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.

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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

### PROJECTED ANNUAL EXPENDITURES FOR TAX-FUNDED EARLY CHILDHOOD EDUCATION INITIATIVES ($ millions)

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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.
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.
INTRODUCTION

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 that would govern use of the revenue for the tax’s first five years. The agreement directs the revenue to City Seats, an existing City-funded program that provides free year-round early childhood education for economically disadvantaged children from infancy to 3 years old, and to initiatives to 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. For details and estimates of the proposed tax’s impact on individual taxpayers, see the sidebar “The Taxpayer’s Bottom Line.”

BGR prepared this report to provide voters with an independent, nonpartisan analysis to help them make an informed decision on the tax proposition. BGR’s analysis is grounded in its mission of promoting the effective use of public resources. The report also provides back-

THE TAXPAYER’S BOTTOM LINE

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. For example, the owner of a homestead-exempt property valued at $420,000 would pay $172.50 per year.*

In 2022, the total property tax rate on the east bank of New Orleans is 140.71 mills.** Assuming those rates remain the same in 2023, the early childhood education tax would bring the total rate to 145.71 mills and represent 3.4% of the new total, as shown in Chart A.

* The average sale price for a single-family home in Orleans Parish during the 12 months ending June 2021 was $420,000, according to data from the University of New Orleans Institute for Economic Development and Real Estate Research.

** Property owners on the west bank of New Orleans pay a slightly higher rate for flood protection – 12.26 mills – to the Algiers Levee District.
ON THE BALLOT: NEW ORLEANS EARLY CHILDHOOD EDUCATION TAX, APRIL 30, 2022

Background and current context for the proposed tax, as well as BGR’s position on the proposition.

**BACKGROUND**

The proposition is the City’s second attempt to secure dedicated property tax funding for early childhood education. In 2020, voters rejected a proposal to replace and redevalue four existing taxes (for libraries, housing and economic development, streets and traffic signals, and capital improvements) to a broader range of purposes while keeping the combined rate the same. The 2020 proposal included $1.5 million for early childhood education – a small fraction of what the current 5-mill tax proposition would generate solely for this purpose. BGR’s report on the 2020 tax redeclaration proposal concluded that the proposal did not give voters adequate information on the planned uses of taxes that would run for 20 years, although the spending plan concerns related to other components of the package rather than the early childhood allocation.3

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 assists a relatively small number of economically disadvantaged children under age 4.4

Table 1 provides an overview of the publicly funded early childhood education options in New Orleans, including City Seats. All the programs limit eligibility to economically disadvantaged children, but they serve different age groups and rely on different types of early learning providers. They also differ in the number of hours of care they provide and inclusion of additional support services for children and their families.

But as Chart B shows, these programs serve less than half of economically disadvantaged 3-year-olds, and even smaller percentages of infants and toddlers. Childcare costs for this age group tend to be higher because of the lower caregiver-to-child ratios required. Overall, the programs support only one quarter of economically disadvantaged children under age 4, leaving an estimated 8,400 unserved. The federal grant for the Birth-to-Three

| TABLE 1. PUBLICLY FUNDED EARLY CHILDHOOD EDUCATION PROGRAMS IN NEW ORLEANS, 2021-2022 |
|---------------------------------|----------------|------------|----------------|
| Program                        | Funding Source(s) | Ages Served | Funded Seats   | Provider Type            |
| LA4                            | State            | 4          | 1,519          | Public Schools          |
| Head Start                     | Federal          | 3-4        | 1,321          | Private Centers         |
| Child Care Assistance Program  | Federal through State | 0-4        | 729           | Private Centers or Homes|
| Early Head Start               | Federal          | 0-2        | 719           | Private Centers         |
| City Seats                     | City and State Match | 0-3        | 400           | Private Centers         |
| Nonpublic Schools Early Childhood Development | State | 4 | 399 | Private Schools and Centers |
| Birth-to-Three                 | Federal through State | 0-3 | 364 | Private Centers |

Source: Number of funded seats for each program based on Agenda for Children’s analysis of publicly funded seats in New Orleans. The number of children served by the Child Care Assistance Program may vary throughout the year. While the program also serves children above age 4, the chart includes only the number of children aged 0-4. Private centers may be run by for-profit operators or non-profit or religious organizations.
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. Without a tax or other revenue source dedicated to early childhood education, the City has relied on General Fund revenue. The City’s funding initially covered the full cost of care at privately operated early learning centers for 50 children under age 3 from households with incomes below the federal poverty level ($21,960 for a family of three). The funding covered coaching and professional development for teachers at the early learning centers and program administration costs as well. The early learning centers that serve City Seats children also enroll children whose families pay tuition and children funded through other public programs.

The City doubled its funding for City Seats to $1.5 million in 2019 and doubled it again to $3 million in 2020. It has maintained that funding level, which supports seats for 200 children. In 2019, the funding began covering wraparound services for participating children and their families, including:

- Developmental, vision and hearing screenings
- Parenting classes
- Mental health and trauma consultations and referrals
- Social services for families in crisis

The program added 3-year-olds and raised the household income limit to 200% of the federal poverty level in 2021.

In 2017, the State of Louisiana (State) created the Louisiana Early Childhood Education Fund, which, following a 2019 amendment, provides a dollar-for-dollar match to parishes and municipalities that use revenue outside of federal or State sources to provide early childhood education to economically disadvantaged children. However, the size of the match depends on the fund’s balance and demand from other eligible local entities. The fund’s balance has been insufficient to match the City’s dollars, but the State Board of Elementary and Secondary Education allocated $3 million in federal pandemic relief funding to City Seats in 2021. This will allow the program to serve an

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additional 200 children during the 2021-22 year.⁹

While the City provides funding, it does not operate the City Seats program. Instead, it contracts with the local nonprofit organization Agenda for Children to administer City Seats. Agenda for Children and the Orleans Parish School Board (School Board) currently serve as the lead agencies for the New Orleans Early Education Network (NOEEN), 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. NOEEN also coordinates many of City Seats’ daily operations, while the School Board primarily manages enrollment. See the sidebar below for an overview of Louisiana’s approach to coordinating public funding and oversight of early childhood education and NOEEN’s governance. 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.

**EARLY CHILDHOOD EDUCATION COORDINATION IN LOUISIANA**

In 2012, State legislators adopted new laws governing early childhood education oversight and accountability. The laws task Louisiana’s Board of Elementary and Secondary Education (BESE) with creating “a comprehensive and integrated network” to manage public funding for early childhood education programs and providers. In addition, the laws require BESE to develop an assessment and accountability system for publicly funded programs.*

BESE created a management structure of early childhood education community networks across Louisiana that the State’s Department of Education oversees. Typically, each parish has its own community network, which includes early childhood education providers and stakeholders in the area. Community networks are responsible for making recommendations to the Department of Education on the number and types of State-funded seats that should be allocated to each eligible provider. They must also participate in the State’s early childhood education accountability system and develop and implement a process for enrolling children in their area in publicly funded programs.**

The Department of Education approves a lead agency for each community network through an application process conducted every two years. The lead agency coordinates its network’s activities, serves as its fiscal agent and reports to the department. While a parish’s public school district often serves as the lead agency, other public, nonprofit and for-profit organizations are eligible.*** For example, the nonprofit organizations Children’s Coalition for Northeast Louisiana and Volunteers of America Greater Baton Rouge serve as lead agencies.

Formed in 2013, the nonprofit New Orleans Early Education Network (NOEEN) is the community network for Orleans Parish. From NOEEN’s inception through 2019, Agenda for Children served as the network’s lead agency. Since 2020, Agenda for Children has shared the lead agency role with the School Board. Although an active member of NOEEN from the start, the School Board deferred the lead agency position until it finished reunifying the K-12 school system under local governance.**** Notably, NOEEN relies on the district’s Common Application Process (formerly OneApp) for enrolling students in most publicly funded seats.

Although not a State requirement, NOEEN has a steering committee of up to 13 members that serves as the network’s decision-making body and operates according to State open meeting laws.†

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* Act 3, Regular Session 2012.
** Louisiana Administrative Code Bulletin 140.
*** Ibid.
**** For a timeline of the reunification process, see BGR, Learning Curve: A Guide to Navigating School Funding in New Orleans’ Unified District, March 2020, p. 15.
† The committee includes representatives from privately run early learning centers, Head Start and Early Head Start, public schools, private schools, Agenda for Children, the School Board and City government. Agenda for Children’s website provides more details on NOEEN, and NOEEN’s process for making its coordinated funding request to the State.
ANALYSIS

To analyze tax proposals, BGR applies three criteria related to the efficient and effective use of public resources. This framework derives from BGR’s research on government finance and taxation, as well as consultation with government finance experts.

A government entity asking voters to approve a tax should be able to demonstrate that:

- It has carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars.
- The tax is an acceptable way to fund the purposes in light of alternative funding options.
- There is evidence indicating the tax would result in effective outcomes for the public.

Has the City carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars?

The City and its partners have approved an agreement that strategically allocates the tax revenue to initiatives that align with clear early childhood education goals. The agreement includes several financial and programmatic reporting requirements and processes that promote strong financial stewardship and accountability.

**Spending Plan.** If voters approve the tax, the City plans to use the revenue to serve up to 1,000 children through the City Seats program in 2023-24 and at least 1,000 children annually thereafter. It would also use the tax revenue to fund initiatives to increase the capacity and quality of New Orleans’ early learning centers and improve enrollment processes. 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.

See Table 2 for an overview of City Seats’ eligibility requirements for children and early learning centers.

**TABLE 2. CITY SEATS’ ELIGIBILITY REQUIREMENTS FOR CHILDREN AND EARLY LEARNING CENTERS**

**Child Eligibility**

- Under age 4 and New Orleans resident
- Household income below 200% of the federal poverty line ($43,920 for a family of 3)
- Priority given to continuing children and households earning less than the federal poverty line
- Family completes the school district’s Common Application Process

**Early Learning Center Eligibility**

- Be a State-licensed type III childcare center located in New Orleans
- Accept children who receive childcare tuition assistance through the State
- Participate in Louisiana’s childcare quality rating system and hold a rating of proficient or higher
- Use a curriculum that has received the State’s highest rating
- Provide at least 10 hours of care five days a week for 50 weeks a year
- Maintain caregiver-to-child ratios of 1:4
- Complete City Seats’ provider application

Note: With permission from NOEEN, providers may have caregiver-to-child ratios of up to 1:8 for 3-year-old classrooms.
Based on their analysis of local early childhood education enrollment and provider trends, the City and its partners believe that City Seats could serve close to 2,000 children in the tax’s first year, including children funded through the State’s matching dollars. Their analysis considered the ability to increase the supply of quality seats by funding early learning center expansions. Increasing supply is essential because New Orleans’ early childhood education sector currently has very limited capacity to serve additional children. Stakeholders say that developing the sector so it can provide quality care for the city’s entire population of children below age 4 will require many years of careful planning and investment.

To facilitate program and center growth, the City Council has approved a cooperative endeavor agreement (CEA) with Agenda for Children and the School Board that will take effect April 30, 2022, if voters approve the proposition. While the CEA only covers the tax’s first five years, it allows the City Council to extend the agreement’s term. Under the CEA, the agencies, in collaboration with NOEEN, would be responsible for coordinating and administering tax-funded programming. Chart C shows projected annual expenditures if the tax generates net revenue of $19.4 million and supports 1,000 children in City Seats. 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’s collection fee.

The spending plan aligns with City Seats’ three goals:

- Increase access to early childhood education
- Improve the quality of available early learning programs
- Provide comprehensive child development services to participants

### Chart C. Projected Annual Expenditures for Tax-Funded Early Childhood Education Initiatives ($ millions)

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Note: The CEA establishes per-child expenditures for each of the six programming areas except early learning center capacity expansion and quality improvement and program administration and evaluation. While some programming also benefits children in State and federally funded early childhood education programs, all expenditures calculated on a per-child basis are determined by the number of children served in City Seats through the tax revenue. If the tax funds less than 1,000 children, more revenue would be available for early learning center capacity expansion and improvement initiatives, and vice versa. Agenda for Children would administer funding for initiatives shaded blue and the School Board would administer funding for initiatives shaded orange.

To improve access, the plan allocates the largest portion of the tax revenue to early learning centers for providing seats to economically disadvantaged children under age 4. High costs and limited public funding make access particularly challenging for this group. At the same time, national research finds that providing high-quality early childhood education to children from low-income households can benefit participants, their families and society. Studies have found strong returns resulting from programs’ positive impacts on earnings, health and crime. City Seats’ income requirement also ensures that New Orleans is eligible for the State matching funds for early childhood education, which would further increase access. The CEA sets a reimbursement rate of $12,000 per year for each child a center serves through City Seats.

The spending plan also addresses access by directing tax revenue to initiatives aimed at increasing the number of quality early learning seats available in New Orleans. The initiatives would include grants to start or expand early learning centers and programs to recruit, train and retain a highly qualified early education workforce. As small businesses with low profit margins, early learning centers often lack the financial resources to expand. In addition, market rates for childcare result in low wages that reduce early learning centers’ ability to recruit and retain trained staff – adversely affecting the quality of care they provide. In Louisiana, where the median annual wage for childcare employees is $19,000, 46% of center teachers left their site within one year. The City and its partners say growing local early childhood education certification programs and providing financial incentives for participants would help address the sector’s significant human resources constraints. The CEA requires Agenda for Children to develop a plan and budget for capacity expansion initiatives each year and submit it to the City and NOEEN’s Steering Committee for approval.

The allocations for the enrollment system, outreach and family engagement can improve access as well by ensuring families understand all their publicly funded early childhood education options and can navigate the enrollment process. Under the CEA, the School Board will implement an annual enrollment information campaign and develop an application process that matches families with publicly funded early childhood education seats that align with their preferences. In addition, the School Board will provide staff to assist families with the application process. The CEA also requires the School Board to develop a plan and budget for enrollment, outreach and engagement activities each year and submit it to the City and NOEEN’s Steering Committee for approval.

The CEA’s spending plan supports City Seats’ quality improvement goal by providing annual funding for professional development and coaching for staff at the program’s affiliated early learning centers. It also promotes quality care by selecting centers based on their achievement of a minimum performance score (proficient or higher) and adherence to national early care standards. In addition, the plan’s funding for teacher certification programs and incentives could help increase quality citywide by developing a stable supply of qualified employees.

Funding for child and family support services aligns with City Seats’ third goal by addressing issues that can impede children’s social, emotional and cognitive development. For example, annual developmental, vision and hearing screenings identify City Seats participants with special needs who qualify for additional services funded through the federal Individuals with Disabilities Education Act. Mental health and trauma consultations identify children in need of support and refer them to appropriate services. City Seats’ wraparound services also include classes for parents and social services for families in crisis. Finally, the spending plan includes funding for an annual program evaluation performed by an external evaluator. Such an evaluation is critical for effectively advancing all three goals.

In addition to aligning with defined goals, the spending plan allocates revenue strategically to its core components. The City and its partners developed the alloca-
The City and its partners developed the allocations in large part based on their experience operating City Seats for the past four years. They also studied local and statewide early childhood education data to determine the new expenditures necessary to successfully expand the program and improve the overall stability and capacity of New Orleans’ early learning sector.

The City currently spends $15,000 annually per child for City Seats, including early learning center reimbursement, wraparound services, professional development program evaluation and administrative costs. This aligns with federally funded Early Head Start, a national model that has provided comprehensive early childhood education services to economically disadvantaged infants and toddlers for more than 25 years and spends about $15,600 in public funding per child in Louisiana. Like City Seats, Early Head Start’s costs include child development and family support services in addition to care at privately operated licensed centers. Both programs also require their affiliated centers to maintain child-to-caregiver ratios in line with national standards, which are significantly lower than the ratios Louisiana requires for licensing. This increases centers’ personnel costs and, in turn, the reimbursement rates the programs must provide.

Under the spending plan for the proposed tax, per-child costs for the services City Seats currently funds would increase slightly to $15,500. However, the plan also includes an estimated $2.4 million annually for new initiatives focused on increasing the supply of quality early learning center seats and $1.5 million a year for the School Board’s coordinated enrollment and family engagement work. Supply-building initiatives were not necessary for City Seats to achieve its past enrollment targets, but they are critical for ensuring the program can expand to serve at least 2,000 children as planned with the combination of local tax revenue and State matching funds. The initiatives also go beyond facilitating City Seats’ expansion and aim to improve supply for all children who currently struggle to find quality early learning options. Agenda for Children told BGR it projects the tax would fund 20 expansion grants annually. Its goal is to create 10,000 new early learning slots by the end of the five-year CEA, with at least half serving economically disadvantaged children in publicly funded programs.

The School Board has handled enrollment for most publicly funded early childhood education programs in New Orleans, including City Seats, for several years through the district’s Common Application System. It receives approximately $51,000 in State funding for this purpose and City Seats funding has not supported the School Board’s enrollment system to date. The School Board told BGR the State funding covers only a fraction of the annual costs of early childhood education enrollment. And it said City Seats’ planned expansion would significantly increase the School Board’s enrollment system costs, as well as staffing needs for educating families about early childhood education opportunities and helping them navigate the application process. Unlike K-12 enrollment, early learning center enrollment occurs throughout the year and eligibility documentation varies by program. As a result, School Board officials say, staff at the district’s three family resource centers already devote about 85% of their time to helping families secure publicly funded seats at early learning centers. The School Board’s goal is to maximize the number of seats filled at any given time.

While the CEA requires the School Board to provide at least three full-time staff members dedicated to helping families navigate early childhood education enrollment, the School Board has not projected its total staffing need or other major expenditures related to its
enrollment and engagement work. This underscores the importance of the annual budgeting process the CEA outlines, which ensures that both the City and NOEEN’s Steering Committee review the School Board’s proposed expenditures.

The CEA covers only the revenue from the proposed tax, which raises the question of what will happen to the $3 million General Fund appropriation City Seats has received annually since 2020. City officials told BGR they have not committed to sustaining the appropriation but may consider allocating General Fund revenue to the program if the State does not provide adequate matching funds to reach City Seats’ targeted number of children.

Financial Stewardship and Accountability. The CEA includes several requirements that promote strong financial stewardship and accountability for the tax revenue. Agenda for Children and the School Board must submit monthly invoices, enrollment reports and progress reports to the City. They also must provide an annual report that details the expenditures of the tax revenue and services performed under the agreement. In addition, during the City Council’s annual budget hearings, they must present the tax-funded initiatives’ accomplishments during the past year and plans for the coming year. Agenda for Children told BGR that it would set annual objectives and report on progress toward achieving them as part of the presentation. Objectives would include targets for:

- Children’s attendance
- The proportion of seats filled at specific points in the year
- Percent of children receiving all required screenings within 45 days of enrollment
- Quality performance of participating centers
- Credentials of participating teachers and number of newly certified teachers
- Number of new and expanded early learning centers
- Number of new and expanded early childhood education teacher certification programs

The CEA provides for outside assessment of the initiatives by requiring an annual external evaluation of program performance.

While the agreement does not require City Council approval of budgets for the services and initiatives Agenda for Children and the School Board will implement with the tax revenue, it directs the agencies to submit annual budgets for the initiatives to the City’s Office of Youth and Families and NOEEN’s Steering Committee for approval. Both entities must also approve any proposed amendments to the budgets. The committee’s adherence to Louisiana’s opening meeting laws allows the public to observe the process. In addition, NOEEN’s Steering Committee requires members to recuse themselves from participating in any decisions that allocate resources from which they could directly benefit.

Enhanced public financial reporting from the School Board, as recommended in BGR’s 2020 report Learning Curve: A Guide to Navigating School Funding in New Orleans’ Unified District, would further increase accountability by isolating its funding from the proposed tax from the district’s numerous other revenue sources and showing its specific uses. Such reporting would clearly differentiate early childhood education enrollment expenditures from K-12 enrollment expenditures, which the School Board largely covers through the administrative fee it charges all district charter schools.

Under the CEA, NOEEN’s Steering Committee would continue to approve City Seats’ annual seat allocations for early learning centers based on an established application scoring system. Agenda for Children told BGR the committee would approve center start-up and expansion grants through an annual request for proposal process as well. It would also monitor grantees’ compliance with program rules and completion of projects. While the Steering Committee’s expertise in local early childhood education administration makes it well-placed to guide expenditure of the tax revenue, its adherence to rules regarding member recusals in cases of conflict of interest will be particularly important when allocating seats and center expansion grants. Agenda for Children told BGR that the committee is in the pro-
cess of updating its bylaws to include a more formal conflict of interest policy.

The CEA also requires the City to provide quarterly updates on tax collections and available funds from the tax to Agenda for Children, the School Board and the NOEEN Steering Committee. Outside of the CEA, the City Council has adopted a motion that includes additional accountability measures. The motion directs the City’s Office of Youth and Families to submit all reports on the tax to the City Council and to make quarterly presentations to the council on the status of tax-funded initiatives during the first five years of the tax’s term.23

The City could also reinforce accountability measures by including NOEEN Steering Committee meeting agendas in its online calendar of public meetings. This would help the public follow the deliberations of an entity that will have significant influence on use of the tax revenue but is little-known outside of early childhood education provider and advocacy circles.

The 20-year duration of the proposed tax is twice the norm for property taxes in Louisiana.24 As previous BGR research has noted, determining the appropriate length of time for levying a dedicated tax is a balancing act between financial stability for the tax recipient and accountability to the public. A shorter term provides the public and policymakers more frequent opportunities to reevaluate the tax’s merit through the renewal process.

In this case, the proposed 20-year duration could help achieve the tax’s goal of building a quality early childhood education system capable of serving all families seeking care. Advocates say the duration will 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 achieve this goal. On the other hand, less time until voters must reassess the proposition could push the City, Agenda for Children and the School Board to demonstrate effective use of the tax revenue more rapidly.

**TRANSPARENCY AND ACCOUNTABILITY**

The agreement governing the proposed tax would require, among other things:

- Monthly invoices, enrollment reports and progress reports
- City review and approval of annual budgets for tax-funded initiatives
- Annual report detailing expenditures of tax revenue and services performed
- Annual presentation to the City Council on program objectives and performance
- Annual external evaluation of program

**Is the tax an acceptable way to fund the purposes in light of alternative funding options?**

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.

While the City has provided as much as $3 million a year for City Seats, it is unlikely that its General Fund could support the program on the much larger scale planned for in the CEA without reducing funding for other core City services. The only other significant City funding currently allocated for education is $3 million paid annually from the Harrah’s casino rent, but the School Board relies on this funding stream for various K-12 programs.25

Nationally, the few local governments funding early childhood education tend to support their initiatives through general fund revenue or dedicated property, sales or income taxes. Property taxes generally provide a stable revenue stream, making them an attractive option for ensuring continuity of planned program service levels. A new sales tax is not an option for the City without new legislative authorization because it currently levies the maximum sales tax rate allowed under State law. Louisiana’s constitution does not allow local governments to levy income taxes.
As with other local governments’ financial support for early childhood education, the City’s proposed tax seeks to cover expenditures for a limited subset of children under age 5. This leaves some responsibility for funding early childhood education to state governments, which similarly share responsibility with local school boards for adequately funding K-12 education. Publicly funding early childhood education for all disadvantaged children in New Orleans would require a combined effort – with the need for additional State funding highlighted in the 2022 report issued by Louisiana’s Early Childhood Care and Education Commission. To achieve 100% access statewide, the report recommends increasing State funding by $115 million annually over 10 years – for an eventual total investment of $1.15 billion per year.26

Is there evidence indicating the tax would result in effective outcomes for the public?

The tax revenue would significantly expand a well-targeted program that incorporates several practices national early childhood education research has linked to improved child development and later-life outcomes. The revenue would also be eligible for a 100% match from the State each year, which could double the tax’s impact and jump-start expansion of New Orleans’ early childhood education sector.

As discussed previously, national evidence indicates that high-quality early childhood education for economically disadvantaged children can deliver strong returns on investment through its positive impacts on earnings, health and crime. However, it requires decades of data for researchers to assess programs’ impacts on such outcomes. In the shorter term, programs should demonstrate that they incorporate practices research has linked to improved social-emotional development, school readiness and later-life outcomes. In addition, they should show that they are delivering outcomes indicative of high-quality care, strong child and family participation, and children’s school readiness and social-emotional development.

City Seats incorporates research-based practices in several ways, including:

• Offering high-quality care and education during a child’s critical first three years
• Requiring participating early learning centers to meet and maintain a minimum quality rating, as determined by nationally developed and tested performance assessments27
• Requiring participating centers to maintain teacher-to-child ratios that align with national recommendations
• Allocating seats to centers transparently, based on factors that indicate quality and promote access, such as location and operating hours
• Providing teacher coaching that focuses on building the quality of teacher-child interactions
• Providing wraparound services for children and families

City Seats’ first year (2018-2019), during which it included only 50 children and six early learning centers, was the only year the pandemic did not affect program delivery. City Seats has continued collecting center- and child-level data, but the program’s external evaluators note that pandemic factors have limited the reliability of assessments that measure early learning center performance and children’s developmental progress.28 However, based on the last pre-pandemic performance scores, 17 of City Seats’ 20 centers had a rating of “high proficient,” with the remaining three rated “proficient.”29

The most recent external evaluation (for program year 2020-2021) found that City Seats reached 90% of full enrollment by mid-year, outperforming statewide early care enrollment trends during the pandemic. It also found that children’s daily attendance stabilized at 84% beginning in the second half of the year. In addition, 87% of children who had not aged out of the program returned for the 2020-2021 year.30 These findings indicate that despite the pandemic, City Seats achieved a high level of participation – a critical factor for successful long-term outcomes.

The evaluation also found that City Seats is delivering multiple wraparound services to children and families
as well as providing hundreds of hours of coaching and professional development to early learning center staff. Because City Seats provides professional development and coaching that supports the quality of each affiliated center, all children attending these centers benefit – not just the children directly funded through City Seats. This has leveraged the City’s investment in early childhood education to an additional 900 children annually, which could grow with the planned expansion.

City Seats has also successfully leveraged local funding for early childhood education with State dollars. New Orleans received a 100% match of its $3 million expenditure for the 2021-2022 program year. New revenue from sports betting has the potential to significantly increase the availability of State matching funds. The governor has also proposed a $50 million new appropriation for the State’s Early Childhood Education Fund, which, if passed by the Legislature, would ensure ample capacity for matching local dollars. The City and its partners say the State match would allow City Seats to serve an additional 1,000 children, bringing total projected annual enrollment to about 2,000 during the tax’s first five years. This would increase 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. The State’s match of the tax revenue would also significantly boost funding for increasing the capacity and quality of local early learning centers.

**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.
ENDNOTES

1 New Orleans City Council, Ord. Cal. No. 33,666, adopted April 7, 2022.

2 The City based the estimate on the 2022 total taxable assessed value of property in New Orleans.

3 In 2021, the City proceeded with two tax propositions for purposes included in the failed 2020 proposal: public libraries and housing. Voters approved the library tax but rejected the housing tax. The City Council levied the library tax at 2.58 mills in 2022, the same rate as the previous two years. However, the three other taxes that the City sought to replace and re dedicate in 2020 expired at the end of 2021, reducing 2022 property tax bills by 3.24 mills.

4 As defined by Act No.136 of the 2017 Regular Session of the Louisiana Legislature, “economically disadvantaged” includes children eligible for free or reduced-price school meals, the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families or Medicaid, as well as English Language Learners and children who are homeless or in custody of the State of Louisiana.

5 Although all children in the programs qualify as economically disadvantaged under Louisiana’s definition, individual programs set their own income thresholds for eligibility. Programs may also give priority to different groups, such as homeless children or children with special needs. Some programs also include work or school requirements for parents or caregivers.

6 Private funding had previously covered the costs of these services.

7 Raising the age limit allows children to continue participating in City Seats until they are eligible for 4-year-old programs, which are more readily available. Raising the income threshold allows the program to reach more economically disadvantaged families. In addition, it makes the enrollment process easier for families.

8 See La. R.S. 17:407.30. The Legislature has designated the following revenue sources for the matching fund: payments from Harrah’s Casino (up to $3.6 million annually) that are contingent on the casino’s annual earnings, a 3% tax on industrial hemp-derived CBD products, an 8% tax on fantasy sports betting, 50% of the revenues from sales of NBA Pelicans specialty license plate and, beginning in 2022, 25% of tax revenue ($20 million maximum per year) from sports betting.

9 Agenda for Children told BGR that it raised an additional $458,000 in private funding to support City Seats’ 2021-2022 program year.

10 Cooperative Endeavor Agreement by and between the City of New Orleans, Agenda for Children, Inc., and the Orleans Parish School Board, approved by New Orleans City Council Ord. 33,666, April 7, 2022.

11 The City Council must approve multi-year cooperative endeavor agreements and amendments to such agreements. See Home Rule Charter of the City of New Orleans, Section 9-314.

12 BGR estimates the City’s average annual property tax collection rate for 2015 through 2019 was 94.6%, based on information in its 2019 Consolidated Annual Financial Report. The Orleans Parish Assessor receives a fee of 2% of property taxes billed, while the City receives a fee of 2% of property taxes collected.


16 Louisiana Department of Education, Early Childhood Care and Education Advisory Council meeting presentation, March 23, 2022.

17 City Seats requires participating early learning centers to maintain caregiver-to-child ratios no higher than 1:4. With permission from NOEEN, they can have classrooms for a maximum of eight 3-year-olds per caregiver. Louisiana’s maximum-allowed ratios are higher per caregiver: five infants, seven 1-year-olds, 11 2-year-olds and 13 3-year-olds. National recommendations are one caregiver for every three infants, four 1- and 2-year-olds, or seven 3-year-olds. See Louisiana Policy Institute for Children, Modeling Quality Child Care Center Costs and Revenues in Louisiana, December 2018.

18 This includes the costs for seats at early learning centers,
wraparound services, professional development and program administration and evaluation.

19 Lead agencies for early childhood education community networks receive some funding from the State. Agenda for Children and the School Board told BGR that the Louisiana Department of Education recommends allocating 10% of the State funding to enrollment, which would be about $36,000 per year. However, NOEEN has budgeted $51,000 from the State funding for the School Board’s enrollment services.

20 The School Board and Agenda for Children must also account for all tax revenue they administer as part of the CEA in their audited annual financial statements that they file with the Louisiana Legislative Auditor.

21 The City Council would appropriate the tax revenue through the City’s annual budget process. The appropriation would have its own budget code and appear as a line item in the Office of Youth and Families’ budget.


24 In 2020, BGR found that 81% of the roughly 2,000 voter-approved property taxes in Louisiana had durations of 10 years or less: 78% were for 10 years, 3% were less than 10 years and 19% were for more than 10 years.

25 State and local public school funding can be used for early childhood education only if individual public schools provide the programs. This results primarily from State laws determining funding allocations in New Orleans’ public school system. For more information, see BGR, Learning Curve: A Guide to Navigating School Funding in New Orleans’ Unified District, March 2020, page 45. While public schools must administer the programs, they can subcontract to provide services through private early learning centers. Public schools serve a small number of 3-year-olds through special education funding, but that funding is not available for serving children under age 3. Many schools offer pre-kindergarten programs, but these typically serve only 4-year-olds because of their reliance on the LA4 program, which is the largest source of early education funding for schools in Louisiana but limited to this age group.

26 Early Childhood Care and Education Commission, Forging a Bright Economic Future: LA B to 3, February 2022.


28 See Blanco, Maria, City Seats Program Evaluation Final Report, Year 3, Human Development Center Louisiana State University Health Sciences Center, 2021. During City Seats’ first year, evaluators found that five out of six participating centers improved their quality scores during City Seats’ inaugural year, while the remaining center saw an insignificant drop. See Blanco, M., Griffiths, L. and Coulter, A., Findings from a Descriptive Study of NOEEN City Seats, 2019.

29 One other center did not have a rating because it was a new second location of an existing center. Ultimately, the new location did not participate in City Seats. See Blanco, Maria, City Seats Program Evaluation Final Report, Year 3, Human Development Center Louisiana State University Health Sciences Center, 2021.

30 Ibid.

31 Ibid.
ON THE BALLOT: NEW ORLEANS EARLY CHILDHOOD EDUCATION TAX, APRIL 30, 2022

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