In the wake of the Great Recession, states continue to struggle to balance their budgets, and often do so on the backs of public schools and other public services. Despite the importance of public education in creating strong families, communities, and a vibrant state economy, many schools still lack funding for the essential services every child needs to have a meaningful opportunity to learn.

Education advocates must focus on what needs to be done to improve the quality of education in all of our schools and also on how to pay for those reforms. Reliance on local funding sources, like property taxes, exacerbate inequality since low-income communities can’t generate as many tax dollars as wealthier areas, despite having students with higher needs. That’s where state funding comes into play.

*Investing in the Future: Revenue Options to Give Every Child the Opportunity to Learn* highlights state-level strategies for raising funding for schools and shows how we can do it fairly.

**States still funding schools below pre-recession levels:** 30

**That means:**
- Fewer teachers
- Larger class sizes
- Cuts to after-school programs

**Everyone should pay their fair share of state and local taxes**

<table>
<thead>
<tr>
<th>The poorest 20% of Americans pay</th>
<th>The richest 1% of Americans pay</th>
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<tbody>
<tr>
<td>10.9% of their incomes</td>
<td>5.4% of their incomes</td>
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Figures represent total state and local taxes as a share of income, post-federal offset.

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Since upper-income households often pay income taxes proportional to their incomes (unlike sales & property taxes), raising income tax rates can be a simple, progressive way to generate new revenue. Income taxes also tend to keep pace with states’ long-term economic growth, allowing for more sustainable investments in education and other public services.

Collecting additional revenue from high-income households helps provide significantly more funding for public services like education without increasing tax costs for middle- and lower-income households. It also helps make a state’s overall tax system more fair.

These tax breaks allow people to reduce how much they pay in personal income tax, but they disproportionately benefit high-income households. Changing them can make the state’s tax system fairer and draw additional revenues from households most able to afford a modest tax increase.

Profits derived from the sale of assets such as stocks, bonds, and real estate are often taxed differently than wage and salary income. Because capital gains go overwhelmingly to high-income households, changing how states tax this income can be a progressive way to increase funding.

By reforming current state-level estate tax laws, states have the potential to raise substantial amounts of new revenue in a very progressive way.

Loopholes in state tax laws allow large, profitable, multi-state corporations to minimize the state taxes they otherwise would pay. Reducing opportunities for corporations to engage in these kinds of complex tax avoidance schemes both raises new revenue and helps level the playing field for smaller, in-state businesses.

As part of their effort to spur economic development, many states provide businesses with billions of dollars in tax breaks each year. Many of these tax breaks, however, do little to help create jobs. Meanwhile, the lost revenue reduces state investments in programs that clearly help state economies grow — for example, public education.

Although sales taxes can bring in significant additional revenue, low- and moderate-income households pay more than their fair share of these taxes. Unless done carefully, as part of a larger set of progressive tax changes, sales tax increases can make a state’s overall tax structure more regressive.

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