

# CLASP

CENTER FOR LAW AND SOCIAL POLICY

## **President's Budget Projects 300,000 Low-Income Children to Lose Child Care by 2010**

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According to the Administration's own calculations, an estimated 300,000 fewer low-income children will receive child care assistance by 2010. The President's budget would freeze child care funding for 2006—and projects that child care funding would remain frozen for the next five years, through 2010. Yet, child care assistance is critical to the success of low-income working families.

Reports by the General Accounting Office and the National Women's Law Center have shown that states have responded to frozen child care funding and rising costs by cutting working families from the program, raising the cost to families to participate, and reducing programs that improve the quality of care.

Last year's budget showed that in 2003, an estimated 2.5 million children were served by all major federal funding streams for child care. These funding streams include the Child Care and Development Block Grant (CCDBG), the Temporary Assistance to Needy Families (TANF) block grant, and the Social Services Block Grant. According to the Administration's data, the number of children receiving child care fell to 2.3 million in 2004. These budget projections show that the number of children served will further decline to 2 million by 2010.

According to CLASP analyses, the Administration's projection likely underestimates the number of children who would lose care. States can choose to use some of their TANF funds for child care, and in the past, when welfare caseloads fell, most states did so. However, welfare caseloads have stopped falling rapidly in most states. The use of TANF for child care assistance reached a peak of \$4 billion in 2000 and has declined and stayed at or near \$3.5 billion for the past three years. The Congressional Budget Office (CBO) has projected that overall TANF spending is projected to decline. This is likely to produce a similar decline in state use of TANF funds for child care.

In addition, over the past several years, states have spent and transferred TANF funds at a rate exceeding their basic block grants, and they drew down unspent funds from prior years. Therefore, these funds may no longer be available for child care. As the overall amount of TANF funds available to states declines, states will likely not be able to maintain investments in child care at the current level. Yet the Administration's budget

assumes that states will continue to invest TANF funds in child care at the same rate they do now.

Based on the CBO-estimated decline in overall TANF spending, CLASP estimates that the number of children receiving child care assistance would actually decline by nearly 375,000 between FY 2004 and 2010.<sup>1</sup> This assumes that the amount of TANF funds states spend on child care will fall proportionate to the overall decline in TANF spending. It is possible that this assumption is too conservative and that states in fact would reduce child care spending by an even greater amount in future years and spend TANF funds elsewhere.

This is a critical budget year because the administration and congressional leaders are intent on addressing the deficit, which was caused by the war, tax cuts, and new programs such as the Medicare prescription legislation. In creating this budget, the President has abandoned decades-old federal commitments. The President's budget shrinks federal funding for health care, job training, nutrition, child care, child welfare, and many other services. These cuts will all harm children; state governments will be forced to provide more services with fewer dollars at a time when they are already struggling to serve their constituents.

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<sup>1</sup> Our analysis is based on an average-per-slot cost figure calculated by dividing FY 2001 CCDBG expenditures by the monthly average number of children served in 2001. This is the most recent year for which participation data is available from the Child Care Bureau. The 2001 average-per-slot figure is inflated using the CBO inflation figure for child care costs. Our average-per-slot cost is \$4,991 in FY 2006.