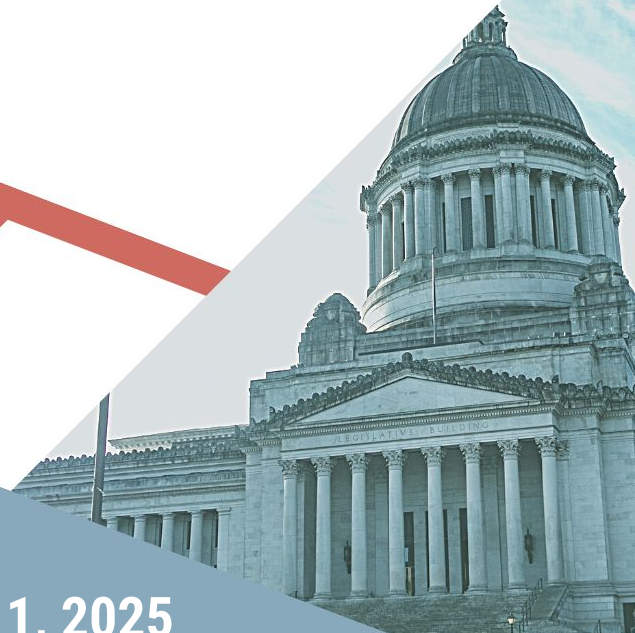




# STATE REVENUE ALLIANCE

**BY THE STATES, FOR THE STATES**



**October 1, 2025  
Early Childhood  
Funders Collaborative**



**STATE  
REVENUE  
ALLIANCE**



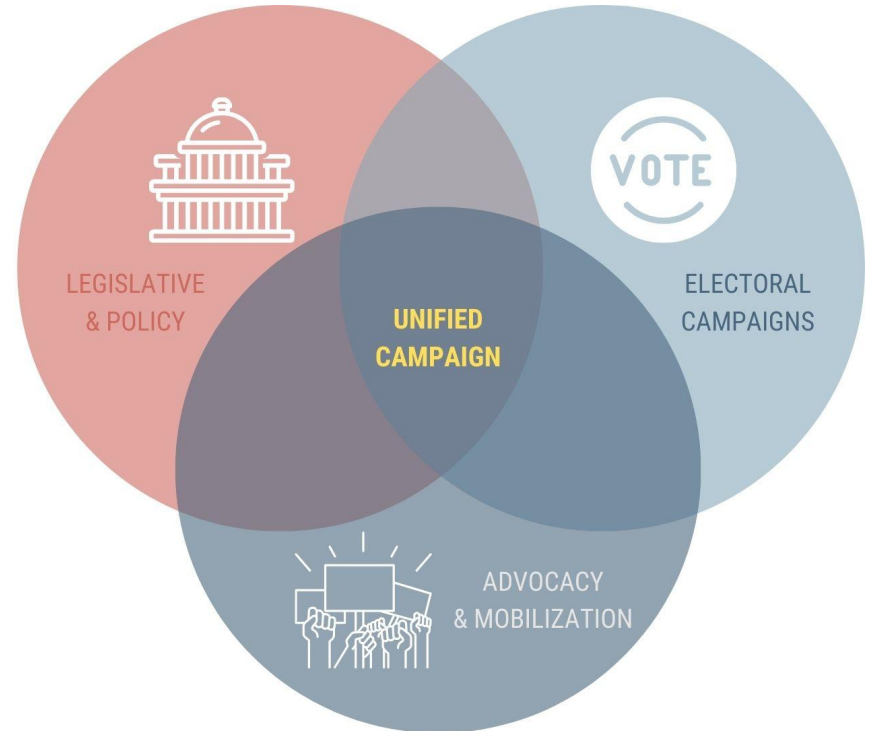
**ALLIANCE  
ACTION  
FUND**

# About SRA

## SUPPORTING INTEGRATED LEGISLATIVE AND POLITICAL CAMPAIGNS TO FULLY FUND OUR FUTURES

The State Revenue Alliance helps build power in the states to fully fund a more equitable future and ensure corporations and the wealthy pay what they owe.

We support state-based **grassroots**, **policy**, and **labor** organizations across 35+ states in helping them win coalition, ballot, and legislative efforts, pass great tax policy, and build community power.



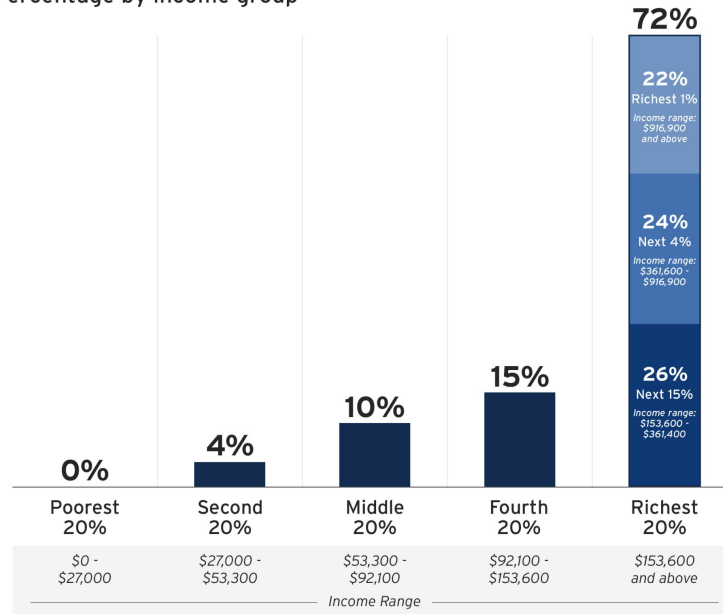
# Federal Budget Impacts on Communities and State Budgets



# The federal tax and budget bill will benefit wealthy earners the most.

## Share of Tax Cuts from Trump Megabill in 2026 in the U.S.

Percentage by income group



Source: Institute on Taxation and Economic Policy Tax Microsimulation Model, July 2025

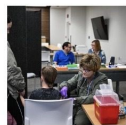
# House GOP puts Medicaid, ACA, climate measures on chopping block

The menu of potential spending offsets has been circulated by House Budget Chair Jodey Arrington.

# Court to Let Him Cancel Grants to Teachers

In boilerplate letters, the administration told recipients that the grants supported diversity efforts and were wasteful.

## Trump Administration Abruptly Cuts Billions From State Health Services



States have been told that they can no longer use grants that were funding infectious disease management and addiction services.

1h ago



## Education Department cutting nearly half of workforce

## 'It Sounds Strange, Doesn't It?' Trump Muses About Gutting the Education Dept.

President Trump signed the executive order in the East Room of the White House, which was packed with jittery children.

**LIVE** Updated 2 minutes ago

## Live Updates: Trump Announces 25 Percent Tariffs on Imported Cars

The measure is intended to bring car factories to the United States but could increase prices for consumers significantly.

BUSINESS

## House Budget Republicans eye more than 200 spending cuts, tax changes for major bill

BY TOBIAS BURNS - 01/17/25 1:52 PM ET



URBAN INSTITUTE

TOPICS STORIES, DATA TOOLS

URBAN WIRE

## The Problem with Federal Child Care Support Isn't a Lack of Choice, but a Lack of Funding

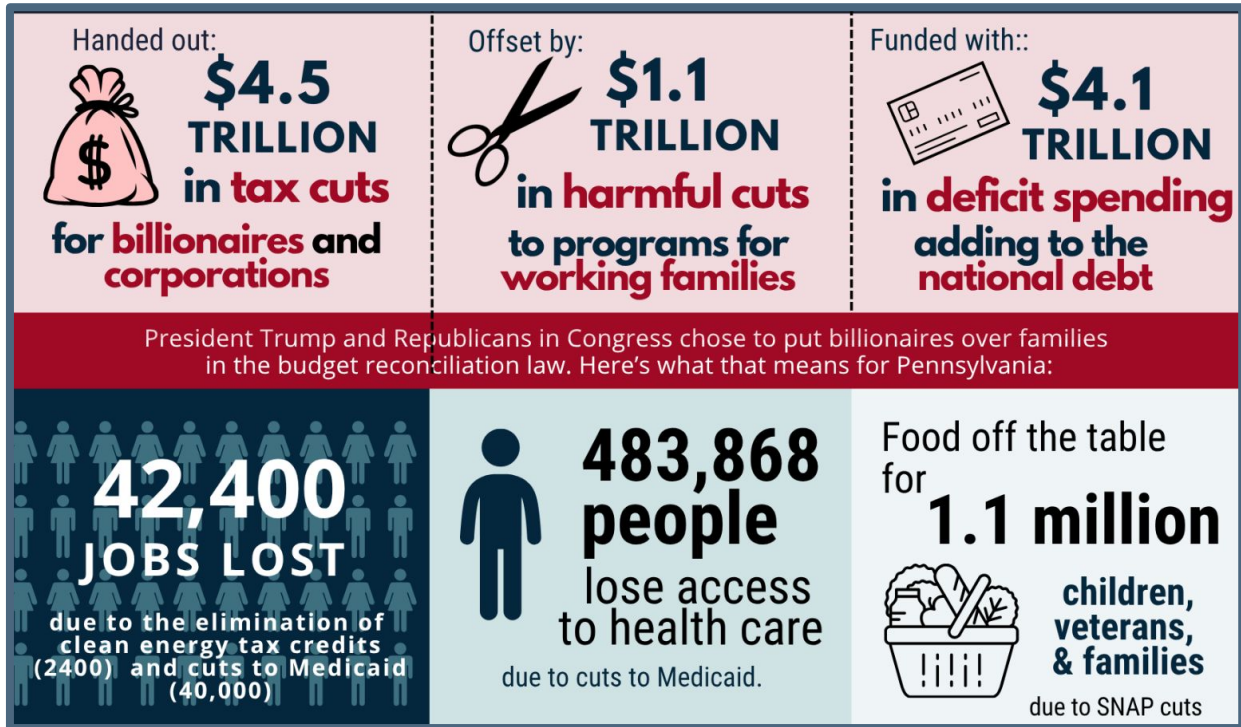
Trump administration cancels \$500M in food deliveries, leaving food banks scrambling

# The context for how federal budget cuts could impact states

- About a third of state budgets come on average from federal funding
  - Higher percentages: AK, AZ, MT, NM, KY, LA,
  - Lower percentages: CT, HI, NJ, VT
- States are enormously reliant on federal funding for key education, health, and safety net programs
- States have to balance their budgets each year, unlike the federal government

# Federal tax and budget plans will harm communities: Pennsylvania example

In order to pay for a \$4.5 trillion dollar tax cut proposal that goes overwhelmingly to wealthy earners, the federal tax and budget bill requires spending cuts that will harm essential health, economic, and education programs.



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**\$5 BILLION  
LOST STATE GDP**

due to cuts to Medicaid and the lost economic multiplier effect

**\$55 BILLION+  
BUDGET HOLE**

due to the massive cost shift onto states:

\$53 billion in lost Medicaid funds  
\$2.1 billion in new SNAP costs  
over the next 10 years

**Insurance  
premiums**



**↑158%**

for a family of four making \$65k / year getting coverage on the ACA marketplace, due to PTC expiration.

**5 rural hospitals at  
risk of closure**



due to lost Medicaid funds, and the rise in costs and uninsured

**Household  
Energy Costs**



**↑5.6%**

due to ending clean energy tax credits + IRA energy programs

**Gas prices**



**↑\$.25 / gal**

due to ending clean energy tax credits + IRA energy programs

# Federal budget cuts loom over state investments in early childhood programs

When SNAP and Medicaid cost-sharing requirements funding cuts & are fully implemented, *Pennsylvania will face a*

**\$5.5 billion/yr budget hole**



*Pennsylvania spends*

**\$516 million/yr on early childhood programs and services**

# Major challenges loom ahead for past and future PN-3 progress

- Major PN-3 progress in a number of states in recent years, but enormous needs remain
- Mother, child, & family services most at risk when states face hardship
- Federal cuts & state fiscal constraints threaten PN-3 progress
- A bigger budget pie (not just bigger slices) is essential!



# State Budget Pressures on the Horizon

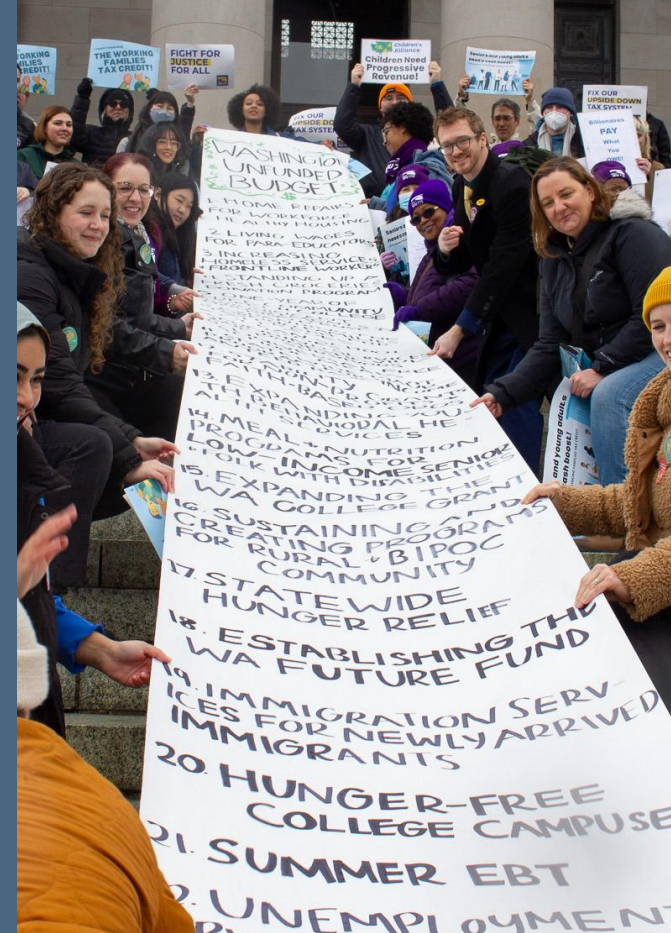
More than 1/3 of state budgets come from federal funding

+

- Funding cuts in federal safety net programs
- Tariffs, layoffs, inflation, increasing safety net needs
- Expiring federal COVID relief
- State COVID era tax cuts

=

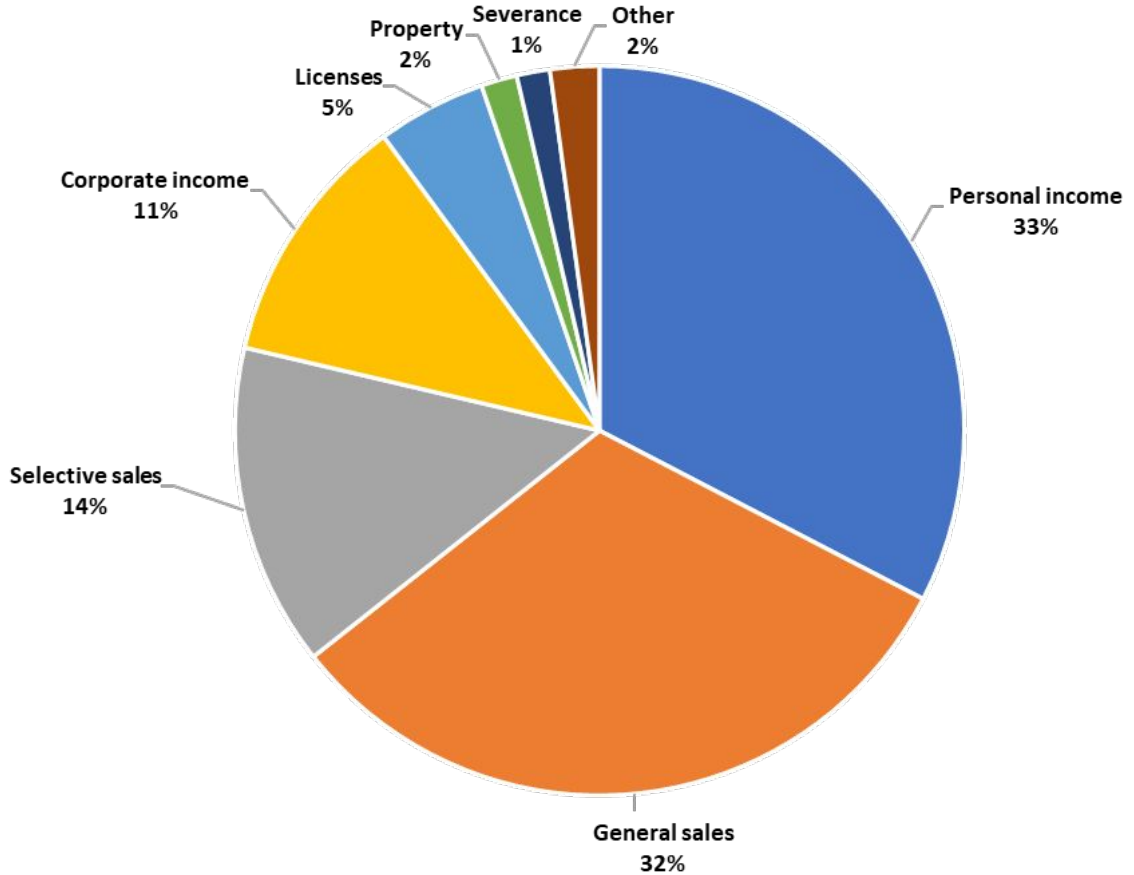
**RESULT:** States will face budget shortfalls & will need to find funding for essential programs and services during a time when communities may be in critical need



# State Tax Revenue by Source (FY 2024)

**Taxes** make up just over 50% state revenues on average (~35% federal funding; ~15% fees & charges).

**Personal income taxes and sales taxes** the largest tax revenue sources, but exact percentages vary widely by state.



Source: Pew analysis of U.S. Census data, 2025

# Ability to raise tax revenues varies by state



## Options

- Personal income taxes (generally more progressive)
- Wealth taxes (progressive)
- Corporate taxes (progressivity varies)
- Sales taxes (regressive)
- Excise and sin taxes (generally regressive)
- Property taxes (generally regressive)

## State-Specific Revenue Challenges

- Constitutional or legislative prohibitions on raising revenue or expanding budgets
- Supermajority requirements
- Tax caps
- Lack of progressive tax streams
- Ballot barriers
- Political will
- Underinvested in infrastructure

# Possible State Responses

## When

- 2025 special sessions
- 2026 regular legislative sessions
- Kick the can down the road until post-2026 midterms

## What

- Technical conformity issues and reactions
- Following a federal playbook
- Cut and limit budgets for key programs
- Dip into “Rainy Day” funds
- Raising revenues to fill federal gaps

## Who

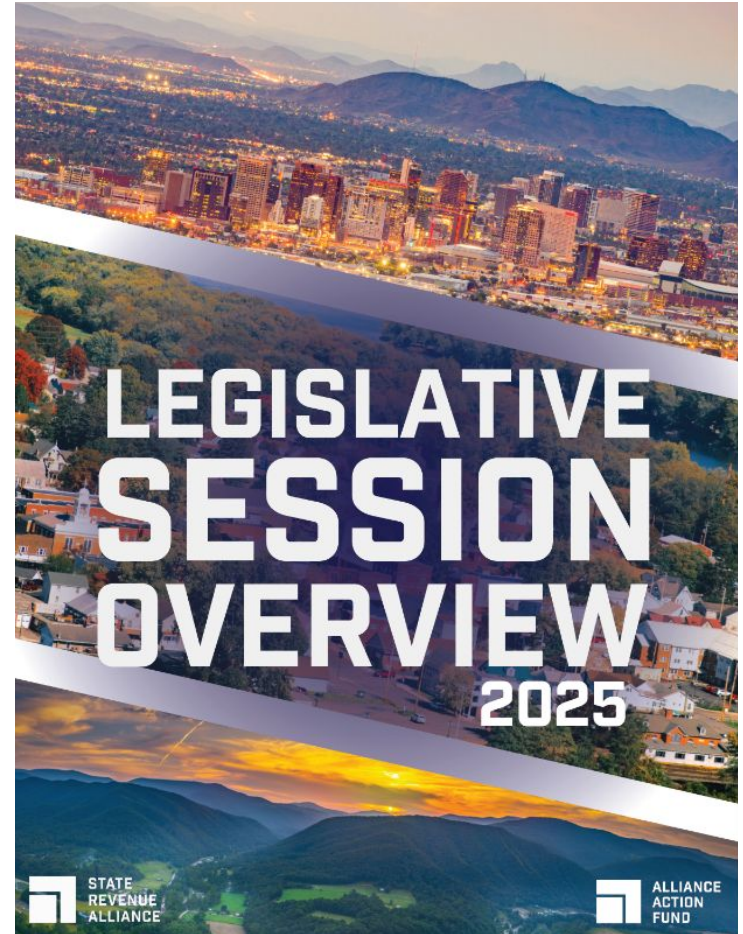
- State advocates
- Agency leaders and staff
- Governors (*36 up for election in 2026*)
- State legislators (*88 of 99 state legislative chambers in 46 states up for election in 2026*)

**Progress for kids is possible and necessary in the states through tax justice.**



# State Revenue Wins in 2025

- **Maryland** policymakers increased taxes on high-income earners and on capital gains for the wealthy.
- **Washington** increased taxes on capital gains for high-income earners.
- **Illinois** increased taxes on multinational corporations.
- **New Mexico** increased royalty rates on the oil and gas industry.
- **Maine, Montana, New Jersey, Rhode Island, and Washington** increased taxes on high-value property sales, estate transfers, second homes, and/or mansions.



*This  
nation-leading  
progress for kids  
and families  
brought to you by  
revenue.*



POLICY

## Free Child Care for All Is Impossible? Don't Tell New Mexico.

The only state with such a program didn't get there overnight. Years of action at the state Capitol and the ballot box set the stage. It's a lesson for lawmakers in other states facing the fiscal challenges of providing services families need amid diminishing federal aid.

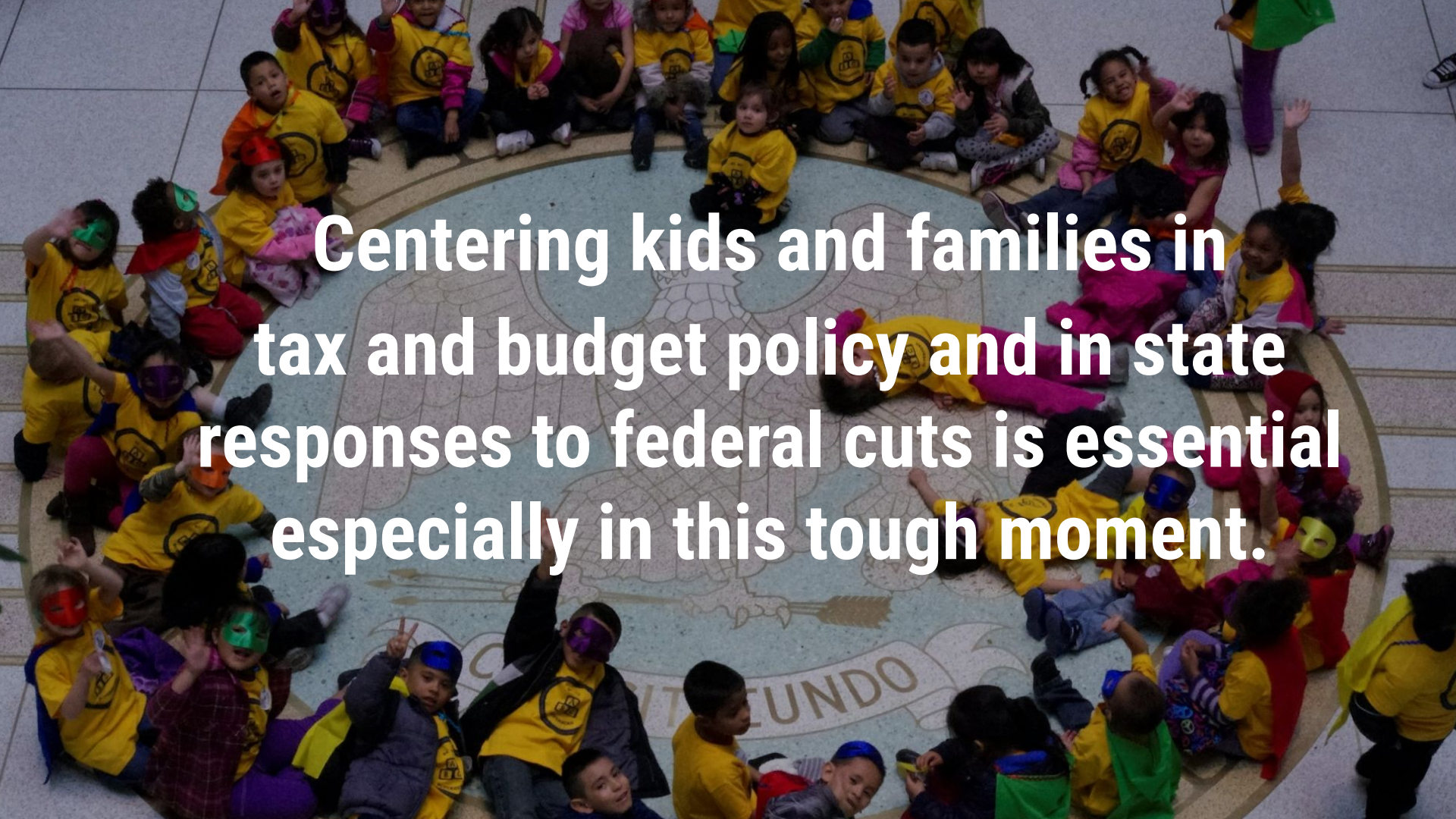
OPINION | September 30, 2025 •  
Amber Wallin, State Revenue Alliance



Children gather for lunch at the Bright Beginnings Child Development Center at an elementary school in Jal, N.M. (Xchelzin Pena/New Mexico In Depth)



Across the country, states are grappling with the affordability crisis in child care. But one state —

A group of approximately 30 children are sitting in a large circle on a light-colored tiled floor. Many of the children are wearing bright yellow t-shirts with a circular logo on the front. Some children are also wearing colorful masks (green, purple, red, blue) and capes, suggesting a superhero theme. The children are looking towards the center of the circle. In the background, a large circular emblem is visible on the floor, featuring a central figure and the Latin phrase "E PLURIBUS UNUM" at the bottom. The text is overlaid in the center of the image in a large, white, sans-serif font.

**Centering kids and families in tax and budget policy and in state responses to federal cuts is essential especially in this tough moment.**

# Thank you!

Amber Wallin, MPA

*Executive Director*

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STATE  
REVENUE  
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