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**BUSH ADMINISTRATION PROJECTS THAT THE NUMBER OF  
CHILDREN RECEIVING CHILD CARE SUBSIDIES WILL FALL  
BY 200,000 DURING THE NEXT FIVE YEARS**

**Actual Loss in Child Care Subsidies Likely Would Be Far Greater**

By Sharon Parrott and Jennifer Mezey<sup>1</sup>

A table in the Bush Administration budget shows that under the Administration's child care block grant funding proposals, the number of children who will receive child care subsidies is projected to *fall* by 200,000, from 2.5 million children currently to 2.3 million children by 2007.<sup>2</sup>

This decline is the result of the Administration's proposal to freeze various sources of federal child care funding over the next five years, including the Child Care and Development Block Grant, the Temporary Assistance for Needy Families (TANF) block grant (a substantial portion of which is used for child care), and the Social Services Block Grant.<sup>3</sup> Because the cost of providing child care increases as the wages, salaries, and rental costs of child care programs rise with inflation, freezing child care funding causes the number of children who can be served each year to decline.

Currently, due to funding limitations, only *one in every seven* children who are eligible for child care assistance under federal rules actually receive that help. Millions of low-income working families with children that need assistance paying for child care do not get it because of insufficient funding for child care programs.<sup>4</sup>

This gap would grow under the Administration's budget. In fact, the number of children under the age of five in the United States is projected to *increase* by 3 percent over the same period that the number of children who could be served by child care programs is projected to fall by 200,000.

Furthermore, the 200,000 figure is likely to *understate* by a substantial amount the decline that would occur under the budget in the number of children who receive child care subsidies, because the Administration's projections are based on overly optimistic assumptions about the level of both state resources and federal TANF resources that states will devote to child care over the next five years.

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<sup>2</sup> *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004*, Table 15-3, "Beneficiary Projections for Major Benefits Programs."

<sup>3</sup> Additionally, for FY 2004, the Administration has proposed a \$400 million cut in the 21<sup>st</sup> Century Community Learning Centers program which provides funding for after-school activities.

<sup>4</sup> Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, *The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000: Increased Child Care Funding Needed to Help More Families*, Center for Law and Social Policy, October 2002.

- *The Administration assumes that between 2004 and 2008, states will continue to devote the same level of TANF funds to child care as they used for child care in FY 2001; this is very unlikely to occur.* In 2001, states relied on some \$1.6 billion in unspent TANF funds from prior years to augment their annual TANF block grant allotments and fund programs and services for low-income families, including child care assistance. These unspent TANF funds, however, have since been exhausted or nearly exhausted in most states. To bring spending in line with their annual TANF block grant allotment, many states will have to *cut* TANF funding for various programs in the next few years, including child care programs. In addition, some states are facing increased costs for basic cash assistance for poor families because the number of families needing this assistance has increased. These rising cash assistance costs are increasing pressure on states to reduce the amount of TANF funds devoted to cut child care and other supports for low-income working families.
- *State spending on child care also is likely to fall in a number of states, but the Administration's projection assumes that states will continue to fund child care programs at FY 2001 levels.* The severe fiscal crisis now facing states is leading them to make substantial cuts in a range of state services, including child care.
- *TANF budget pressures and state revenue shortfalls already have led a number of states to cut child care programs and consider further cuts for FY 2004.* For example, Indiana, Kansas, Nebraska, New Mexico, and West Virginia reduced eligibility limits in their child care programs to cut program costs. States also have made cuts in the amount they pay child care providers and have increased the co-payments that families receiving subsidies must make. Several states are considering cuts in child care programs as they craft their FY 2004 budgets. Governor Taft of Ohio, for example, has proposed reducing the eligibility limit for child care subsidies in order to cut the number of children served by 17,000.

If states withdraw state resources or federal TANF funds from child care programs, the reduction in the number of children who will receive child care subsidies by 2008 will be significantly larger than the 200,000 reduction projected by the Administration.

Finally, it is important to note that if the Administration's TANF reauthorization proposals are enacted, many states likely will reduce the number of low-income *working* families that receive child care assistance in order to devote more resources to meeting the new work requirements in the Administration's proposal. The President has called once again for the enactment of a welfare plan that would require states to increase substantially the number of cash assistance recipients participating in work programs and would raise the number of hours parents are required to participate to 40 hours per week. Last year, the Congressional Budget Office estimated that the cost of meeting the work requirements included in the House-passed TANF reauthorization bill — requirements modeled on the Administration's work proposals — would be between \$8 billion and \$11 billion over five years. (These costs included costs associated with expanding welfare-to-work programs as well as the cost of providing child care to parents participating in these programs.)

To meet these new mandates, many states likely would cut funding for child care subsidies for low-income working families *not* receiving cash assistance in order to provide child care subsidies to cash assistance recipients newly required to work or required to work more hours as well as to fund the increased work program costs associated with these new requirements. Thus, even if the *total* reduction in the number of children receiving child care subsidies were 200,000 as projected by the Administration, more than 200,000 children in low-income working families not receiving welfare benefits would be expected to lose access to child care assistance if the Administration's TANF proposals are adopted.