



State Dedicated, Public Funding Streams for Early Childhood

Summary

While states and the federal government have increased investments in early care and education (ECE) in recent years, most funds are allocated via the annual budget process, including in Louisiana, which leaves ECE systems unable to count on a sustained investment. In the best of times, appropriations in the annual budget process are dependent on legislatures, leaving the consistency of funding vulnerable to changes in political will.

Some states and localities have developed dedicated public financing mechanisms to provide sustainable funding specifically for ECE. 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 sustainable sources of funding for ECE.

Funding Streams in Other States

- § **Tobacco Tax:** Arizona and California voters approved a dedicated tax, generating \$143.3 million and \$358.3 million, respectively, in FY2018 for early childhood.
 - ⇒ Louisiana's tax rate of \$1.08 per pack of cigarettes is among the lowest third of tax rates in the country. Tobacco tax revenues generated \$314 million in FY2017 and are allocated to healthcare, Medicaid, and the state general fund.
- § **Tobacco Master Settlement Agreement Funds:** Connecticut, Kansas, Kentucky, and Missouri allocated some or all of their settlement funds for early childhood, with annual allocations ranging from \$10 million to \$40 million.
 - ⇒ Louisiana divides its settlement funds between bonds, children's healthcare, and education. Education allocations provide funding for TOPS, \$58 million in FY 2018, and instructional enhancements in pre-K through grade 12, including \$13 million for grades K-12, and under \$3 million to pre-K.
- § **Lottery Funds:** Georgia dedicates 25% of lottery revenues to fund the state pre-K and HOPE scholarships programs, generating \$358 million in 2017. In Tennessee, \$25 million of excess lottery taxes are allocated for voluntary pre-K.
 - ⇒ In Louisiana, state lottery revenues are predominantly allocated to the Minimum Foundation Program (MFP), which funds grades K-12. In 2017, \$176.5 million was allocated to the MFP and \$500,000 to the Compulsive and Problem Gambling Program.
- § **Sales Tax:** South Carolina levies a one-cent sales tax specifically for districts with students demonstrating a financial or special education need, generating \$15.5 million in FY2017.
 - ⇒ The entirety of Louisiana's sales tax revenues, \$3.86 billion in FY2017, is allocated to the state general fund.
- § **School Funding Formula:** Colorado, the District of Columbia, Iowa, Kentucky, Maine, Oklahoma, Texas, Vermont, West Virginia, and Wisconsin fund pre-K programs through the state's school funding/education finance formula. Allocations range from \$19 million in Maine to \$1 billion in Texas.
 - ⇒ Louisiana's school funding formula, the MFP, provides funding only for grades K-12 in public schools and districts. In FY2018, the allocation was \$3.7 billion.

Conclusions

- Other states have specific funding streams for ECE to ensure stable, secure funding for this critical time of life. Sin taxes have been the most popular funding source for this purpose.
- Louisiana has used many of those same funds for education — but almost exclusively for K-12 or higher education.
- As new, similar funding streams become available, it is hoped that Louisiana, like other states leading in this field, will use new tax revenues for the care and education of children birth through age three.
- Currently, Louisiana spends less than ½ of 1% of its general funds on ECE 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 working, and child care costs almost as much as a public college tuition.