle’s Department of Education and Early Learning to ensure access to programs and services, including child care, nutrition, and health programs. The Seattle PreK 4 SA is a department of the Seattle Public Schools.</td>
<td>Property Tax (2002) in Portland, OR</td>
<td></td>
</tr>
<tr>
<td>$36.5 million annually</td>
<td>The Portland Children’s Levy is invested in an effort to bolster child care support and early childhood programs.</td>
<td>Sales Tax (2016) in Seattle, WA</td>
<td></td>
</tr>
<tr>
<td>$106 million annually</td>
<td>The Denver Preschool Program (DPP) is an independent, nonprofit that administers funding for a voluntary, high-quality, full-day preschool program in a department of the Denver City and County of Denver.</td>
<td>Sales Tax (2006) in Denver, CO</td>
<td></td>
</tr>
<tr>
<td>$1.3 million annually</td>
<td>The City of Aspen and Pitkin County levy a 0.45% sales tax dedicated to a broad range of child care.</td>
<td>Sales Tax (1990) in City of Aspen &amp; Pitkin, CO</td>
<td></td>
</tr>
</tbody>
</table>

Only includes dedicated funding streams, which cannot be reallocated or reduced via the traditional budget process.
### Appendix D

**Local Dedicated Public Funding Streams for Early Care and Education**

- **Amount of Funding**
  - **Kansas City, MO**
    - $15 million annually
  - **Cincinnati, OH**
    - $50 million (50% of the local levy), $35 million

- **Aim of Funding Stream**
  - Kansas City Initiative Best Starts for Kids
    - Provides comprehensive funding
  - Cincinnati Preschool Promise
    - Administers this funding via RFP process

- **Source of Funding Stream**
  - PILOT (pay in lieu of taxes) is a tax incentive that reduces the amount of property tax paid by businesses in exchange for bringing a project to a region.

- **Funding Mechanism (per EFR)**
  - **King County,** WA (2015)
    - Voters approved the initiative for kids

### Source of Funding Stream

<table>
<thead>
<tr>
<th>Locality</th>
<th>Amount of Funding</th>
<th>Aim of Funding Stream</th>
<th>Source of Funding Stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kansas City, MO</td>
<td>$15 million annually</td>
<td>Kansas City Initiative Best Starts for Kids</td>
<td>PILOT (pay in lieu of taxes)</td>
</tr>
<tr>
<td>Cincinnati, OH</td>
<td>$50 million (50% of the local levy), $35 million</td>
<td>Cincinnati Preschool Promise</td>
<td>RFP process</td>
</tr>
</tbody>
</table>

### Access the Full Report on WWF’s Policy Initiative

#### Local Dedicated Public Funding Streams for Early Care and Education

**Prioritizing Our Future: How Cities and States Dedicate Funds for Kids**
Some Florida Children’s Services Councils are Pending litigation as of January 2019.

In 2017, the Philadelphia City Council passed Mayor Jim Kenney’s proposal for a sweetened beverage tax. In November 2016, Dayton voters approved Issue 9 – an income tax increase in order to fund early childhood education. In 2016, the Philadelphia City Council passed Mayor Jim Kenney’s proposal for a sweetened beverage tax. In 2016, the Philadelphia City Council passed Mayor Jim Kenney’s proposal for a sweetened beverage tax.

### Table: Local Dedicated Public Funding Streams for Early Care and Education

<table>
<thead>
<tr>
<th>Amount of Funding</th>
<th>Aim of Funding Stream</th>
<th>Source of Funding Stream</th>
<th>Funding Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Local</td>
<td>County</td>
<td>Special</td>
</tr>
<tr>
<td>12 months</td>
<td>(first)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(second)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(third)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(fourth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(fifth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(sixth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(seventh)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(eighth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(ninth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(tenth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(eleventh)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>12 months</td>
<td>(twelfth)</td>
<td>FJ7.6 million</td>
<td>1.3 million</td>
</tr>
</tbody>
</table>

### State Early Care and Education (FY18)

- **Preschool Promise Funds**
  - Delivers high-quality preschool slots for children ages 3 and 4
  - Some funds dedicate considerable resources to early childhood through different programs

### Income Tax/Amended Budget Set

- **Philadelphia**
  - Source of Funding Stream: Local
  - Funding Mechanism: Budget Set

### Tax

- **PA (2016)**
  - Source of Funding Stream: Local
  - Funding Mechanism: Tax

### Sweetened Beverage

- **San Francisco**
  - Source of Funding Stream: Local
  - Funding Mechanism: Sweetened Beverage
Local Dedicated Public Funding Streams for Early Care and Education

Appreciation

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PRIORITIZING OUR FUTURE
How cities and states dedicate funds for early care and education

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