

Allocation of California Marijuana Tax Revenue to fund Universal Preschool

Executive Summary

There is a critical need to increase early education spending, especially for low-income and minority families in the State of California. Research has shown that well-designed preschool programs serving disadvantaged children generate benefits to government and the rest of society that outweigh initial program costs (Karoly & Bigelow, 2005). To address these needs, newly elected Governor Gavin Newsom plans to increase budget funding for early education in California with the goal of implementing universal preschool in the state. The current proposed budget includes \$130 million over three years to fund a total of 200,000 child care slots by 2021-22 as a step toward universal preschool. However, it is estimated that the cost of fully funding universal preschool may reach 5 billion dollars (Kohli, 2016). Based on these estimates, further funding will be required to implement universal preschool in California. The purpose of this brief is to advocate for the reallocation of tax revenue generated from the California recreational marijuana industry from unspecified youth programs to further fund the development and implementation of universal preschool in California.

Context/Background:

Early childhood preschool education is crucial for the physical, social, and intellectual development of a child. However, more than 60% of 4 year olds in the United States lack access to publicly funded preschool programs and only 30% of those eligible for federally subsidized preschool programs use the services (American Public Health Association [APHA], 2017). Varying degrees of access to education at a young age leads to disparities among children in terms of social and academic development, resulting in an educational achievement gap. This gap becomes harder to close as a child progresses throughout the rest of their K-12 education and onward. The disparity in educational achievement is most prevalent among minority and low income children. Therefore, establishing a universal preschool program in California can reduce the disparity in educational achievement and ensure that all children have access to high quality physical, social, emotional, and intellectual development. Figures 1 2 illustrate the benefits of implementation and long-term returns of universal preschool in California.

Figure 1.

Costs and Benefits of Universal Preschool in California Under Varying Assumptions

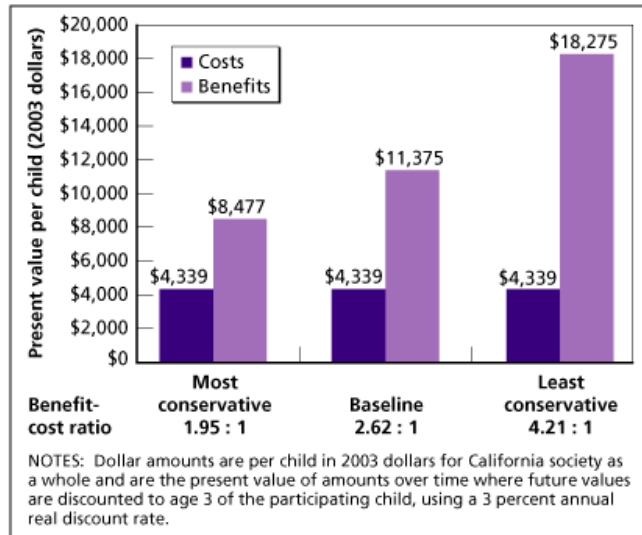


Figure 2.

Key findings:

A one-year, universal, high-quality preschool program in California would, for a \$4,300-per-child cost beyond current public preschool spending in the state, generate

- \$11,400 in benefits per child for California society, for a net benefit of over \$7,000 per child, or \$2.62 for every dollar expended, under the baseline assumptions of the research
- between \$2 and \$4 in benefits for every dollar expended, under a range of different assumptions
- other potential benefits for the California labor force, the competitiveness of the state's economy, and economic and social equality.

Other countries and states have implemented successful universal preschool programs. An evaluation of Oklahoma’s preschool program showed that those enrolled consistently outperformed students not enrolled in the program (Khim, 2017). In addition, preschool has been shown to offer short and long term social and cognitive benefits for children (Lasser & Fite, 2011). For example, collaborative play taught in preschools helps establish team building skills that are used throughout the lifetime. Children perform better on tests, develop good social skills, and learn to succeed in structured settings (Allarico, 2017).

Governor Gavin Newsom’s “California for All” budget is centered on improving early educational programs. The proposed budget has outlined a need for \$1.8 billion but has not specified how these educational programs will be funded. Furthermore, there is no direct plan for establishing universal preschool for 3-4 year olds (Kirp, 2019). Therefore, specific funding for a universal preschool program should be allocated and we propose that the funding comes from the marijuana tax revenue currently allocated to youth programs.

Policy Recommendation

As a model for marijuana tax revenue allocation, California can look to best practices set forth by the state of Colorado. Colorado voted on Amendment 64 in November of 2012. It was passed with a 55% majority, leading to the flood gates opening for independent dispensaries to open across the state. Although many parties opposed the sales of marijuana, proceeds have supported

school districts across the state. Colorado legislation required a 15% state tax to support public school construction up to \$40,000,000. (Blake & Finlaw, 2014). Pueblo County in Colorado has reported a net positive impact by more than \$35 million from marijuana tax revenue (Zhang, 2018). Students are being given scholarships and next year they are looking at giving \$750,000 worth of money back to those in the community. Amendment 64 has created nearly \$300 million in annual taxes and some has funneled through the Building Excellent Schools Today (BEST Fund) (Migoya & Murray, 2018). The article in the Denver Post shares how money is being spread to different programs giving many at a rate of a couple hundred thousand dollars to some institutions allowing them to provide programs they would not have been able to otherwise.

It is clear that California can use some of the same language when proposing laws regarding the sale of marijuana to anyone over the age of 21 in order to increase funding for the preschool system. Currently, in California, the Control, Regulate and Tax Adult Use of Marijuana Act (Prop 64) Initiative tax revenue funds are primarily allocated to:

- Universities and the California Highway Patrol for studies on marijuana impacts (\$15 million)
- Local health departments and community-based nonprofits supporting job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry
- Linkages to medical care for communities disproportionately affected by past federal and state drug policies (up to \$50 million annually)

Remaining funds are to be spent on youth programs (60%), the remediation of environmental damage from illegal marijuana producers (20%), and to programs aimed at reducing driving and other issues related to public health and safety (20%). While these are certainly worthwhile causes to fund, we propose that California follow Colorado's lead and allocate a portion of the state's marijuana tax revenue towards education, in particular universal preschool.

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