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CHILD CARE FUNDING COULD FALL SHORT

With House-Senate state budget conferees about ready to wrap up work on Senate Bill 1, the Appropriations Act for 2002-03, final funding for child care will soon be known. This Policy Page explains why more state and federal funds for child care are needed to continue serving working poor families, and provides links to proposed legislation that would affect child care in Texas. An April 24th Policy Page on Senate and House decisions about federal Temporary Assistance for Needy Families (TANF) funds—closely related to child care funding—should also be of interest to those of you tracking child care issues.

FIRST, SOME BASICS

Texas' child care funding consists mainly of state legislative appropriations to the Texas Workforce Commission (TWC), which then allocates the funds to 28 local workforce development boards. For fiscal 2001 (which ends in August), almost \$402 million had previously been approved for one large strategy in TWC's budget ("B.2.1: Access to child care for eligible children in low-income families"). Another \$21.2 million in unexpected federal Child Care & Development Funds (CCDF) was approved recently as additional funding for fiscal 2001. Total TWC spending on child care is further divided into substrategies for specific programs as follows:

- **CHOICES/E&T Child Care:** \$61 million (almost all federal) was originally budgeted for child care for children of TANF cash assistance and Food Stamps recipients who are in employment services or other Choices work activities. This funding supports about 14,400 child care slots. The extra \$21.2 million approved for 2001 will provide 5,004 additional slots.
- **Transitional Child Care:** TANF recipients who become employed and earn enough to be ineligible for cash assistance can continue receiving child care services for at least another 12 months. Transitional child care is also available for those who have exceeded their time limits for receiving TANF grants but are continuing to work or go to classes through Choices. Almost \$34 million (all federal) was budgeted for 9,600 transitional child care slots in fiscal 2001.
- **At-Risk Child Care:** Also called "Working Poor" child care, this service is not an entitlement; when funding runs out, families are put on waiting lists. At-Risk Child Care draws on a variety of local, state, and federal funding streams to provide \$233 million to local boards for 76,000 child care slots. About 41,000 families are on waiting lists for at-risk child care.

- **Foster & CPS Day Care:** Through interagency contracts with the Department of Protective and Regulatory Services (PRS), TWC provides about \$13 million annually for child care for foster care children or those needing protective services.
- **Work and Family Clearinghouse:** About \$900,000 was budgeted in fiscal 2001 for grants and an information and technical assistance clearinghouse for employers, policymakers, and others interested in promoting and supporting dependent care.
- **Other Direct Support:** Finally, a TWC budget item of \$14.7 million provides staff support to local boards as they decide how to spend child care funds. Initiatives such as the Training Our Teachers program, the Resource and Referral network, and other statewide quality improvement projects are also operated through this TWC budget item.

Heading into the 2001 session, critical child care issues for the Workforce Commission were (1) increased funding for Choices child care (because the number of Choices adult clients would be increasing rapidly); and (2) more funding for at-risk child care slots.

ANOTHER PIECE: REGULATION

In addition to overseeing state Child Protective Services (CPS) and foster care programs, PRS regulates child care providers to ensure that minimum standards are met. For 2001, \$22 million (including \$18.3 million in federal money) was budgeted to cover the costs of regulating 10,674 licensed day care facilities, 11,554 licensed residential care facilities, 9,680 registered family homes, 3,400 listed family homes, 217 child placing agencies, and 1,086 child care administrators statewide. For the 2002-03 biennium, PRS needed more funding in order to keep child care regulatory caseloads from increasing.

DRAFT BUDGET ON CHILD CARE

In January 2001, the Legislative Budget Board (LBB) issued its “base” level budget recommendations to legislators, including the following for child care:

- For TWC’s “Access to Child Care” strategy, two-year funding of \$810.7 million was proposed, a slight increase from the \$800.8 million spent/budgeted for 2000-01. LBB’s proposal was significantly lower than the \$934 million TWC request for child care base and exceptional funding. With either the proposed LBB funding or TWC’s request, 5,026 new Choices child care slots and almost 18,000 other slots would be provided by 2003 compared to 2001 levels, and at-risk care waiting lists would increase.
- For PRS child care regulation, LBB proposed \$35.5 million for 2002-03, down from \$43.2 million in 2000-01. Most of the cut was due to the completion of an automation project; funding needed for system operation had to be requested as an exceptional item.
- The LBB proposed no TANF-to-CCDF transfers during 2002-03, down from \$133 million in transfers during 2000-01. But it did recommend continuing a biennial TANF-to-Title XX (Social Services Block Grant) transfer of \$4 million for child care.

Another LBB document released in January 2001, *Staff Performance Report to the 77th Legislature*, provided additional information about child care. (See <http://www.cppp.org/products/policyanalysis/LBB-childcare.pdf>)

TWC’S RESPONSE

When the LBB base budget, which was introduced as Senate Bill 1, was heard by Senate and House budget committees, the Workforce Commission highlighted several key issues of concern. To meet at-risk child care needs, TWC said it still needed \$69.3 million in CCDF funds for about 8,800 new slots annually; \$15.6 million in state General Revenue (which would draw down another \$29.4 million in CCDF) for another 3,800 slots; and \$17.5 million in TANF to CCDF to reduce waiting lists by 2,500 slots annually. Without enough state and federal money to fund the Choices (entitlement) child care, local boards would have to start dropping families from at-risk child care—displacing up to 27,000 children from care.

WHAT THE SENATE PROPOSED

Federal Funds: The Senate Finance Committee’s mark-up of the budget gave TWC \$167.9 million more in CCDF, while reducing TANF by \$79.1 million, for a total increase in federal funds of \$88.8 million. About \$8.5 million in new CCDF funding was earmarked for PRS. The Senate, like the House, gave TWC the permission it needed to spend the unexpected \$21.1 million in CCDF in 2001.

State Funds: Senate budget writers approved \$10 million in new General Revenue funding for child care. The Senate’s SB 1 put another \$25 million in GR in Article Eleven (the “wishlist”) to draw down more CCDF.

HOUSE DECISIONS THUS FAR

Federal Funds: With an increase of \$161.4 million in CCDF funding and an offsetting reduction of \$79.1 million in TANF, the House Appropriations Committee version of the state budget provided a net federal increase of \$82.3 million for child care.

State Funds: The House version of SB 1 put TWC’s request for \$15.6 million in GR to draw down \$29 million in CCDF in Article Eleven. Also in Article Eleven, the House included funding for HB 1187, which would let 100 TANF clients be in the Parents as Scholars program and help them earn an associate’s or bachelor’s degree by paying their child care costs

DECISIONS MADE IN CONFERENCE

As part of a TANF refinance, the House-Senate conferees on SB 1 have tentatively agreed to allocate another \$2.5 million in state General Revenue for TWC child care requests, which would draw down \$3.8 million in federal CCDF. This leaves the agency short by \$7.5 million; if more GR cannot be found for TWC, Texas will probably have to leave CCDF funds “on the table.”

FEDERAL DEVELOPMENTS

One critical factor for Texas child care funding will remain unknown until late in the year, when Congress finalizes the fiscal 2002 federal budget—meaning possible increases, cuts, or the same amount of funding. Recall that Texas legislators wrote a fiscal 2001 budget for child care in 1999, but Congress did not act on this until December 2000. For fiscal 2001, the federal spending bills for Labor, Education, and Health and Human Services that finally went to the President for approval had at least one “good news” item for Texas: a \$78 million increase in Child Care & Development Block Grant discretionary funds. But for 2002, the news could be bad. President Bush’s fiscal 2002 budget for the U.S. Department of Health and Human Services reflects a \$200 million cut in CCDF. After the budget cuts, federal child care grants will total \$1.8 billion. CPPP estimates that this could translate to a funding reduction for Texas child care of \$19 million.

RELEVANT BILLS

The coming week will be a critical one for all pending legislation, as House and Senate deadlines start to take their toll. CPPP has identified bills affecting child care and pre-kindergarten. To see these bills’ status as of last week, visit <http://www.cppp.org/new/bills.html>. The site will be updated once more after the session ends.

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