Leaders and Champions

The Role of State Legislators in Strategic Public Financing

June 2023

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. Consequently, visionary state legislators have led and/or championed sustainable public revenue sources that support critical programs and services for children and youth. 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 sustainably and equitably fund services for children and youth through a process we call strategic public financing.

What Is Strategic Public Financing—and Why Does It Matter?

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. Three essential questions guide this process:

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 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 and youth. Legislators’ public support and ability to bring together relevant stakeholders can make or break strategic public financing efforts.

How Can State Legislators Support Strategic Public Financing?

To begin, state leaders must outline their priorities for children and youth. Then, they can determine what efforts to support with state dollars through strategic public financing. 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.

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 previously, regardless of where in the process the state begins. (See the sidebar “Making the Case for Strategic Public Financing” on page 3 for additional ways state legislators can advocate for strategic public financing.)

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.

HOW TO SUPPORT FISCAL MAPPING

- Find out if any groups in your state already have a fiscal map or budget analysis centered on children and youth. These groups can include a legislative fiscal office, KIDS COUNT state organization, budget project organization, university partner, or collective impact intermediary organization.
• If your state has a children’s cabinet, task those leaders with overseeing the fiscal mapping process and recommending actions based on the analysis of the fiscal data.

• Champion the fiscal map and partner with the governor to encourage fiscal data sharing from agencies.

• If your state doesn’t have a fiscal map, pass legislation that requires one following in the footsteps of Tennessee, Illinois, Rhode Island, and New Mexico. (See the “State Spotlights” on page 3 for more information.) Annual fiscal maps and/or children’s budgets in these states track state investments in children and youth programming and allow legislators to support targeted new investments over time.

Step 2: How Much Funding Do We Need?
To find out how much funding a state needs to achieve its goals for children and youth, 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. Cost models provide legislators with the real (often big) dollar amounts needed to fund child and youth services to build buy-in from others.

HOW TO SUPPORT COST MODELING
• Find out if any groups in your state already have a cost model or cost study of child and youth programs and services. These groups can include a legislative fiscal office, budget project organization, university partner, or collective impact intermediary organization.

• Champion the cost modeling effort and encourage state agencies to prioritize cost modeling work so they are willing to share cost data.

• Review existing market rate surveys, cost studies, and publicly available cost calculator tools to educate colleagues, advocate for additional investments to support children and youth, and inform the state’s budgeting process.

• If your state doesn’t already have a cost model or cost study, pass legislation to require one, like Vermont. (See the “State Spotlights” on page 3 for more information.)

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 reprioritizing existing funds from the state budget to partnerships between the state and private organizations to new taxes. Legislators serve as important leaders and champions to help identify which approach is the best choice for their state.

HOW TO FILL THE FUNDING GAP
• 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 Spotlights” on page 3 for more information.)

• 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.

• Task an agency, task force, or commission with researching potential new sources of revenue the state could dedicate to programs and services for kids.

• Create a state matching fund that incentivizes localities to invest in children and youth, as Louisiana has done.

• 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 toward the programs (as in Oregon, Colorado, and Pennsylvania.)

• 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.

• 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.
State Spotlights

Fiscal Mapping: 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 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.

Cost Modeling: Vermont

In 2021, Vermont’s legislature passed H.171/Act 45, a comprehensive child care reform bill that authorizes 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 the accessible, affordable, high-quality, equitable child care system that children, families, communities, and economies need.

Sourcing Additional Funding: 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.

Sourcing Additional Funding: 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. Similar legislation followed in Ohio and Massachusetts, dedicating sports betting revenue to youth sports, after-school programs, and financial assistance for college students.

Making the Case for Strategic Public Financing

Policymakers 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 these talking points:

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 programs and services. 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.