



National Child Care Information Center

A service of the Child Care Bureau

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THE IMPACT of STATE BUDGET CUTS on CHILD CARE SUBSIDIES and EARLY EDUCATION

The following resources have information about the impact of the fiscal crises in the States in 2003 on State funding for Temporary Assistance for Needy Families (TANF), the Child Care and Development Fund (CCDF) funds, and early education.

■ *Many States Cut Budget as Fiscal Squeeze Continues* (April 2004), by Elizabeth McNichol and Makeda Harris, Center on Budget and Policy Priorities (CBPP), summarizes some of the budget cuts adopted or being considered by the States as they adopt Fiscal Year 2005 budgets. The examples are drawn from a number of sources including press accounts and budget summaries published by State-based nonprofit policy organizations. States have been cutting budgets for important public programs and services, including education, health care, and public safety. The described budget cuts include: health care, K–12 education, higher education, child care and income support programs, courts, and public safety, aid to localities, and State employment. This resource is available on the Web at <http://www.cbpp.org/4-22-04sfp.htm>.

■ *Low-Income Children and Families Suffer as States Continue to Cut Child Care Assistance Programs* (March 2004), published by Children’s Defense Fund (CDF), looks at the budget cuts States have been making in their child care, early education, and school age programs. The report states that funding cuts have affected a wide range of areas. States have trimmed their spending on child care assistance by putting more families on waiting lists, lowering income eligibility limits, raising parent copayments, and reducing provider reimbursement rates. States also have eliminated or reduced funding for quality initiatives, infant and toddler initiatives, prekindergarten programs, and school-age programs. To obtain a copy of this report, contact CDF at 202-662-3544. The press release for this report is available on the Web at <http://www.childrensdefense.org/pressreleases/040315.asp>.

■ *States Limit Child Care Help for Low-Income Working Families* (March 2004), published by the National Women’s Law Center (NWLC), provides a snapshot of some of the major funding cuts in State child care programs. This paper gives examples of the different policies that States are using to cut costs in their child care programs. This resource is available on the Web at <http://www.nwlc.org/pdf/StateCutsChildCareFactSheet2004.pdf>

■ *Child Care Programs Help Parents Find and Keep Jobs: Funding Shortfalls Leave Many Families Without Assistance* (February 2004), by Jennifer Mezey, Center for Law and Social Policy, looks at the State’s role in child care and traces the development of the child care budget in recent years. This paper states that child care subsidies help low-income families work and leave welfare, but funding shortfalls are forcing States to enact restrictive policies that are hurting poor families and efforts to promote their employment and earnings. This paper includes

excerpts from recent press coverage about child care restrictions and cutbacks in 15 States. This resource is available on the Web at

http://www.clasp.org/DMS/Documents/1076435918.03/CC_shortfall.pdf.

■ *Governor's Child Care Reform Proposal: An Assessment* (February 2004), describes and evaluates the Governor's proposal to reform California's subsidized child care system. The Governor's budget proposes a number of reforms to the CalWORKs and non-CalWORKs subsidized child care systems including changes in program eligibility, family fees, and provider reimbursement. This report evaluates the proposal's effect on children, families, and the state budget, and present some alternative approaches. This resource is available on the Web at http://www.lao.ca.gov/analysis_2004/health_ss/hss_02_cc_childcare_anl04.htm#_Toc64277437.

■ *Funding Quality Child Care in Oklahoma: New Revenue Is Needed to Avoid Drastic Cuts* (September 2003), by David Blatt, Tulsa Community Action Project, looks at the State's role in child care and traces the development of the child care budget in recent years and into the future. It notes that in a context of limited resources, the State must recognize the challenges ahead and begin the process of identifying priorities for the publicly subsidized system of child care and early childhood education. "Appendix 1: Child Care Funding Cuts, Actual and Proposed (as of June 2003)" lists proposed and actual cuts in eligibility, reimbursement, co-payments, and other quality initiatives in 35 States. This resource is available on the Web at http://www.captc.org/pubpol/childcare/childcare_budgetpaper.pdf.

■ *Financing Early Care & Education: Funding & Policy Choices in a Changing Fiscal Environment* (July 2003), by Steffanie Clothier, Beth Clemens, Julie Poppe, published by the National Conference of State Legislatures, describes the various funding sources for early care and education, as well as policy choices considered in times of fiscal stress. The report states that thirty-five States have changed their child care programs with almost half decreasing assistance. To obtain a copy of this report, contact National Conference of State Legislatures at 303-364-7812, or books@ncsl.org.

■ *State Preschool Budget Update* (July 2003), by W. Steven Barnett, National Institute for Early Education Research (NIEER), gives results of a poll of 31 States to find out how State preschool programs were faring after three straight years of budget cuts. Of the 19 States with 2004 budgets in place, three States increased funding to preschool. Of the remaining 16 States, nearly half opted to help balance their budgets by cutting back State-funded preschool programs. This resource is available on the Web at <http://nieer.org/resources/files/budget.pdf>.

■ *Will Federal Tax Cuts Harm America's Children?* (July 2003), by the Every Child Matters Education Fund, analyzes the most recent budget and tax cut choices made by the Bush Administration and Congress, and concludes that their direct and indirect impact will shrink future Federal investments in children for years to come. It notes that cuts are contributing to sharp reductions in children's services in many State budgets. "Appendix C – Selected State Budget Cuts in Children's Programs (As of 7/11/03)" describes 2003 Cuts and 2004 Cuts and Proposed Cuts in 38 States. This resource is available on the Web at http://www.everychildmatters.org/site/DocServer/Federal_Tax_Cut_Report.pdf?docID=287.

■ *States Are Cutting TANF and Child Care Programs: Supports for Low-Income Working Families and Welfare-to-Work Programs are Particularly Hard Hit* (June 2003), by Sharon Parrott, and Nina Wu, Center on Budget and Policy Priorities (CBPP), notes that State cuts in child care and other work supports for welfare-to-work and low-wage families are deep and broad. More than 35 States have made cuts in programs funded with Temporary Assistance for Needy Families (TANF) and child care block grant funds, and most of these cuts are in programs that promote the goals of welfare reform. Thirty-two States have reduced income eligibility limits, instituted waiting lists, increased the co-payments that low-income working families must make for child care, reduced provider payments, reduced funding dedicated to improving the quality of child care, or are proposing to take such steps in 2004. This resource is available on the Web at <http://www.cbpp.org/6-3-03tanf.pdf>.

■ *Child Care: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families* (May 2003), by U.S. General Accounting Office, presents the results of a survey of the child care administrators from the 50 States and the District of Columbia regarding their States' child care assistance policies and current governors' proposals affecting child care assistance. A vast majority of States have made three groups of families eligible for child care assistance: Temporary Assistance to Needy Families (TANF) families, families transitioning off TANF, and other low-income working families. However, half of the States do not provide child care assistance to all the families who apply and are eligible for such assistance under the States' eligibility policies. Since January 2001, two-thirds of the States made key changes that affect the availability of child care assistance. Of the 35 States that made key changes: 23 made changes tending to decrease the availability of assistance, 9 made changes to increase the availability of assistance, and 3 made a mix of changes. Twice as many States increased as decreased spending on quality initiatives. Nine States started using waiting lists. Nine States have stopped adding new families to Child Care Assistance programs. The governors' budget proposals for FY 2004 present a mixed picture for child care assistance funding. This resource is available on the Web at <http://www.gao.gov/new.items/d03588.pdf>.

■ "Budget Briefs" (March 12, 2003) in *NIEER Online Newsletter* Vol. 2 No. 2, has information about proposed funding efforts or funding cuts in Arkansas, California, Iowa, Maryland, Michigan, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, and South Carolina. This resource is available on the Web at <http://nieer.org/newsletter/index.php?NewsletterID=13>.

■ "How Are States Responding to Fiscal Stress?" (March 2003) *Assessing the New Federalism: Policy Brief A-58*, by Kenneth Finegold, Stephanie Schardin, and Rebecca Steinbach, for the Urban Institute, notes that in FY 2002 and FY 2003, States responded to fiscal stress by using one-time revenue sources such as reserves and borrowing against future tobacco settlement payments. States took modest steps to increase revenues by increasing cigarette taxes, business taxes, and gambling revenues while avoiding increases in income or sales tax rates. States reduced spending by implementing across-the-board cuts, delaying planned program expansions, and reducing State labor costs and payments to private providers. Federal maintenance of effort requirements in TANF and high matching rates in Medicaid and SCHIP protected these programs to some extent. As the budget crisis deepens in FY 2004, cuts in social programs are likely to be larger. The report is based on visits to California, Colorado, Florida,

Michigan, Mississippi, New Jersey, and Washington. This resource is available on the Web at <http://www.urban.org/url.cfm?ID=310658>.

■ *States Are Making Deep Budget Cuts in Response to the Fiscal Crisis* (March 2003), by Nicholas Johnson, Iris J. Lav, and Rose Ribeiro, Center on Budget and Policy Priorities (CBPP), provides examples of the increasing reductions in public services that States are enacting in the current fiscal year, as well as a look at some of the cuts governors are proposing for the 2004 fiscal year. States have been cutting budgets for important public programs and services, including education, health care, and public safety. The described budget cuts include: health care, K-12 education, higher education, child care and Temporary Assistance to Needy Families (TANF), courts and public safety, aid to localities, and State employment. This resource is available on the Web at <http://www.cbpp.org/3-19-03sfp.htm>.

■ *State Budget Cuts Create A Growing Child Care Crisis for Low-Income Working Families* (March 2003), by Danielle Ewen, and Katherine Hart, Children's Defense Fund, indicates that State budget deficits and the declining availability of Temporary Assistance to Needy Families (TANF) resources for child care have caused States to cut child care, early education, and school-age programs for low-income working families. Although some States took steps to improve the affordability and quality of care for low-income working families, budget crises forced many States to make cuts in programs or postpone planned improvements in 2002. As States struggle to close the budget gaps, funding for child care, early education, and school-age programs is being cut. In 2002, at least 13 States, including Alabama, Arizona, Maine, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Oklahoma, Oregon, and Utah reported decreased State investments in their child care assistance programs. Some States are reducing the amount of TANF funds used for child care. Low-income working families bear the burden of State budget cuts as States limit eligibility for child care assistance, cut reimbursement rates to child care providers, raise parent co-payments, and reduce investments in health and safety. A State-by-State analysis of budget cuts and waiting lists for child care subsidies is provided. This resource is available on the Web at http://www.childrensdefense.org/childcare/childcare/state_budget_cuts_2003.pdf.

■ *Slowing Growth of State and Federal Investments in Pre-K* (August 2002), by the Wilson Marketing Group, discusses trends in State funding for prekindergarten and includes funding highlights for each of the top 10 spending States in the 2002-2003 school year. It notes increased reliance on TANF funding in Alaska, Georgia, Louisiana, Massachusetts, Ohio, Pennsylvania, Tennessee and Wyoming. To obtain a copy of this report, contact Wilson Marketing Group at 800-445-2089.

Additional Resource

■ *Counties in Crisis: A Survey of Current Budgetary Situations Facing America's Counties* (February 2003), by Richard L. Clark, prepared for the National Association of Counties (NACo), found that the bleak budget situation facing States is affecting counties. About 25% of counties responded, and about 75% of them indicated they are facing budget shortfalls. Most commonly human services programs were affected by State budget shortfalls and counties' responses included decreased service levels, tapping reserve funds, and (for about 25% of the

responding counties) increasing county funding. This resource is available on the Web at <http://www.naco.org/Template.cfm?Section=Library&template=/ContentManagement/ContentDisplay.cfm&ContentID=7624>.

The National Child Care Information Center does not endorse any organization, publication, or resource.

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