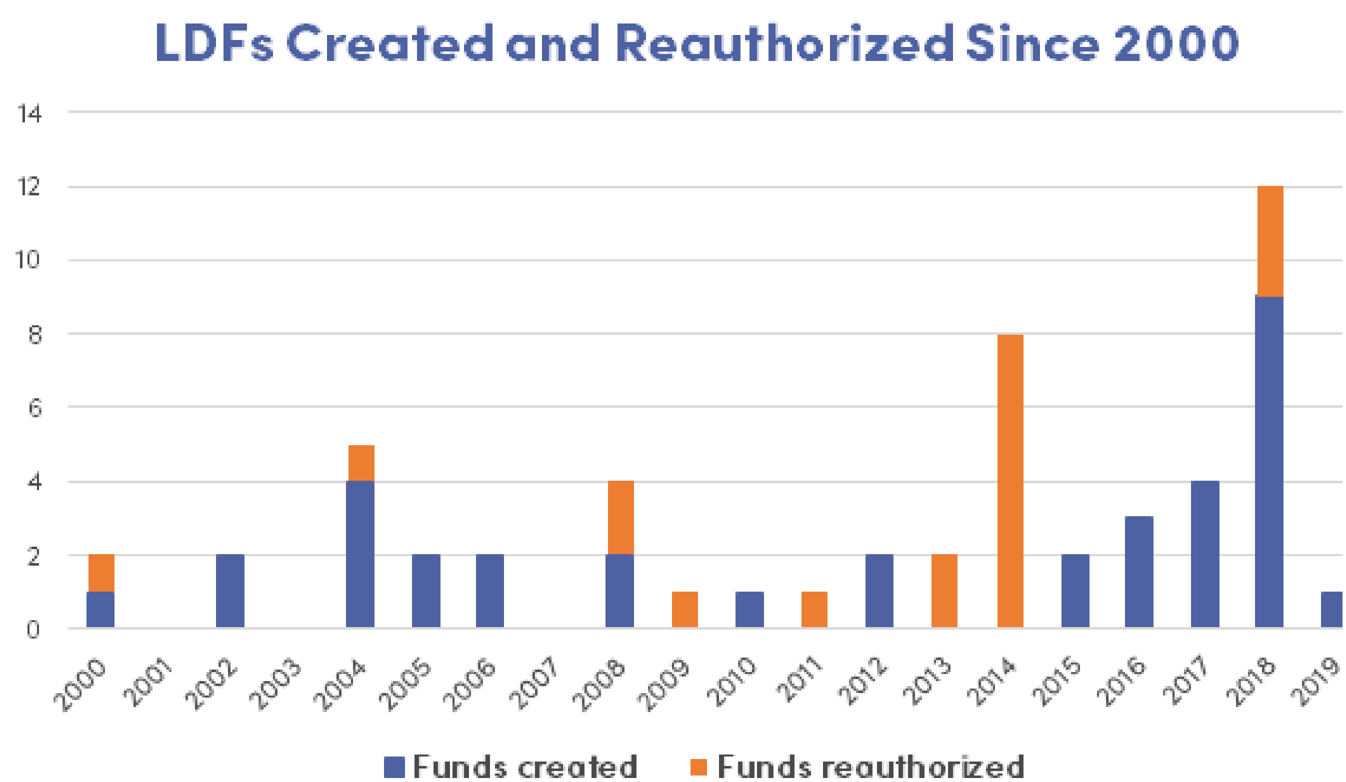
Local Dedicated Children's Funds and Recessions

How to create, reauthorize, and maintain your fund in the face of economic adversity

A local dedicated children's fund (**LDF**) is defined as public revenue that a jurisdiction has collected and dedicated to child and youth services beyond the K-12 school day. Often established by voter approval, the nature of these funds as sustained investments affords them a resilience that has allowed many of the forty-plus LDFs created since 1946 to survive several rounds of economic hardships and recessions.

What follows is an introductory report of the challenges faced and lessons learned by LDFs that were **created**, **reauthorized**, or **maintained** during the financial crisis of 2008 and the Great Recession that followed. We've organized this information into three sections:

- **Creating** a fund during a recession (for stakeholders that are considering creating a dedicated fund during an economic downturn)
- **Reauthorizing** a fund during a recession (for managers of LDFs who may need to campaign for reauthorization during an economic downturn)
- **Maintaining** a fund during a recession (for LDF administrators or stakeholders who are preparing to weather a recession and working to determine how best to serve their communities with potentially shrinking tax revenue)



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Creating an LDF during a recession

Consider your revenue generation mechanisms carefully

- While we don't recommend choosing your taxing mechanism (e.g. property tax, sales tax, budget set-aside, alcohol tax) based solely on potential future disasters, the current economic situation does have an effect on how voters interpret types of taxes at the ballot box. For instance, increases in property and sales tax rates have a greater immediate financial impact on the average taxpayer than a budget set-aside, which uses existing revenue. However, budget set-asides may be a hard sell to local elected officials that are attempting to balance the budget in a time of decreased local revenue. All of these considerations must be weighed when determining the right mechanism in challenging economic situations. For more on factors to consider when choosing a funding mechanism, see our paper here.
- If your campaign is already pursuing a tax that has a high impact on voters (e.g. sales tax), consider all options carefully, including postponing the measure for another election when the economic situation is healthier or reducing the amount of the increase. If postponing, be sure to continue educating the public through the down year rather than stopping operations completely. Focus on your messaging - especially on how the recession is affecting kids in your community - and building a diverse coalition for the following election.

Use evocative language

- While a recession is in effect, voters tend to respond to language that highlights the *need to support kids* over the *actual services* that will be provided by the measure. This same messaging is effective for campaign fundraising. Recessions should be a cause for large funders to support children's services even more than they already do. When raising money from large funders, focus on the disproportionate effects of the recession on kids and how their investment in this campaign will secure a large sustainable funding stream for years to come.

Case Study: Missouri

In the November 2008 election, Franklin County and St. Louis County, Missouri each had a children's services initiative on the ballot. With the stock market's largest single day drop just a month prior, campaign organizers shifted their messaging to focus on the importance of supporting kids rather than emphasizing the services the initiative would fund. Since they knew their initiative would be the last item on the ballot, they told voters to "go to the end of the ballot to put kids first." Both campaigns also began using more local-focused messaging, emphasizing that voters would be able to see the impact of their tax dollars in their own community.

Both funds passed with a simple majority. Together, they now provide behavioral health and prevention services to over one million kids with $45 million in annual revenue.

Reauthorizing an LDF during a recession

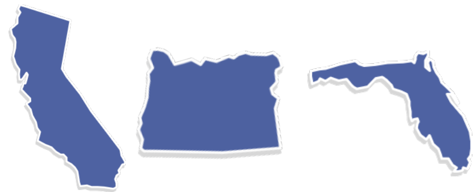
More often than not, the public is your friend

- LDF ballot initiatives, while sometimes challenging to initially pass, are often rewarded by increasing general support among the public over time. During reauthorization campaigns, organizers have found success with voters by highlighting the benefits of the programs and services funded in the community.

- City and county administrators, under pressure to reduce tax rates during recessions, may push back on reauthorizing your fund. Rely on the public here; make your case by conducting a public opinion poll, which can frame the issue as a political win for elected officials.

All contexts are different

- The period between reauthorizations may be a couple of years to over a decade in length. It's impossible to know what the exact economic conditions will be like when the vote will take place, making it important to build trust around the fund's administering infrastructure through transparent reporting and community involvement.



Case Studies: Oakland, CA, Portland, OR, and Florida

Oakland, CA and Portland, OR were two LDFs that pursued reauthorization in the years directly following 2008. Both funds had strong reporting frameworks and, relatedly, public support. Thanks to these efforts, neither fund had trouble succeeding, despite the economy's dire state in 2008 and 2009. They both passed with 72% support from voters.

A few years later in 2014, the LDF in Palm Beach County, FL - the largest in the country - pursued reauthorization. The fund prioritized building a strong relationship with the public since its founding in 2000, and the public responded by reauthorizing the LDF with 85% of the vote. These impressive numbers were matched by two other Florida LDFs seeking reauthorization that same year in Okeechobee County and Martin County.

To our knowledge, no LDF has ever failed to be reauthorized.

Maintaining an LDF during a recession

Build and maintain a reserve fund if possible

- Depending on the legislation authorizing an LDF, it may or may not be possible to build a reserve from unspent funds during good years. If possible, this can buffer against the reduction in tax revenue that will likely occur during down economic periods, particularly when programmatic needs increase.

Try to reduce grants rather than ending programs

- When cuts to children's programs and services are necessary, it is usually better to reduce the amount of funding given to programs that are run well rather than cut them completely. Ending effective programs damages relations with community organizations and can make it harder to work with them in the future, especially as laid-off or furloughed staff members move on. It also costs more to restart a program or nonprofit than to retain it on a reduced budget.
- Use a scalpel, not an axe, when deciding which programs to cut and assume that any program you cut may never come back. Rather than making across-the-board cuts to seem "fair," identify programs that aren't demonstrating improved outcomes, meeting requirements, or complying with data requests. Additionally, examine cutting programs or elements of programs that are temporary in nature, e.g. week-long camps and once-weekly activities, that may be less essential for your community.

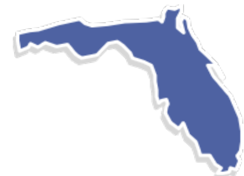
Be flexible in how program funds are utilized

- During a recession or similar emergency, organizations may find themselves better able to serve the community through programs not identified in the original grant. If possible, these pivots should be accepted and even encouraged, as community organizations may be best positioned to reach children and families during emergencies.

Collaborate with other agencies

- In the best case scenarios, emergencies bring separate organizations together to collaborate at a single table out of necessity. These collaborations are important to reduce redundancies and also share responsibilities. If your LDF is hit comparatively hard by a recession, try looking for opportunities to share grant responsibilities among other levels of government or with different agencies. This is easier if your community already has an infrastructure for child-serving agencies to come together, such as a children's cabinet.

Case Study: Broward County, Florida



With an annual revenue of nearly $100 million, Broward County's LDF is one of the largest in the country. During the 2008 recession, fund administrators emphasized the importance of having a reserve fund throughout. This made the needs for cuts less severe, and the fund was able to be more careful with where to cut back. For example, the LDF funded an afterschool program that ran throughout the week, including on non-school days, when attendance was lower. After analyzing attendance data, the fund administrators made a decision to reduce the program to run only on school days. This way they were able to keep the program while also saving money. Although the Broward County LDF did make cuts to the programs themselves, the fund never reduced the number of children served at any point throughout the recession.

Case Study: Portland, OR

While Portland reauthorized their fund in 2008, they did not feel the full effects of the reduced property tax income to the fund until a few years later. With a reduced income, they were forced to consider funding cuts to the organizations they provided grants for. However, by then, county revenue had begun to recover. The administrators of Portland's fund partnered with the county to have them take over some of the grants that the city originally presided over.

Children's Funding Project (CFP) was established to help communities with the 'how' of local dedicated funding. CFP and its technical assistance consortium of experts can help communities quantify their funding gap, identify revenue mechanisms, develop effective messaging, conduct polling, build coalitions, and coordinate campaigns. For a constantly-updated map of LDFs across the country, including type of tax, amount raised, and contact information, please see [our website].

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