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THE TEXAS CHILD CARE CHALLENGE: ISSUE 1-- FUNDING AND ACCESS

This Policy Page is the first in a four-part series summarizing a new report, "The Texas Child Care Experience Since 1996: Implications for Federal and State Policy" to be released in March 2002 by the Center for Public Policy Priorities and the national Center on Law and Social Policy (www.clasp.org). This series and the larger report are part of CPPP's effort to add a Texas perspective to debates concerning Congressional reauthorization of the Child Care and Development Fund (CCDF) in 2002. This Policy Page will examine child care funding and access in Texas. Subsequent Policy Pages in this series will discuss variations in child care policies across local workforce development areas, locally generated child care match, and the importance of child care quality.

Texas is in the midst of a deepening child care crisis. Texas' child care spending has increased in recent budget cycles, thanks largely to increases in federal funds. However, these gains are stagnating. Of the approximately 1,236,800 children potentially eligible for child care subsidies under state and federal guidelines, 107,744 will receive assistance in 2002. While important gains have been made, much more needs to be done to ensure that our youngest children are safe and ready for school.

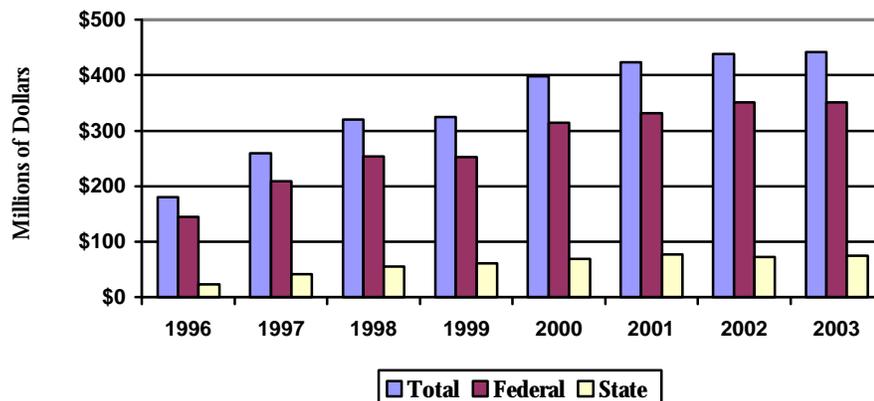
Child Care Funding: Important Gains and Missed Opportunities

Texas relies upon the Child Care and Development Fund, the federal child care block grant, to fund the overwhelming majority of its subsidized child care system. Child care funding in Texas has increased considerably since 1996. However, these increases are slowing as the state's budget woes intensify the fight for scarce general revenue dollars. In 1996 child care subsidy spending totaled \$179.9 million, with state funds accounting for \$22.6 million of the total or 12.5%. In 2000 total child care spending was \$398.4 million, with state funds accounting for \$68.4 million of

the total or 17%. Unfortunately, this increase in percentage share funding by the State of Texas will not continue in the immediate future. For 2003, total child care appropriations will increase to \$441.4 million with state funds accounting for \$75 million of the total, remaining at 17%.

Increases in state spending on child care came about primarily due to federal requirements for state match for CCDF. Child care funding has roughly tripled, but approximately three-quarters of that increase is due to increases in federal, not state, spending. Additionally, local communities are being asked to provide more and more local match to draw down federal funds, as will be discussed in a

Figure 1: Texas Child Care Spending 1996-2003



Source: Texas Legislative Budget Board

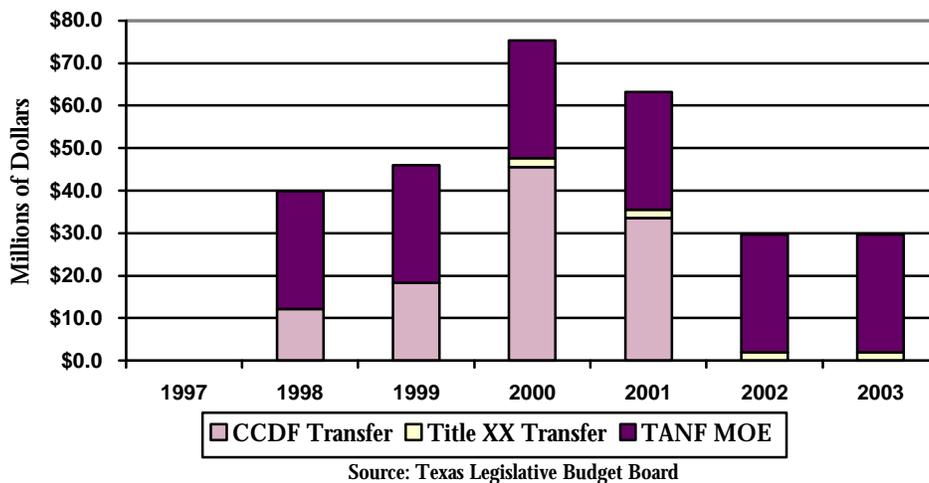
future Policy Page. Figure 1 reflects this steady increase in federal funds and the leveling off of state funding in the 2002-2003 biennium. For child care to make any more progress, the balance of state and federal funding cannot remain so lopsided. Texas must commit more state funds to child care.

The federal TANF (Temporary Assistance to Needy Families) block grant is intended to help families make the difficult transition from public assistance to work. States are permitted to transfer up to 30% of their TANF block grant to child care. In fact, more TANF funds are now spent on child care nationally than federal CCDF dollars. However, Texas has bucked this trend and become one of two states not to transfer any of its TANF federal block grant to child care, as Figure 2 highlights. In the 2001 legislative session, TANF surpluses seen in the two previous sessions were gone, and TANF spending levels exceeded Texas' federal TANF allocation. Additionally, dissipation of TANF among multiple state agencies and programs threatened investments

in the welfare-to-work services for which the TANF block grant was created. Unfortunately, the Texas Legislature chose to continue the problematic patterns set in place in previous budget cycles and did not use TANF funds strategically to reduce poverty.

Texas chose to use TANF dollars to fill state budget holes, not provide child care and other work supports. For the 2000-2001 biennium Texas transferred about \$79 million in TANF to CCDF. For 2002-2003 all TANF to CCDF transfers were eliminated and offset by increases in federal CCDF funds. Texas spends no TANF funds directly on child care, as is the case in some other states. The \$33.5 million of TANF funds the Texas Legislature transferred to CCDF in fiscal 2001 would have bought about 8,270 child care slots in 2002. While this represents only a dent in existing waiting lists and total need, an additional 8,270 child care slots would have helped thousands of working-poor Texas families get the child care they need to get and keep jobs.

Figure 2: Use of TANF for Child Care in Texas



programs funded through the Texas Workforce Commission. While this is certainly a significant increase from the 1996 total of 63,221 children, it still represents a fraction of the need.

Texas guarantees child care to TANF cash assistance recipients participating in the employment services program, Choices. Recently, TANF cash assistance caseloads began to increase. Figure 3 demonstrates the impact of larger TANF caseloads on child care availability for working poor families. As TANF and Choices caseloads increase, the increase in child care demand related to TANF

Child Care Access: Families with Quality Child Care Can Work

Child care is the essential support many working poor families need to get and stay employed. Without quality child care, many families must make the awful choice between working and leaving their children in potentially unsafe or developmentally inappropriate conditions. The current waiting list for child care subsidies in Texas stands at approximately 40,000 children. However, this only hints at the state's actual unmet need. The Legislative Budget Board (LBB) projects that by 2003 the state will provide child care to 107,195 children in

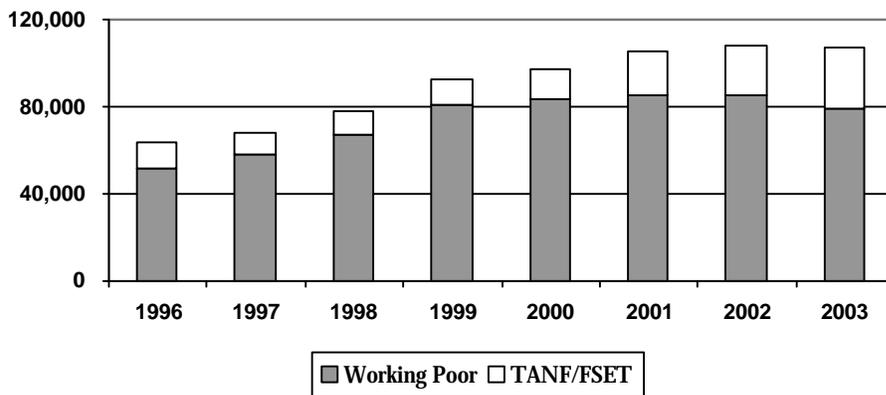
recipients is anticipated to have a direct impact on resources available for "at-risk" or working poor recipients. Based on funding in the 2002-2003 General Appropriations Bill, the LBB estimates that the number of Choices participants will increase from 8,150 in fiscal 2000 to almost 20,000 by fiscal 2003. While these projections were based on a number of interacting assumptions, the economic downturn and revised projections of TANF caseload increases have added even more confidence that such increases are likely. In 1996 Texas served 10,996 children of Choices participants in its child care programs; by 2003 this number will increase to 27,843.

Using estimates produced by the LBB, the CPPP projects that in 2003 approximately 6,000 fewer children from non-TANF, working-poor families will have access to child care subsidies, as local boards transfer available resources to the children of prioritized Choices participants and former participants receiving Transitional Child Care. In numbers provided to the Texas House Research Organization, TWC put the figure at 12,500 children. How this "displacement" will happen, and whether children will actually be "disenrolled" is unclear at this time.

Local workforce boards, not the state agency, determine service discontinuation policies. There are serious concerns about how individual local boards will address this issue and about post-September 11 impacts on Texas' TANF caseloads.

Texas' poorest families are getting most of its child care subsidies. While this is positive news, child care advocates worry about the hundreds of thousands of working-poor families eligible for, but not receiving, child care. Looking at income data of child care subsidy recipients, it becomes apparent that families at the bottom end of the economic ladder are receiving the lion's share of

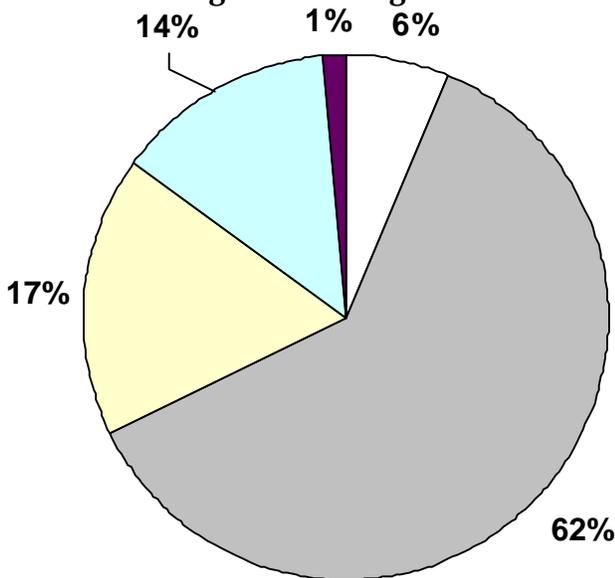
Figure 3: Children in Subsidized Child Care



Source: Legislative Budget Board

child care subsidies, as reflected in Figure 4. Children in Protective Services receiving child care subsidies do not report family income. While Texas allows local boards to set income eligibility criteria at the highest federally allowable level of 85% SMI, only 1% of children receiving child care assistance in Texas come from families with earnings greater than 66% of SMI. Interestingly, 62% of children in the Texas subsidized child care system come from families with incomes below the federal poverty line and 79% of children in subsidized care come from families earning less than 133% of poverty or 44% SMI. The

Figure 4: Who gets a child care subsidy in Texas?



Source: Texas Workforce Commission

priority given to TANF Choices families is a partial explanation for these figures. Also, those leaving TANF and receiving Transitional Child Care assistance generally have very low incomes. A study by DHS showed that the average earnings for working TANF leavers were \$6.28 per hour for 34 hours per week of work, leaving them well below the federal poverty level.

- Children's Protective Services (No Income Reported)
- Up to 100% Federal Poverty
- 101-133% Federal Poverty
- 134-200% Federal Poverty
- 201-257% Federal Poverty

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