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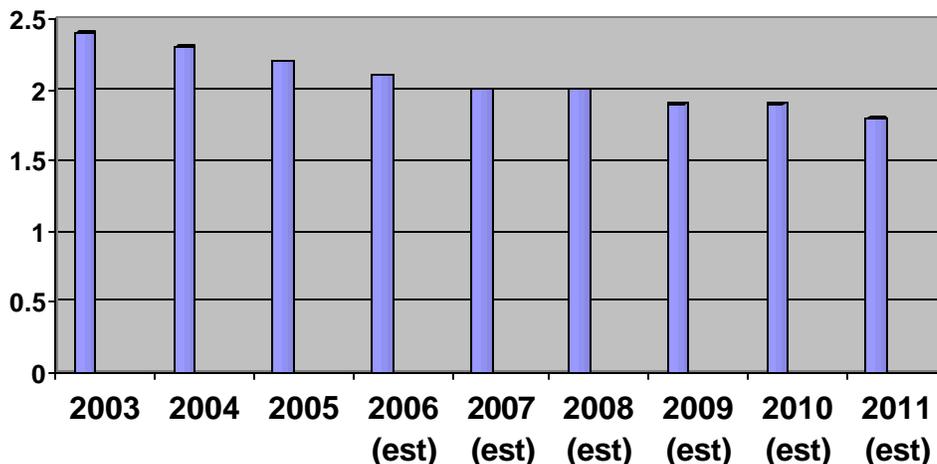
CENTER FOR LAW AND SOCIAL POLICY

## **Toward a Decade of Indifference: Administration Ignores Child Care Needs of Working Families**

Child care assistance helps low-income working families succeed and afford quality child care that fosters the well-being and healthy development of their children. Yet the President's 2007 budget proposal would freeze discretionary child care funding *for the fifth consecutive year*. At the same time, the Administration is projecting substantial cuts in future years; analysis by the Center on Budget and Policy Priorities finds that the budget proposal calls for cuts in discretionary child care funding totaling \$1 billion over the next five years as compared to the fiscal year 2006 funding levels adjusted for inflation.<sup>1</sup>

For the current year, the budget seeks to freeze 2007 funding at the 2006 level. If funding remains frozen through 2011, the Administration estimates that only 1.8 million children will be receiving child care assistance in that year.<sup>2</sup> This represents a decline of 25 percent—or 650,000 children—from fiscal year 2000, when 2.45 million children were in low-income working families receiving help paying for child care.<sup>3</sup> These estimates are for flat funding; if investments in child care assistance go down, as the budget documents suggest, even more children will be cut.

### **Decline in Number of Children Served by the Child Care and Development Block Grant (All Sources)**



<sup>1</sup> Center on Budget and Policy Priorities. (2006) *The President's Budget: A Preliminary Analysis*. Downloaded from <http://www.cbpp.org/2-6-06bud.htm>

<sup>2</sup> Table 25-4: Beneficiary Projections for Major Benefit Programs in *Analytical Perspectives Budget of the United States Government FY 2007* (page 363). Downloaded from <http://a257.g.akamaitech.net/7/257/2422/06feb20061000/www.gpoaccess.gov/usbudget/fy07/pdf/spec.pdf>.

<sup>3</sup> Health and Human Services. (2001). *Child Care and Development Fund (CCDF) Report to Congress—Fiscal Year 2001*. Downloaded from <http://www.acf.hhs.gov/programs/ccb/policy1/congressreport/2001CCDFreport.doc>.

The President's proposed freeze on funding for the Child Care and Development Block Grant (CCDBG) comes at a time when states face stiff requirements to increase participation in work activities among families receiving welfare. Many of these families will need child care assistance to find and retain employment.

Last week, Congress passed the 2006 fiscal year budget bill, which increased mandatory funding for child care by \$1 billion over the next five years. This amount was more than \$11 billion short of the amount the Congressional Budget Office (CBO) estimated would be needed to meet the new requirements for the Temporary Assistance to Needy Families (TANF) block grant through increased work participation and to offset inflationary costs in order to continue to serve all low-income families now receiving assistance.<sup>4</sup> Even this increase was partially offset by a 1 percent cut to CCDBG discretionary funding, which translates to a \$21 million loss in state CCDBG funding between FY 2005 and FY 2006.

The Administration's budget for FY 2007 assumes that spending on child care from all sources will remain steady, yet there is evidence that states are already reducing their investments in child care. In 2004, child care spending nationally fell for the first time since the passage of welfare reform in 1996. Thirty states cut spending on child care assistance in 2004.<sup>5</sup> In addition, the use of federal TANF funds for child care assistance fell to \$3.3 billion in 2004, after slowly declining from a high of \$4 billion in FY 2000.

As states have reduced their child care spending, a number have restricted access and eligibility to assistance. The Government Accountability Office released a report last year showing that 19 states have made policy changes that made it more difficult for low-income working families to get child care assistance.<sup>6</sup> The National Women's Law Center reports that as of early 2005, approximately two-thirds of the states had reduced their income-eligibility criteria as a percentage of the federal poverty level since 2001. Twenty states had waiting lists or had frozen intake altogether for low-income working families not receiving welfare.<sup>7</sup> Changes to the TANF program will cause states to rethink their current use of TANF funds. If the use of TANF for child care continues its downward trend and states do not invest their own funds in child care assistance, the number of children losing assistance may in fact be much higher than the 400,000 predicted in the Administration's budget.

In FY 2000, with significant federal investments, nearly 2.5 million low-income working families received help paying their child expenses so that they could go to work. Since that time, Census data shows that the number of children living in working poor families has increased dramatically<sup>8</sup> yet the number of children receiving child care assistance has declined.

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<sup>4</sup> Ewen, D. (2005). *Families Will Lose Child Care Assistance under Ways and Means Committee Welfare Reauthorization Bill*. Downloaded from [http://www.clasp.org/publications/house\\_tanf\\_bill\\_childcare.pdf](http://www.clasp.org/publications/house_tanf_bill_childcare.pdf)

<sup>5</sup> Matthews, H. and Ewen, D. (2005) *Child Care Assistance in 2004: States Have Fewer Funds for Child Care*. Downloaded from <http://www.clasp.org/publications/childcareassistance2004.pdf>

<sup>6</sup> U.S. Government Accountability Office. (2005). *Child Care: Additional Information is Needed on Working Families Receiving Subsidies*. Washington, DC: U.S. Government Accountability Office.

<sup>7</sup> Schulman, K. and Blank, H. (2005) *Child Care Assistance Policies 2005: States Fail to Make Up Lost Ground, Families Continue to Lack Critical Supports*. Downloaded from [http://www.nwlc.org/pdf/ChildCareSubsidyReport\\_September2005.pdf](http://www.nwlc.org/pdf/ChildCareSubsidyReport_September2005.pdf)

<sup>8</sup> U.S. Census Bureau, detailed poverty table POV13 at <http://pubdb3.census.gov/macro/032005/pov/toc.htm>, and unpublished CBPP tabulations of the March 2001 Current Population Survey, version 3

The President's budget proposal fails to provide help to these working families through 2011, laying out a road map to a decade of federal reductions in child care assistance. The Administration predicts that at least 400,000 more low-income children will be cut from child care assistance programs over the next five years. Child care assistance is a critical support for families working toward self-sufficiency; the President's budget should reflect the importance of these investments.