

# PERSONAL INCOME TAX CUTS: PART 4

## WHY THEY'RE BAD FOR ARKANSAS KIDS



Recent tax cuts haven't helped struggling parents make ends meet. Instead, they have hurt public investments that Arkansas kids and their parents need to succeed. Personal income tax cuts mean less revenue for quality schools where kids can learn, fewer social workers to protect them in cases of abuse and neglect, fewer resources for community programs to help them stay out of trouble, and less funding for nutrition programs that keep them healthy. Income tax cuts also mean that programs that help moms and dads be better parents are at risk, too.

We know that kids do better when their parents have access to educational and job-training programs that give them the skills to compete for better-paying jobs; affordable health care and paid family leave so that they can be more productive workers; and unemployment assistance to help them during tough economic times. We also know that kids do better when their parents don't have to make difficult choices like letting the rent slide so that they can buy food or clothes for their kids. Instead of investing in tax cuts that serve the wealthiest Arkansans, our top priority must be protecting the health and safety of our children, ensuring that they have the resources and opportunities to lead healthy and productive lives, and educating them so that they can be successful in the future.

Recent Arkansas tax cuts left out lower-income families. Even a middle-income Arkansan making around \$39,000 a year will only save about \$40 annually from the recent "middle-income" tax cut.<sup>1</sup> In contrast, the wealthiest Arkansans stand to gain millions from capital gains exemptions passed in 2015. Over the last two legislative sessions, the total "tax-cut price tag" will add up to \$242 million of lost state general revenue every year. Those millions will mostly go back into the pockets of upper-income taxpayers without any savings for the bottom 20 percent of earners. The real losers are our kids. Instead of \$242 million in tax cuts over the past two legislative sessions, below is a short list of ways we could have invested in our kids.

### HOW TO INVEST IN OUR KIDS:



#### **SUPPORT ARKANSAS'S HIGH-QUALITY PRE-K PROGRAM FOR LOW-INCOME KIDS (AT LEAST \$42 MILLION):**

The wonderful and dedicated pre-K providers in Arkansas haven't seen a meaningful, permanent funding increase since 2008. That makes it harder every year for them to provide quality care, and research shows that it's the "quality" in quality pre-K that gets kids ready for what's next. Arkansas must increase funding for the ABC program to keep the "quality" in our program. One recent cost study of our pre-K cost model shows that we need \$42.5 million to make sure that providers have what they need. The Governor and the legislature gave pre-K a small temporary funding bump during the last legislative session (\$3 million). But that was one-time money, and it doesn't scratch the surface of meeting the needs of programs statewide.



#### **IMPROVE CHILD WELFARE SERVICES FOR ABUSED AND NEGLECTED CHILDREN (\$8 MILLION):**

High caseloads make it impossible for child welfare workers to do their jobs effectively and protect the well-being of kids. The national average caseload is 15 cases per social worker; in Arkansas it is 29, or almost double that of most other states. A 2015 report estimated that it would cost \$8 million to reduce that number to 20.



#### **START AFTER-SCHOOL AND SUMMER PROGRAMS (\$7 MILLION):**

After-school and summer programs are proven to inspire children to learn, keep them safe, and support working families. However, the after-school programs approved way back in 2011 were once again denied the money they need to operate this year. Just \$7 million would get these programs off the ground and help kids reach their potential.



#### **PROVIDE PAID LEAVE FOR MORE ARKANSAS PARENTS (\$14.4 MILLION):**

Families need paid leave programs to be financially and physically healthy. The cognitive and developmental benefits of paid maternity leave are well documented, but paid leave is hard to come by (especially for low-income working families in Arkansas). Providing paid maternity leave for state employees would cost about \$354,000 a year, a miniscule fraction of the state budget. Establishing a credit to encourage employers to provide paid leave to more workers in Arkansas would cost \$14 million. Together, these two measures would help working families avoid having to choose between their jobs and their family's health. Thousands of new parents and their infants could have a strong start with these paid leave programs.



**HELP KIDS STAY ON THE RIGHT TRACK (\$10 MILLION):** A plan to provide proven-effective, community-based alternatives to juvenile incarceration was grounded when the Department of Youth Services (DYS) failed to receive adequate funding in 2015. Instead of the requested \$10 million to reduce juvenile incarceration, DYS saw a \$500,000 budget cut. Before that happened, DYS was already running lean because of the end of about \$1.6 million in stimulus funding. You shouldn't expect to see any improvements in juvenile incarceration until Arkansas lawmakers decide to invest in programs for kids.

### LOOKING TO THE FUTURE:

This is just a small sample of the things we could do for our kids if we restored our priorities and restructured our tax and budget system. In addition to all of these wonderful programs, we could build brighter futures by investing in parks that protect our state's natural beauty; we could also improve our roads, invest in our infrastructure, advance our public schools, and expand our career training options.

The state budget is a moral document. The choices our Governor and legislature make about how to spend our limited tax dollars clearly reflect the state's values and priorities. When we pass tax cuts that leave out the poor and reduce potential funding for programs that serve our most vulnerable kids, that says a lot about who we are and what we value. Arkansas has one of the highest child poverty rates in the nation. More than one in four<sup>2</sup> of our kids live in families with incomes below the poverty line. If you are a black child in Arkansas, that number jumps to one in two.<sup>3</sup> It is shameful to give millions to the wealthiest in our state when so many working Arkansans are struggling to afford basic necessities. It is time to get our priorities straight and for the wealthiest in our state to start paying their fair share.

### NOTES:

[1] Based on data by the Institute on Taxation and Economic Policy

[2] <http://datacenter.kidscount.org/data/tables/249-children-under-18-living-in-poverty?loc=5&loct=2#detailed/2/any/false/36,868,867,133,38/any/8457,8458>

[3] <http://datacenter.kidscount.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=5&loct=2#detailed/2/5/false/869,36,868,867,133/10,11,9,12,1,185,13/324,323>

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