

Proposal for OPSB Investment in Early Childhood Education in New Orleans

Background

Since 1936, Louisiana's Industrial Tax Exemption Program (ITEP) has authorized a state-level board to approve corporate exemptions from local property taxes, without the approval of the local entities which are paying the cost of those exemptions.

Local governments in 60 of Louisiana's 64 parishes are losing \$1.9 billion in revenue due to ITEP exemptions. The exemptions affect the budgets of cities, parishes, school boards, sheriff departments, fire districts, libraries, parks — any entity whose funding comes from a local property tax millage.

Public education is particularly vulnerable to reductions in funding due to ITEP. In 2018, ITEP exemptions will cause Louisiana's school districts to lose approximately \$720 million in revenue, an amount equivalent to 20% of total state and local funding for public schools.

Despite the significant financial awards granted to manufacturers, the ITEP program is not achieving its intended mission of furthering job creation in Louisiana. Instead, large corporations are using ITEP to circumvent the obligation to pay property taxes and investing in capital projects that aren't creating new jobs. Local governmental entities, especially school boards, are losing significant revenues to support the program, with little benefit to the local economy.

Opportunity

Due to an Executive Order signed by Gov. John Bel Edwards in June 2016, local school boards, sheriffs, and municipalities now have the authority to determine whether to approve industrial tax exemptions.

Previous track record of ITEP in Orleans Parish

Since 2000, Orleans Parish public entities have lost approximately \$210 million in revenue on industrial tax exemptions to thirty-nine manufacturers. 98% of exemptions awarded in Orleans Parish since 2000 have been for businesses that already were operating in the parish and were seeking to exempt annual capital expenditures from the local property tax rolls. Recipient companies claimed in their applications they would create 4,562 jobs. The actual change in jobs among those thirty-nine companies was a net decline of 76 jobs. The Orleans Parish School Board has lost \$61.8 million in ITEP exemptions approved since 2000.

The Orleans Parish School Board (OPSB) is losing *approximately \$3 million in revenue annually due to ITEP.* While this amount of revenue represents a significant loss of resources for our public schools, the property taxes exempted represent a very small proportion of any individual company's cost structure - less than 1% of the capital and operating budget for most factories,¹ which is too small to have real influence over investment decisions. In the coming months, OPSB must consider whether it will continue to allow these tax breaks, or whether OPSB will seek to reclaim these ad valorem revenues for educational purposes.

Recommendations

The recommendations set forth in this proposal seek to achieve "the best of both worlds" in terms of promoting economic development AND advancing educational outcomes for New Orleans children and families.

Research shows that \$1 invested in high quality early learning programs for children aged 0-4 yields more than \$8 for the local community, through better education, economic, health and social outcomes.² Children with preschool experience are three times more likely to go to college and own a home later in life.

¹ <https://www.shreveporttimes.com/story/opinion/2018/02/26/caddo-parish-louisiana-lose-third-property-taxes-incentives/374435002/>

² <http://www.ncsl.org/research/human-services/new-research-early-education-as-economic-investme.aspx>

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Though the benefits of an early childhood education have been well established in research, New Orleans has a severe shortage of early childhood program capacity available. Nearly 12,000 low income children are unable to access quality, affordable early learning programs, along with thousands more citizens from middle income households who either can't access or afford a quality program. There are simply not enough preschools in our city to meet the needs of our children and families. A recent study published by the Louisiana Policy Institute for Children estimates the lack of available childcare is costing employers \$816 million per year, due to absences and employee turnover³. Furthermore, businesses often cite human capital and "livability" in making decisions about where to locate their operations. **A strong system of early childhood education is a powerful strategy for attracting and retaining businesses in our community.**

Given the lack of outcomes traditionally achieved by the ITEP program, and the tremendous economic and educational opportunities that early childhood education programs provide, this proposal seeks to improve outcomes for both the local economy and our students and schools.

The specific recommendations of this proposal are for OPSB to proceed as follows:

1. Approve a resolution indicating OPSB's intent to deny, as a pilot program, all ITEP applications for the next three years, and re-direct the additional revenues raised to support expansion of early childhood education in New Orleans. This is in alignment with OPSB's board-approved vision and goals, as well the district's five school development priorities.
2. Approve a resolution to establish an early childhood education expansion grant program in 2018-19 with \$3 million from OPSB's fund balance, representing an advance of projected future revenue resulting from not approving ITEP applications for at least the next three years.
3. Establish a grant program, likely administered by the New Orleans Early Education Network (NOEEN), for awarding the OPSB funds to early childhood providers who will open new seats for children aged 0-3 through expanding existing centers or launching new centers. Grantees should have a track record of operating high-quality programs and prioritize seats offered to low income and special needs children, while also ensuring access for children of all backgrounds. In addition, given that this initial OPSB investment will be a one-time pilot program, grants will be prioritized to support non-recurring capital investment needs, rather than recurring operating costs, for providers to expand existing facilities or acquire/renovate new facilities. Furthermore, grants will be prioritized for early childhood education providers who partner with businesses to offer quality childcare opportunities to their employees, even further enhancing the economic impact of redirecting ITEP funds in this manner.
4. Upon conclusion of the three-year pilot program, OPSB will evaluate the impact of the grants based on the actual number of high quality early childhood education seats created, as well as assess the local economic impact of not approving ITEP applications for three years. This analysis will be reported publicly and made widely available for public consumption and community feedback, and it will guide any future actions taken by OPSB with regard to ITEP applications.

With these actions, OPSB can make significant progress towards achieving the board-approved goals set forth in *A Unified Path Forward*. Further enhancing the return on this investment, recent state legislation establishes a **state match for up to 50% of OPSB's financial commitment** to early childhood education. Expanding early childhood education in New Orleans is a critical need in our city, and OPSB has the opportunity to make a positive impact on the life outcomes of hundreds of children through this initiative.

Community Support

Please [click here](#) to view the current list of organizations supporting OPSB moving forward on the above recommendations.

³ *Losing Ground – How Child Care Impacts Louisiana's Workforce Productivity and the State Economy*. Louisiana Policy Institute for Children, LSU Public Policy Research Lab. May 2017.