Dedicated State Revenue

for Early Childhood Care and Education Services

Presentation to the Virginia ECCE Commission

September 24, 2025

CHILDREN'S FUNDING PROJECT

From Questions…

To Opportunities!

1. Current Funding
How much funding supports our goals right now?

Fiscal mapping

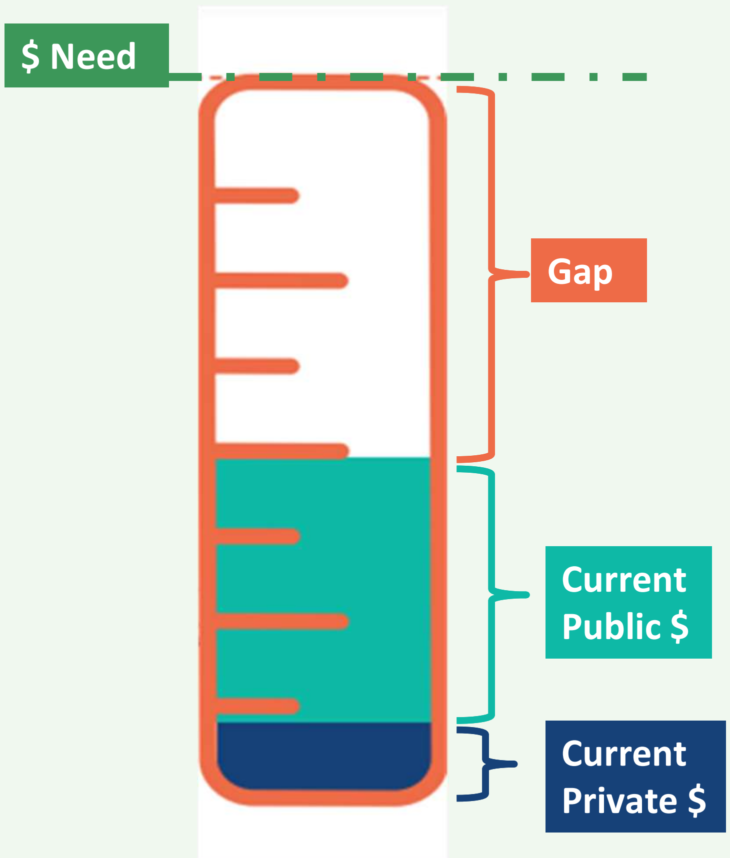
2. Needed Funding
How much will it cost to fund our goals in full?

Cost modeling and estimation

3. New Funding
How do we fill the gap between current funding and fully funding our goals?

Sourcing additional funding

Addressing Gaps in Funding



Most states rely on a **limited set of fund sources** for early childhood care and education services.

Filling the gaps in funding for early childhood requires **identifying additional** funding sources.

Knowing **where to find additional funding** can be a key to driving policy or outcomes change.

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Sourcing Additional Funding

Body of work that answers the question "How do we fill the gap between current funding and the true cost of reaching our goals?"

Current sources of funding

- Federal grants
- State budget allocations
- Local budget allocations
- Philanthropy & other donors

+

Sources of Additional Funding

Federal revenue sources
Options for generating and dedicating new federal

State revenue sources
Options for generating and dedicating new state revenue

Local Tax & Budget Options
Options for generating and dedicating new city, county, region, or school district revenue

Emerging Funding Strategies
Local economic development and other opportunities for creative financing

Private Sources
Options for securing new private dollars for C2C initiatives

What Is State Dedicated Funding?

STATE

DEDICATED

PUBLIC

REVENUE

STATE FUNDING

- Responsive to the state context
- Can harness larger pool of revenue (as opposed to local)

DEDICATED TO CHILDREN

- Sustainable, long-term funding builds a stable system
- Coordinated, consistent, long-term data
- Reduces siloes
- Outside of the typical budget process, not related to the general fund

PUBLIC FUNDING

- Significant investment
- Accountable infrastructure
- Community-driven
- Builds sustainable child care supply

Revenue Generating Mechanisms

General Sales Tax
A tax on the consumption of goods or services as a percent of the sales price

Public Settlement Agreements
Revenue from class action suits, e.g., Tobacco Master Settlement

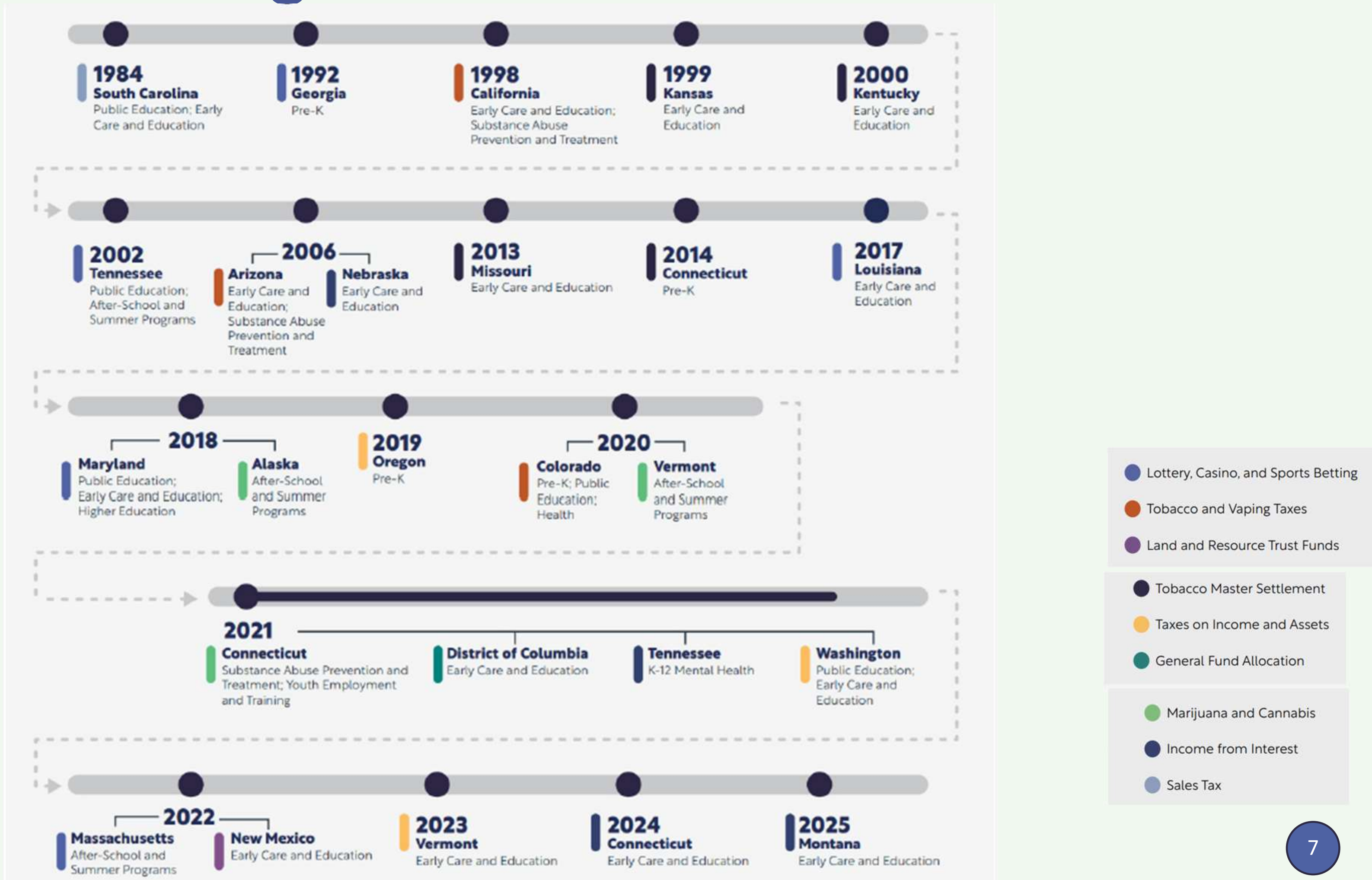
Land Trust Funds
Revenue from leasing of public lands and resources

Excise Taxes
Taxes levied on specific activities or goods like **tobacco**, **marijuana**, or **gambling**

Taxes on Income & Assets
Revenue from taxes based on income such as **payroll** or **capital gains**

Income from Interest
Ongoing revenue from interest after a one-time transfer

States are Building New Revenue



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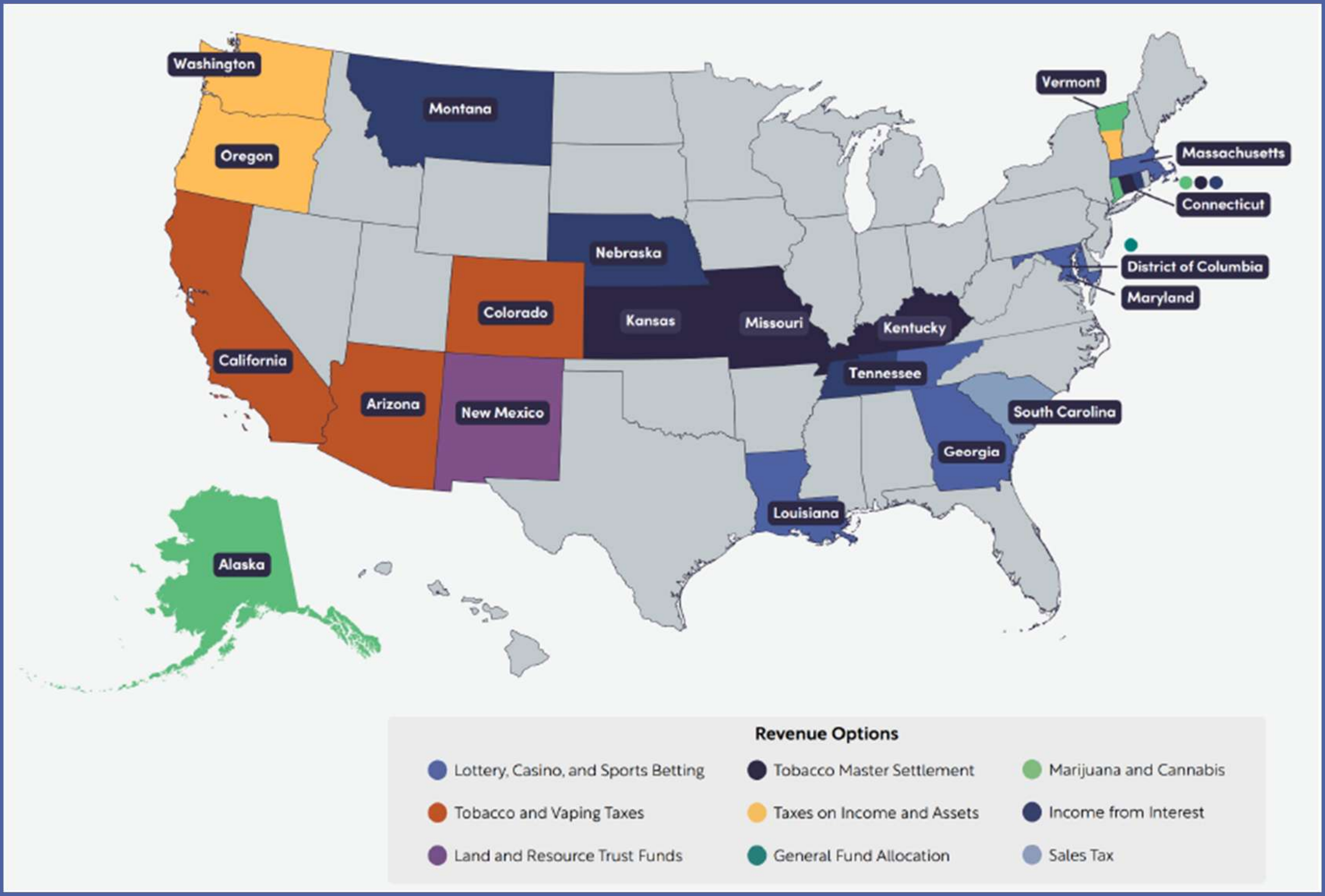
State-Level Children's Funds By Source of Funding



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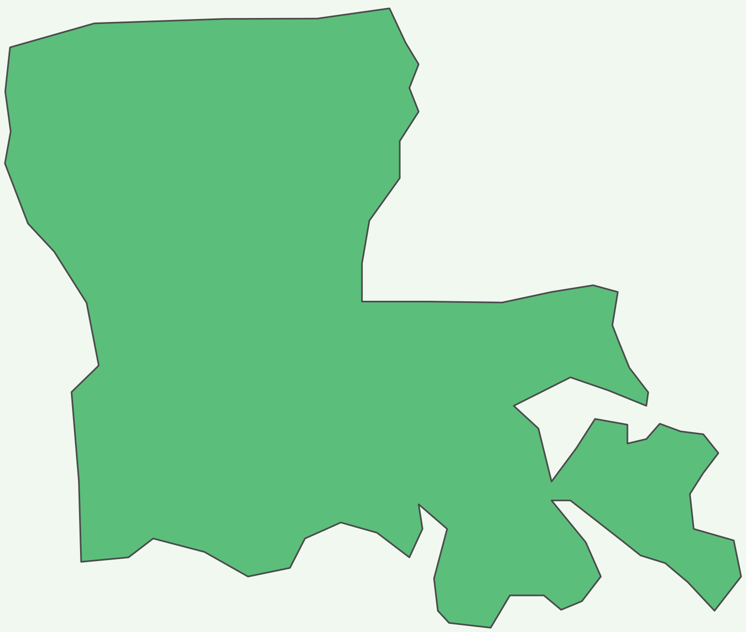
State Spotlight: Louisiana



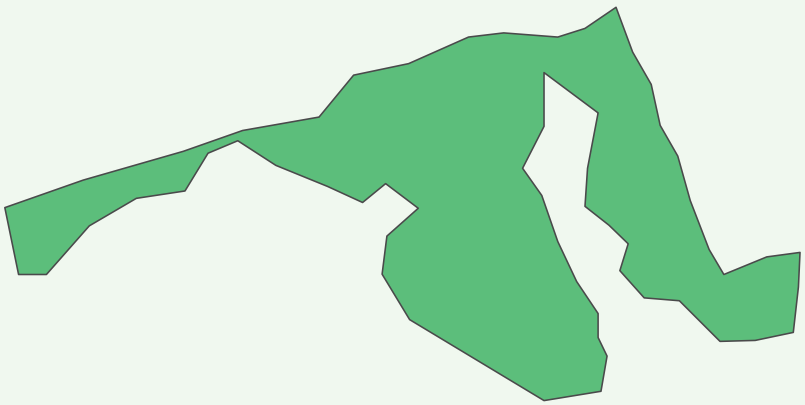
Revenue Mechanism: Shares of various sources, including taxes on sports betting and casinos

Amount Generated: $31.5 million

Fund Use: 1:1 match for local investments in early childhood slots

Outcomes: 2,000+ children served in most recent year of data available

State Spotlight: Maryland



Revenue Mechanism: Casino gambling revenue, sports betting revenue, digital advertising tax, sales and use tax

Amount Generated: $252 million*

Fund Use: Supprts full-day pre-K for 3- and 4-year olds under 300% FPL; assistance for those up to 75% state median income

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Strategies for Additional State Funding in Virginia

Revenue Mechanism	Description	Example States
Excise Tax – skilled gaming, casinos, sports betting	An excise tax on the tobacco/nicotine products levied either at a specific rate per unit or at a percentage of the sales price	GA,LA,TN
Excise Tax – beer, wine, liquor	An excise tax on the alcoholic products levied either at a specific rate per unit or at a percentage of the sales price	
Excise Tax – tobacco products, cigarettes, e-cigarettes	An excise tax on the tobacco products levied either at a specific rate per unit or at a percentage of the sales price	AZ, CA,CO
Excise Tax – marijuana products	An excise tax on the marijuana products levied either at a specific rate per unit or at a percentage of the sales price	AK,VT
Property Tax	Enact a statewide property tax (or a statewide property tax on properties above a certain value)	8 states
Digital Advertising tax	A tax on business entities that generate income from digital advertising with profits above a certain threshold	MD
Sales tax (base expansion)	Raise rates; Expand the sales tax base to include, for example, digital advertising services, streaming services as well as other services not currently taxed in Virginia	SC,MN,WA
Personal Income Tax –bracket reform, capital gains reform	Enact an additional income tax bracket for those earning higher income; raise brackets or create additional brackets; tax capital gains at the same rate as earned income	DC
Tax Exemption Reform	Eliminate underutilized tax deductions, credits and exemptions for certain businesses	
Corporate Income Tax – combined reporting reform, rate increase	Mandate water's edge or worldwide combined reporting requirement; raise rates	28 states (+DC)
Estate or Inheritance Tax	Estate taxes are paid by the estate while inheritance taxes are paid by the recipient	12 states (+DC)

Thanks!

Learn more at

childrensfundingproject.org

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

Photo by Allison Shelley for EDUimages