

NEW ORLEANS EARLY CHILDHOOD EDUCATION TAX, APRIL 30, 2022

IN BRIEF

On April 30, New Orleans voters will decide whether to approve a new 5-mill property tax dedicated to programs and capital investments that provide childcare and educational opportunities for children who have not yet entered kindergarten. If approved, the City of New Orleans (City) would levy the early childhood education tax beginning in 2023. The tax would run for 20 years, expiring at the end of 2042.

The City Council has approved an agreement with the lead agencies for early childhood education in New Orleans – the local nonprofit organization Agenda for Children and the Orleans Parish School Board – that would govern use of the revenue during the tax’s first five years. The agreement directs the revenue to City Seats, an existing City-funded program that provides free early childhood education for economically disadvantaged children from infancy to 3 years old, and to initiatives that would expand the capacity and quality of local early learning centers and improve enrollment processes.

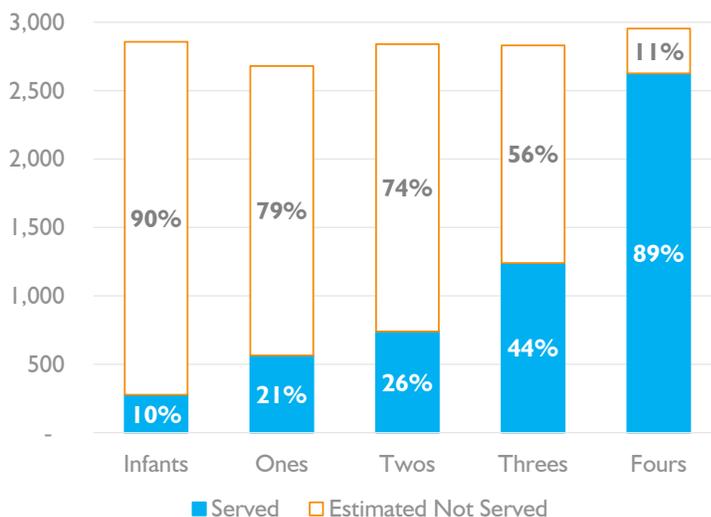
The City estimates gross revenue of \$21.3 million from the tax in its first year. If voters approve the proposition, homeowners will pay an additional \$50 annually on each \$100,000 of property value above the \$75,000 homestead exemption.

City officials, backed by a coalition of advocates, have prioritized financial support for early childhood education to improve school readiness, reduce poverty and crime, and improve New Orleans’ workforce and future economy. They say early childhood education requires local funding because state and federal funding is insufficient to assist all economically disadvantaged children under age 4. Publicly funded programs, including City Seats, currently support only one quarter of New Orleans children in this group, leaving an estimated 8,400 unserved.

About BGR's *On the Ballot* Series

This report is part of BGR’s *On the Ballot* series, which provides voters with objective, nonpartisan analysis of significant ballot propositions in the New Orleans metropolitan area. In producing these reports, BGR recommends positions consistent with its mission of promoting informed public policy making and the effective use of public resources to improve local government. *On the Ballot* reports highlight the strengths and weaknesses of ballot propositions and assess the potential for government expenditures or actions to efficiently achieve beneficial outcomes for citizens.

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ECONOMICALLY DISADVANTAGED CHILDREN SERVED THROUGH PUBLICLY FUNDED EARLY CHILDHOOD EDUCATION PROGRAMS IN NEW ORLEANS, 2021-2022

BGR analysis of data provided by Agenda for Children. The organization used the Louisiana Department of Education’s estimates of the number of economically disadvantaged children in each age group.

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In 2018, New Orleans became the first local government in Louisiana to fund early childhood education directly when it allocated \$750,000 to establish the City Seats program for 50 children. The City does not have a tax or other revenue source dedicated to early childhood education. Instead, it has relied on General Fund revenue. The City has increased funding for the program to \$3 million, which supports 200 children from households earning less than 200% of the federal poverty line (\$43,920 for a family of 3). Outside of Early Head Start, City Seats is the only publicly funded model operating in New Orleans that:

- Exclusively serves children under age 4;
- Includes additional quality requirements for participating early learning centers beyond State licensing provisions; and
- Provides wraparound services for children and families such as developmental and sensory screenings, parenting classes, mental health and trauma consultations and referrals, and social services for families in crisis.

The State of Louisiana (State) matched the City's \$3 million for City Seats for the first time in 2021, which allowed the program to serve an additional 200 children. The State relied on federal pandemic relief dollars because its early childhood education matching fund did not have a sufficient balance to match the City's funding. Depending on its balance and demand from other parishes and municipalities, the State's matching fund provides a dollar-for-dollar match for local funding to provide early childhood education to economically disadvantaged children.

While the City provides funding, it does not operate City Seats. Instead, it contracts with Agenda for Children to administer the program. Agenda for Children and the Orleans Parish School Board (School Board) are the lead agencies for the New Orleans Early Education Network, a nonprofit organization designated by the State to coordinate the parish's annual request for funding for certain early childhood education programs and oversee local childcare center quality assessments. The chief executive officer of Agenda for Children is a member of BGR's board of directors, but recused herself from the board's discussions of this report and its position on the tax in accordance with [BGR's Ethics Policy Statement](#).

REPORT HIGHLIGHTS

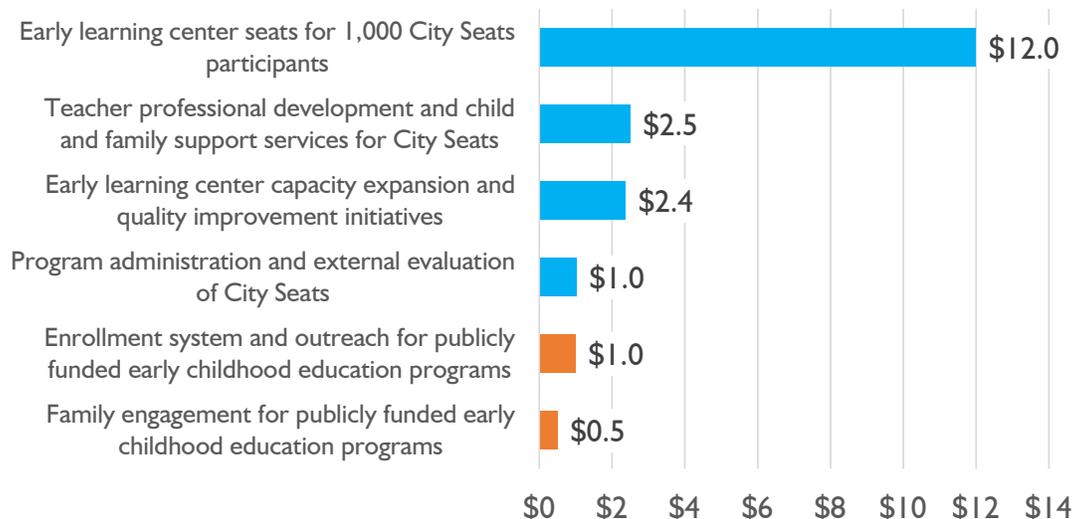
To analyze the proposition, BGR considered three questions that address the efficient and effective use of public resources: (1) Has the City carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars? (2) Is the tax an acceptable way to fund the purposes in light of alternative funding options? (3) Is there evidence indicating the tax would result in effective outcomes for the public? Based on this analysis, BGR found the following:

- The spending plan in the City's new agreement with the School Board and Agenda for Children strategically allocates the tax revenue to initiatives that align with clear early childhood education goals. The initiatives aim to

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PROJECTED ANNUAL EXPENDITURES FOR TAX-FUNDED EARLY CHILDHOOD EDUCATION INITIATIVES

(\$ millions)



The chart reflects net tax revenue of \$19.4 million. BGR estimated net revenue using the City's gross revenue projection of \$21.3 million as a base, applying the average collection rate and subtracting the assessor's fee and City collection fee. Agenda for Children would administer funding for initiatives shaded **blue** and the School Board would administer funding for initiatives shaded **orange**.

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increase access to early childhood education, improve the quality of available early learning programs and provide comprehensive child development services.

- The plan allocates the largest portion of the tax revenue to expanding City Seats to serve at least 1,000 children by 2024. High costs and limited public funding make access particularly challenging for the children City Seats serves. At the same time, national research finds that comprehensive early childhood education for children from low-income households can deliver strong returns on investment through its positive impacts on earnings, health and crime. City Seats' income and age requirements also ensure that New Orleans is eligible for the State matching funds for early childhood education, which would further increase access.
- The spending plan includes initiatives to increase the supply of seats at quality early learning centers, which is critical for ensuring City Seats can expand to serve at least 2,000 children as planned with the combination of the tax revenue and State matching funds. In addition, the creation of more capacity in New Orleans' early learning sector would help meet the projected citywide need for early learning options.
- The agreement includes several financial and programmatic reporting requirements and processes that promote strong financial stewardship and accountability for the tax revenue. It also requires an annual external evaluation of the tax-funded initiatives.
- While the 20-year duration of the proposed tax is twice the norm for property taxes in Louisiana, it could help assure the small business owners whose early learning centers provide the bulk of childcare for children under age 4 of the security of investments in center start-up or expansion, human resources and other improvements necessary to increase citywide access to quality early childhood education.
- The proposed tax would provide a stable revenue stream to support a larger City Seats program without reducing funding for other public services and programs.
- City Seats incorporates several practices that national early childhood education research has linked to improved child development and later-life outcomes that benefit participants and society. The revenue would also be eligible for a 100% match from the State each year, potentially doubling the tax's impact and increasing the percentage of New Orleans' economically disadvantaged 0- to 3-year-olds with access to publicly funded early childhood education from 25% today to 40% by 2024, assuming sustained funding for federal and State supported programs.

BGR POSITION

FOR. The tax would provide a stable revenue stream for significantly expanding City Seats, a well-designed early childhood education program established with City funding that serves economically disadvantaged New Orleans children ages 0 to 3. While substantial costs and limited public funding make access to early childhood education particularly challenging for this group, national research finds that providing high-quality early learning programs to low-income children can generate strong returns by increasing incomes, reducing crime and improving health. City Seats incorporates several practices that research links to improved social development, school readiness and later-life outcomes. Although during much of City Seats' four-year existence pandemic factors have limited the reliability of the nationally recognized assessments the program uses to measure early learning center and child performance, City Seats centers showed some early positive results. The program's age and income requirements also ensure that the tax revenue is eligible for a 100% match from the State of Louisiana, which could double the tax's impact and allow City Seats to serve at least 2,000 children annually – five times the current number. The spending plan for the tax revenue also includes critical funding to increase the capacity and quality of New Orleans' early childhood education sector so it can meet the projected citywide need.

The City and New Orleans' lead agencies for early childhood education have approved an agreement that would govern the tax revenue and direct it to various initiatives designed to grow City Seats, increase the capacity and quality of local early learning centers and improve the enrollment system for publicly funded programs. The agreement includes financial and programmatic reporting requirements that are essential for strong accountability. Its requirement for an annual external evaluation of program performance further supports effective use of the tax revenue. If properly fulfilled – and extended beyond the agreement's five-year term – these requirements should provide the City Council with the information necessary to evaluate the revenue needs of the tax-funded initiatives during the tax's 20-year duration.