

state budgets and federal stimulus: a first look

by Eric Karolak

Our nation has slipped into a recession greater and deeper than anyone expected. At least 47 states are grappling with budget shortfalls, and 46 states already anticipate problems into 2010 and 2011. State legislatures have the daunting task of balancing budgets as revenues drop and the need for services increases. This isn't just about spreadsheets and calculations. It's about real people.

Whether you participate in a child care subsidy program or the state-funded Pre-K program, receive training from an



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of quality early learning programs. ECEC members operate more than 7,600 centers enrolling more than 800,000 children in 49 states and the District of Columbia. Dr. Karolak previously led the National Child Care Information Center, the largest federal clearinghouse focused on child care and early education for low-income families. He has worked closely with states developing the technical aspects of child care assistance programs, quality rating systems, and partnerships across early childhood programs. He has conducted policy research and fiscal analysis in the areas of child welfare, child care, women's labor force participation, and public housing, and has testified before several state legislatures and the U.S. Congress. Dr. Karolak also has served as an advisor to a national quality initiative, a non-profit child care center, a local government commission, and a metropolitan United Way.

R&R, or participate in the state quality rating system, what happens to public funding for child care and early learning affects you and our industry.

The American Recovery and Reinvestment Act

A new factor in public funding is the American Recovery and Reinvestment Act (ARRA) of 2009, enacted in February, which provides \$787 billion to the states — much of it to plug holes, create jobs, and support infrastructure projects. Advocates pushed hard and succeeded in getting \$2 billion included for the Child Care and Development Block Grant. Parents can't work without child care, we told Congress.

Recovery Act funds get worked into the 'math' of the state budgets. As of June 1, many states still had not made public how they planned to use the child care stimulus money, but a clear trend is to apply a significant portion of the new money to children on the waiting list.

Big and moving targets

Despite this massive federal shot-in-the-arm, states are still scrambling as revenue numbers tumble and gaps

widen. Across the country, budget proposals and bills had to be revised as revenue estimates changed. In May, Ohio lawmakers learned their gap mushroomed from \$1.1 billion to more than \$2 billion. By June, North Carolina faced cutting \$4.2 billion from the state's \$21 billion budget.

While many states have not finished their budget process, a few trends have emerged:

Creating and maintaining jobs

As child care providers, we are absolutely sure that parents can't work without child care. And, any working parent will back us up on this too. The local, state, and national economies depend on access to child care to keep working parents working, to keep businesses and companies running, and to keep money moving through the economy. You may have noticed advocates for other programs reaching for a connection to 'work,' too.

This effect on employment — beyond the many thousands employed in child care — is unique and makes the employment impact on child care greater than many other sectors of the economy. In testimony before a state budget panel this year, I stressed "these are among the last jobs a state wants to lose."

A few modest proposals

With so many states facing deep budget gaps, there have been few and modest early childhood proposals. Tight budgets put the focus on defending existing programs rather than launching new, and often force plans to be scaled back. New Jersey put a major preschool expansion plan on hold, with no funds for new classes included in next year's recession-crunched budget.

Even in those few states where the legislative season began relatively free from fiscal worries, proposals tended to be modest. Alaska's governor and legislature approved a pilot Pre-K program for four year olds, to be operated by school districts. It's a part-day program, and leaders estimate some 500 children will be served in the initial run of the pilot.

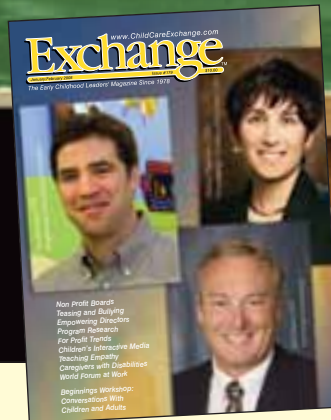
And in Texas, the legislature just sent the Governor a bill creating a new Pre-K grant program. The initiative takes a collaborative approach, with school districts partnering with high-quality child care in the community. Backers had hoped it would come with \$300 million in formula funding, but the bill was scaled down to a \$25 million grant program over the six-month legislative session. At press time, the bill had not yet been signed into law.

Policy changes tucked into the budget proposal

The state budget process revolves around setting funding levels, but it can also involve important policy changes.

In Ohio, where the budget was headed to conference at press time, the budget bill changes the definition of 'full-time care,' increasing the number of hours necessary under the subsidy program. What sounds like a simple accounting change in reality will have dramatic impacts on individual child care program

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budgets, and in turn hinder a program's ability to pay staff, serve children, or stay open at all.

Keeping the focus on child care and early learning

With such tough budgets, statewide advocacy organizations often focus on the big picture impact across all programs — children's health insurance, hunger and nutrition, and foster care come to mind. This is important, but when the gaps are so large and legislators are beset by interested parties from across the spectrum of the entire state budget — agribusinesses to nursing homes — early childhood programs can get lost. It's important for the child care provider voice to be heard among the others.

You gotta have data

The lack of data is an ongoing challenge. The stories of what is really going on in communities are so important for getting the attention of a legislator. But to keep their attention and move their decision-making, we need more than stories about how important child care is to children, parents, and the economy. We need the real numbers to demonstrate parents working, children learning, taxes paid, and jobs created.

And, when faced with a proposed cut, we need to be able to articulate what it really means. When Ohio budget leaders proposed changing the definition of full-time care, the agency didn't know what

the exact impact would be other than to reduce state spending. The Ohio Association of Child Care Providers surveyed members to determine the full effect and found that more than 6,000 child care jobs would be lost and access to care would be reduced by more than 25 percent.

The Recovery Act funds make a difference

Human services programs are often the first to be slashed when it comes to budget cuts. Child care advocates have seen this before. But ARRA child care money had special rules attached. The law specifically says that these funds are to supplement, not supplant, state dollars for child care. Those words may have helped save the day for child care funding. In several states, child care cuts were on the 'likely' list until ARRA came through. Smart budget leaders knew they didn't want to lose a chance at additional federal dollars. And by surviving without cuts, we are 'winning by not losing,' and sometimes that has to be worth celebrating.

Many states appropriately are looking at reducing their waiting lists for child care with ARRA funds. Some are considering using ARRA to backfill gaps created by the shrinkage or shifting of federal Temporary Assistance for Needy Families dollars.

In Wisconsin, advocates cited stimulus funds as one reason the Joint Finance Committee recommended an increase in

Wisconsin Shares funding for child care subsidy. The increase — \$10 million in the first year — if unchanged "would be a real win for subsidy in this difficult budget," says Dave Edie with the Wisconsin Council on Children and Families.

ARRA also gave states an opportunity to say, for the first time in a long time, "What good and interesting things could we do for quality and for babies?" Virginia plans to increase reimbursement rates for infant care, for instance, a move that will expand access to child care for babies because more providers will be able to afford to serve them. States are also looking at launching automation systems to replace the mountains of paperwork, which promises future savings.

The ARRA investment doesn't solve state child care budget woes, but it's a significant lift, and child care in the states would surely look worse without that support. But there is still substantial unmet need in the states.

More action needed

The President's budget proposal — the first step in the federal appropriations process — does not provide any increases for CCDBG. As the House and Senate prepare to make decisions about funding levels, program changes, and new ideas, they must hear from every one of us that this is not a year to pass over child care. Please join us in contacting Congress by visiting the ECEC Action Center at http://action.ececonsortium.org/action_center.

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