Leaders and Champions

The Role of State Legislators in Strategic Public Financing

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Over the past decade, visionary state legislators have led and/or championed sustainable public revenue sources that support critical programs and services for the children and youth in their states. These policymakers work collaboratively with advocates, funders, service providers, and families to

- identify and track their state's existing financial resources,
- quantify the costs associated with new and existing programs that serve children, and
- secure new sources of funding to meet their state's goals.

Together, these three actions allow states to fund services for children and youth in sustainable and equitable ways through a process we call strategic public financing.

What Is Strategic Public Financing?

Strategic public financing is a process that assigns a cost to the goals and policy priorities a state or community has for its children and youth—and identifies ways to cover that cost. The process is guided by three essential questions:

1. How much funding do we currently have?
2. How much funding do we need?
3. How do we fill the gap between our existing funding and the amount we need to achieve our goals?

On the surface, these questions may seem simple. But answering them requires input and collaboration from state and local leaders inside and outside of government to develop a comprehensive picture of the financial resources available to support children.

How Can State Legislators Support Strategic Public Financing?

Before diving into strategic public financing, it's important that each state has a clear plan outlining its goals or priorities for children and youth. Then, state legislators can answer the question, "What do we want to support with state dollars?" Legislatures can pass legislation to create a task force to manage this kind of strategic planning, as Minnesota did with the Great Start for All Minnesota Children's Task Force.

Once state leaders have identified their goals and priorities for children, they can determine how to pay for the programs and services that will enable the state to achieve those goals. State legislators play a critical role at each stage of the strategic public financing process. They can guide their state to answer the three central questions mentioned above, regardless of where in the process the state begins. Because of their influence, legislators' public support and ability to bring together relevant stakeholders can make or break strategic public financing efforts.

Step 1: How Much Funding Do We Currently Have?

To find out how much funding a state currently has, legislators can advocate for a state fiscal map. A fiscal map is a tool for analyzing public spending at the city, county, state, or federal level.

State legislators can take the following actions to support fiscal mapping:

- Pass legislation that requires an annual fiscal map or children's budget, following in the footsteps of Tennessee, Illinois, Rhode Island, and New Mexico. The fiscal maps and/or children's budgets

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in these states track state investments in children and youth programming and allow legislators to support targeted new investments over time.

- In states that have a children's cabinet, task those leaders with overseeing the fiscal mapping process and recommending actions aligned with investment trends.
- Champion the fiscal map and encourage state agencies to prioritize fiscal mapping work so they willingly share fiscal data.
- Connect with and learn from entities actively engaging in fiscal mapping or budget analysis centered on children and youth. These entities can include a legislative fiscal office, KIDS COUNT state organization, budget organizations, university partner, or collective impact intermediary organization.

STATE SPOTLIGHT: TENNESSEE

In 2008, Tennessee's General Assembly passed legislation requiring the Tennessee Commission on Children and Youth to produce an annual Resource Map of Expenditures on Children. The resource map documents all federal and state funding streams that support the health, safety, permanence, growth and development, and education of all children in Tennessee. It is intended to inform the General Assembly and governor's efforts to develop policy, set goals, and allocate resources in line with those goals. The legislation requires state departments to report expenditures annually to the commission.

Step 2: How Much Funding Do We Need?

To find out how much funding a state needs to achieve its goals for children, legislators can advocate for cost models. A cost model measures the *true cost* of equitably implementing, maintaining, or expanding a program or service for kids by examining a program's requirements, staffing needs, and other factors that influence costs. Ideally, communities and states should commission cost models for all the programs and services they currently fund and hope to implement for children and youth.

State legislators can take the following actions to support cost modeling:

- Pass legislation to convene a cost study task force, like Vermont.
- Champion the cost modeling effort to encourage state agencies to collect and share cost data.
- Review existing market rate surveys, cost studies, and publicly available cost calculator tools to advocate for additional investments to support children and youth and inform the state's budgeting process.
- Connect with and learn from entities actively engaging in cost modeling or cost estimation of child and youth programs and services. These entities can include a legislative fiscal office, university partner, or program specialists.

STATE SPOTLIGHT: VERMONT

In 2021, Vermont's legislature passed H.171/Act 45, a comprehensive child care reform bill that includes language authorizing a study to determine the cost of and potential long-term funding sources for a transformed child care system. The act requires the Vermont Legislative Joint Fiscal Office to contract with a consultant to complete the child care financing study. This bill laid the foundation for an accessible, affordable, high-quality, equitable child care system that children, families, communities, and economies need.

Step 3: How Do We Fill the Gap Between Existing and Needed Funding?

States can fill gaps with funding from a wide range of sources, from new taxes to setting aside existing funds from the state budget to partnerships between the state and private organizations. State legislators serve as important leaders and champions to help identify which approach is the best choice for their state.

State legislators can take actions such as the following:

- Advocate to dedicate some or all funds from a new source of state revenue toward programs and services for kids. For example, several states use new cannabis tax revenue to support after-school and summer learning programs.
- Advocate for setting aside a portion of existing state revenue specifically for programs and services for kids. For example, New Mexico recently set aside a portion of its Land Grant Permanent Fund revenue for early childhood. See the "State Spotlight" for more.
- Pass legislation tasking an agency, task force or commission with researching potential new sources of revenue the state could dedicate to programs and services for kids.
- Consult polling data (or commission a poll) to see which revenue sources voters would like to see support a specific child or youth program or service, as done in Louisiana.
- Pass state-enabling legislation that gives local communities the authority to levy and/or dedicate funding to child and youth services, as Colorado and Florida have done.
- Create a state matching fund that incentivizes localities to invest in children and youth, as Louisiana has done.
- Pass legislation to invest any state budget surplus in a dedicated fund for kids that grows over time to fund comprehensive programs and services for children and youth.
- Explore multiple emerging funding strategies that involve philanthropies, businesses, and governmental entities, like in Nebraska.
- Create a tax credit program to incentivize spending on high-quality programs (as in Louisiana) or to incentivize donations towards the programs (as in Oregon, Colorado, and Pennsylvania).

STATE SPOTLIGHT: NEW YORK

In April 2021, New York became the first state to allocate mobile sports betting tax revenue to a dedicated fund for sports programs for underserved youth. Championed by Assembly Member Monica Wallace and supported by 40 youth sports organizations from across the state, the legislation stipulates that 1% of state tax revenue from mobile sports betting would go to youth sports grants in the first year (an estimated $99 million), followed by a fixed annual amount of $5 million. The Office of Consumer and Family Services is in charge of developing and implementing the grant program, with the goal of addressing inequities in access to youth sports. Similar legislation followed in Ohio and Massachusetts, dedicating sports betting revenue to youth sports, after-school programs, and financial assistance for college students.

STATE SPOTLIGHT: NEW MEXICO

In January 2021, New Mexico state representatives introduced House Joint Resolution 1, a proposed amendment to the state constitution. The new constitutional amendment, which 70.3% of voters approved in November 2022, increases the percentage of revenue taken out of the state's Land Grant Permanent Fund from 5% to 6.25% every year and dedicates the additional $250 million in revenue to public K-12 education and early childhood programs and services. The Land Grant Permanent Fund, currently valued at $26 billion, accrues the profits that New Mexico receives from oil and gas companies that operate on state lands. The new funding expands child care and early education programs and home visiting services for tens of thousands of New Mexico's families.

Making the Case for Strategic Public Financing

Voters want to see their state and local governments invest more resources in child care, youth mental health services, out-of-school programs, and other opportunities for children and youth—and they're willing to contribute their own tax dollars to make that a reality. State legislators can draw on findings from our national voter poll and use our ready-made presentation slides to build support for strategic public financing. They also can use the talking points below:

1. Children's growth, development, and learning take place 24 hours a day, both inside and outside of a classroom. Supporting this development means providing comprehensive public funding to ensure all children come into the world healthy and have access to high-quality infant and toddler care, early childhood education, summer and after-school programs, mental health services, career-building opportunities, and young adult mentorship. If we don't think about our children's development in this way, we will fail them.
2. Research continues to demonstrate that services for children and youth provide great returns on investment for public dollars. But these less expensive and preventive services often do not receive the resources they need, which leads to reactive interventions that cost taxpayers more in the long run.
3. Strategic public financing is about transforming the way we think about funding. Instead of assigning an arbitrary amount of funding to programs and services, we conduct research to arrive at the true cost of achieving the goals we set for our children and youth and then create a plan to fund those needs.

Children's Funding Project is a nonprofit social impact organization that helps communities, states, and Native nations expand equitable opportunities for children and youth through strategic public financing. childrensfundingproject.org

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