

FIRST THINGS FIRST

Issue Brief

Strong Start for Early Childhood: Vapor & Nicotine Products



Citizens' Initiative

Created by a 2006 citizens' initiative, Arizona's Early Childhood Development and Health Board (First Things First) is **Arizona's only public funding source** through tobacco revenues, dedicated exclusively to support the development, health and early learning of Arizona children from birth to age 5.

During these first five years, a child's brain grows more than at any other time in life. Research shows that the quality of a child's experiences as an infant, toddler and preschooler sets the foundation for their later success in school and life.

Invest Now, Save Later

It's clear that the earlier we invest in children, the better the outcomes. Early investment means lower costs later. Quality early learning helps kids be more prepared for kindergarten, do better in school, graduate high school and be less likely to be involved with the criminal justice system or require assistance from social welfare programs later.

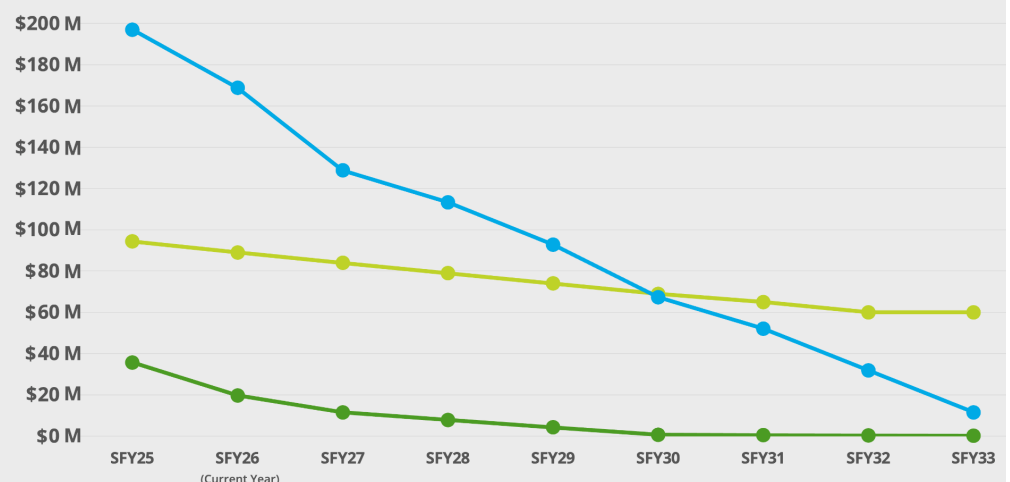
Steep Decline in Early Childhood Funding

While the needs of young children continue to grow, First Things First (FTF) is facing a dramatic decline in tobacco tax revenue, the agency's primary source of funding. Annual revenues have decreased by 47%. FTF has lessened the impact by using reserves that were saved during the first years of collection during start-up. But those reserves are decreasing faster than expected and will be nearly zeroed out by SFY2033 (blue line in the chart).

Reserve fund to be nearly zeroed out by SFY2033

FTF Funds

- Current Reserve
- Prior Year's Revenue
- Regional Carry Forward



FTF's tobacco revenue in SFY25 was \$76.2 million less than in 2008. Voters expected about \$165 million of funding to be directed annually to early childhood education, but that funding has plummeted over the past 15 years. With a population of nearly half a million children under age 5, current revenues allow for only **\$196** of funding per child. Much of the decrease is due to consumers moving to tobacco alternatives, such as vaping and nicotine products.

Strong Start for Early Childhood; Vapor and Nicotine Products

In 2006, voters made their intent clear: all forms of tobacco should contribute a portion of their luxury tax to fund critical programs and services that set up young children for lifelong success and help families thrive. This includes derivatives of tobacco such as vapor and nicotine products, which entered the market shortly after the creation of FTF. Modernizing revenue structures and closing the loophole on vapor and nicotine products honors and reaffirms voters' original intent to use tobacco products and their derivatives to fund early childhood programs across Arizona.

To meet the many needs of our state's youngest and most vulnerable children, FTF early childhood programs and services need revenue from vapor and nicotine products. A recent estimate of potential vaping/nicotine product tax revenue shows that about \$80 million in revenue could be captured, based on average tax rates implemented in other states.² While this would not fully replace the many millions in lost revenue annually, it would be a start for Arizona's babies, toddlers and preschoolers.

Almost half of FTF funds are invested in expanding quality child care and helping working families afford quality child care through scholarships. Other FTF programs with research-proven results include home visitation programs, which help to prevent child abuse and help parents to support their child's healthy development.

Each year, FTF-funded programs and services reach around 160,000 young children, families and early childhood professionals across the state. Nearly 80 organizations depend on this funding in communities across the state to keep providing services to children and families.³

Our children's future depends on continued investments made in their early years. To prevent cuts to these critical programs and services, replacement revenue is needed.

**“As a community, we should work together to
improve things for all our children.
First Things First does that.”**

— **Preschooler parent in Queen Creek**

1 Harvard 2017 study: Impacts of Early Childhood Education on Medium- and Long-Term Educational Outcomes.pdf

2 ASU study Vaping in Arizona - Preliminary Estimates.pdf

3 FTF State Fiscal Year 2025 Annual Report: <https://www.FirstThingsFirst.org/wp-content/uploads/2025/FTF-2025-AnnualReport.pdf>