



## FUNDING THE NEXT GENERATION

### DECISIONS TO MAKE IN DEVELOPING A REVENUE MEASURE

**Decision 1 - What do you want to fund?**

**Decision 2 - How much money do you need?**

**Decision 3 - What level of government do you want to target?**

**Decision 4 - New Resources vs. Reallocation of Resources/Set-aside**

Reallocation of existing resources, also known as a “set-aside” or “carve-out,” can be established by election, which typically would require only a simple majority of votes, compared to dedication of a new revenue stream to children, youth and family services, which in most cases would require a 2/3 voter approval. The argument supporting reallocation is: children deserve a fair share of current resources. It is reinforced by positive economic projections. The disadvantage of this approach is that in many localities, existing needs are not currently being met, and so existing funds or anticipated revenue increases may be fully absorbed by the needs of existing programs or initiatives.

**If new revenue:**

**Decision 5 - Type of New Resources**

- Taxes – Most new revenue streams for operating programs and services (if they are not a set-aside) are created through a tax requiring voter approval. The following can be special or general taxes.
- Special taxes (Mello-Roos and Parcel) – always require 2/3 vote
- Assessments, charges, fees – Most new or increased fees must be voted on by the electorate; those that require only a governing body vote were recently limited by Proposition 26.
  - Nuisance abatement fees
  - Business license fees
  - Admissions fees

**If tax:**

**Decision 6 – Type of Tax**

- Add-on Sales – imposed on the retail price of a purchase/ total rate in a county cannot exceed 2%
- Marijuana tax
- Hotel (TOT – Transient Occupancy Tax) – no legal limit, highest in state is 14.5%
- Nuisance, abatement, mitigation – taxes for health, safety, public protection
- Utility – taxes on utilities, including gas, electric, telecommunications (can include cell phones or cable)
- Business license tax – based on gross receipts or # of employees – no legal limit
- Sugary Drink (Soda tax) is a type of business license tax and can only be levied at the city level or, if levied at the county level, for only the unincorporated areas.
- Parcel – a tax on each property parcel - per parcel, per room, or per square footage; but not based on the value of the parcel
- Other – e.g. Property transfer, Admissions
- Mello-Roos taxes – A special district is created and taxes on property in that district approved. There are some services that can be funded through this approach, such as cultural institutions and recreation services. This approach has not been used to fund children’s services, but it could be.

**Decision 7 - General vs. Special Tax**

A general tax requires a simple majority; a special tax targeted to a specific purpose (like children’s services) requires a 2/3 vote. A general tax goes into the general fund, can be used for general governmental purposes, and is not required to be used for a specific purpose. Some localities have with accompanied a general tax with a parallel measure advising elected officials on how general tax

revenue should be spent. Even with such advisory measures, however, the locality would not be obligated to use general tax proceeds for the preferred purpose.

#### **Decision 8 - Tax Rate**

There are legal limits to the taxing authority of counties and cities, and to some tax rates. For instance, the add-on sales tax rates have a ceiling. Otherwise rates must be proposed considering the balance between funding needs and projected voter willingness to approve.

#### **For All Types of Funding**

##### **Decision 9 - Legislation vs. Ballot**

###### **If legislation:**

There are ways to increase local public funds for children, youth and families without going to the ballot. The most common is getting new funding or funding set-asides incorporated into an annual city or county budget. Most often, it takes organized advocacy efforts to get new budget allocations or set-asides. Budget augmentations can result in the reallocation of existing funding or allocations or set-asides of new revenue; and opportunities are best in times when there is new revenue available. New funding opportunities can also result from the legislative body imposing special fees, fines, service charges, admissions, rents, etc. – but only as long as they are Prop 26 compliant. The disadvantage of using the legislative process to get new funding is that the new funds or set-asides can be reversed, and are less sustaining.

###### **If ballot:**

##### **Decision 10 - Voter Initiative vs. Board of Supervisors/City Council**

Measures can be placed on the ballot by elected officials, or by petition of the voters (i.e. a signature campaign). Localities should be consulted to confirm the applicable rules about petitions - number of signatures needed, petition format, number of days allowed to gather signatures, etc. The number of signatures required varies by jurisdiction but is generally a percentage (ranging from 5% to 25%) of voters registered or voting in the last election. A signature campaign can be done by volunteers or paid signature gatherers, or a combination. Generally, local initiative campaigns do far better than statewide initiatives. The majority of cities and counties in California saw use of the initiative process between 1990 and 2000, but for children's issues, it is under-utilized.

##### **Decision 11 - Which election?**

Much political analysis goes into deciding which election is best to place something on the ballot. Generally, the elections with the highest turnout provide better results for service-oriented issues. For certain initiatives, there is also the option of petitioning for a special election, although that requires far more petition signatures. These elections have lower turnouts, but can be an advantage when only sympathetic voters cast ballots. General taxes usually must be on the ballot at the same time as local governing body elections.

#### **CONSIDER ALWAYS: Characteristics of a strong measure creating a dedicated public funding stream**

- Provides sufficient resources to meet the goals of the measure
- Addresses a priority community need and resource gap
- Is predictable and sustainable
- Protects current levels of funding from cuts so new funds do not supplant existing funds
- Ensures accountability and evaluation
- Builds in transparency in decision-making regarding funding allocations
- Balances flexibility in use of funds with assurance that funds are targeted as intended
- Requires a strong community voice in implementation, including parents and youth
- Mandates a planning process that engages all stakeholders and develops a coherent approach to the expenditure of funds
- Ensures new funding is aligned with existing funding