



The Early Care and Education Budget in Context: An Analysis of the Governor's Proposed FY 09 Budget Revisions

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Why Public Investment Is Important

High quality learning environments in the early years of childhood advance children's school readiness, while low quality settings set children back developmentally so that it is hard for them to ever catch up. Despite this knowledge, the demonstrated need of Connecticut families, and Connecticut's public commitment to investing in reforming Connecticut's early care and education system, Connecticut's funding for early care and education has neither been sufficient to meet the needs of the state's working families *nor* to ensure that all children arrive at kindergarten ready for school success and lifelong learning. The percentage of children who enter kindergarten with preschool experience in the state's most at-risk towns has not increased dramatically in recent years, and consequently the achievement gap has not decreased.

This analysis examines changes in funding for early care and education in the budgets of the State Department of Education (SDE) and Department of Social Services (DSS).¹ Much of SDE's early care and education funding is for its School Readiness program (for 3 and 4 year olds), while much of DSS' funding is for the Care4Kids child care subsidy program and state-funded Child Care Centers (that also serve infants, toddlers, pre-school, and school-aged children).

Public Investment Over Time

Funding for Early Care and Education (DSS)							
	FY 02 (\$M)	FY 02 inflation adjusted to 2007 \$ (\$M)	FY 08 Final Budget (\$M)	FY 09 Original Budget (\$M)	FY 09 Governor's Proposed. Revised (\$M)*	Diff. b/w Revised Gov. 09 & Final 08: (\$M & %)	Diff. b/w Revised Gov. 09 & Infl. adj. FY 02: (\$M & %)
Care4Kids	\$121.59	\$139.83	\$90.00	\$93.12	\$103.69	\$13.70 (15.2%)	-\$36.14 (-25.8%)
State Funded Child Care Centers	\$7.12	\$8.19	\$12.83	\$15.13	\$15.88	\$3.05 (23.7%)	\$7.69 (93.9 %)
School Readiness	\$4.50	\$5.17	\$4.36	\$4.96	\$4.62	\$0.27 (6.1%)	-\$0.55 (-10.7%)
Day Care Projects	\$0.47	\$0.54	\$0.47	\$0.47	\$0.48	\$0.01 (2.9%)	-\$0.06 (-10.6%)
Total DSS	\$133.67	\$153.73	\$107.64	\$113.67	\$124.67	\$17.03 (15.8%)	-\$29.06 (-18.9%)

¹ Also included in the Governor's proposed FY 09 budget revisions is funding for five new Department of Public Health staff to increase the number and frequency of inspections of child care facilities (to enhance quality and safety of care), and \$500,000 to support a mostly on-line Alternative Route to Certification program for early childhood educators.

Funding for Early Care and Education (SDE)

	FY 02 (\$M)	FY 02 inflation adjusted to 2007 \$ (\$M)	FY 08 Final Budget (\$M)	FY 09 Original Budget (\$M)	FY 09 Governor's Proposed Revised (\$M)*	Diff. b/w Revised Gov. 09 & Final 08: (\$M & %)*	Diff. b/w Revised Gov. 09 & Infl. adj. FY 02: (\$M & %)*
Priority School Districts	\$80.35	\$92.40	\$130.04	\$124.25	\$122.45	-\$7.60 (-5.8%)	\$30.05 (32.5%)
Head Start Services	\$2.97	\$3.42	\$2.75	\$2.75	\$2.75	\$0 (0%)	-\$0.67 (-21.3%)
Head Start Enhancement	\$1.87	\$2.16	\$1.77	\$1.77	\$1.77	\$0 (0%)	-\$0.38 (-17.7%)
Early Childhood Program	\$2.60	\$2.99	\$4.89	\$4.90	\$4.90	\$0.01 (0.1%)	\$1.91 (63.8%)
Early Reading Success	\$2.03	\$2.34	\$2.40	\$2.40	\$2.40	\$0 (0%)	\$0.08 (2.9%)
Family Resource Centers	\$6.13	\$7.05	\$6.36	\$6.36	\$6.36	\$0 (0%)	-\$0.69 (-9.8%)
Early Childhood Advisory Cabinet	\$0	\$0	\$0.90	\$1.05	\$1.05	\$0.15 (16.7%)	\$1.05 (--)
School Readiness Staff Bonuses	\$0	\$0	\$0.08	\$0.15	\$0.15	\$0.08 (100%)	\$0.15 (--)
Preschool Quality Rating System	\$0	\$0	\$3.00	\$2.50	\$2.50	-\$0.50 (-16.7%)	\$2.50 (--)
Pre-K Data Collection	\$0	\$0	\$0	\$0 ²	\$0	\$0	\$0
Head Start Early Childhood Link	\$0	\$0	\$2.20	\$2.20	\$2.20	\$0 (0%)	\$2.2 (--)
Total SDE	\$95.96	\$110.35	\$154.40	\$148.33	\$146.53	-\$7.87 (-5.1%)	\$36.18 (32.8%)

* Governor's FY 09 proposed budget revisions, released February 6, 2008

Total DSS and SDE Early Care and Education Funding Over Time

(in millions, not adjusted for inflation unless otherwise noted)

FY 02	FY 02 infl. adj. 2007 \$	FY 04	FY 06	FY 07	FY 08	FY 09	FY 09 (Gov. Proposed Revised)
\$229.63	\$264.08	\$167.35	\$214.40	\$223.44	\$262.03	\$262.00	\$271.20

² The FY 08-09 budget adopted last Session eliminated a previous allocation of \$1.54 million in FY 08 and \$0.16 million in FY 09 for SDE's pre-K data collection, postponing it until 2010.

A Summary of the FY 08 - FY 09 Budget

The FY 08-09 Biennial Budget as adopted last Session included a substantial funding increase for early care and education across the SDE and DSS budgets. Significant new funds were appropriated for: (1) the School Readiness program; (2) the Birth to Three program, intended to increase eligibility and access; (3) state-funded child development centers; and (4) Care4Kids.³ Other funds were allocated to some new initiatives, including: (1) a quality rating system for preschool programs; (2) strengthening the link between Head Start and the state's existing early childhood programs; (3) very modest bonuses for School Readiness staff; (4) debt service on bonding for renovation of, and new facilities for, pre-K programs; and (5) early childhood workforce development and support.⁴

The combined SDE/DSS early care and education budget approved for FY 08 (and FY 09) was about \$39 million (17%) more than in FY 07. However, *combined* funding in FY 08 remained about \$2 million *less* than actual spending in FY 02 (adjusted for inflation): SDE's FY 08 early education budget was \$44 million more than its FY 02 budget (adjusted for inflation) but DSS' FY 08 child care budget was \$46 million less. In short, increased investment in SDE's preschool programs came at the expense of DSS' child care programs that provide help provide care to young children not served by School Readiness (including infants and toddlers), are instrumental in supporting working families, and ensure financial stability for child care providers.

The Governor's Proposed FY 09 Budget Revisions

The Governor proposes the following very minor revisions to the FY 09 SDE and DSS early care and education budgets as adopted last Session:

- *School Readiness.* A \$1.8 million *reduction* is proposed for the revised FY 09 budget to “reflect historical experience” concerning delays in the creation of new preschool slots. Specifically, the budget explained that over 300 new slots for which funding was approved as of July 1, 2007 were not ready to be filled until January 1, 2008 (or after). The Governor proposes no funding for *new* slots or rate increases, although the FY 09 budget will still include \$13.15 million more than FY 08 for the expansions approved in the 2007 Session.
- *Care4Kids.* A \$10.56 million *increase* is proposed for the revised FY 09 budget, which is equal to the Care4Kids' FY 08 deficiency (to be covered by a transfer of funds within DSS' FY 08 budget). That is, although \$90 million was appropriated for Care4Kids this year, DSS has estimated that it will spend about \$101 million for these subsidies, due to an increase in caseload.⁵ The Governor's proposed FY 09 Budget revisions would provide a total of \$103.7 million in FY 09. While this is an increase of 15.2% over the FY 08 budget, it is only 3.1% more than *actual* spending in FY 08. In short, the Governor's proposed increase would allow DSS to continue serving those children now receiving the subsidy, but is inadequate to increase the number of children served or raise the subsidy so it more closely approximates current market rates.
- *State Funded Child Development Centers.* The Governor proposes to increase FY 09 funding by \$0.75 million (or \$3 million as compared to FY 08). The \$3 million increase in funding over FY 08 for state-funded

³ Although the FY 08 Care4Kids budget was \$18.8 million (26%) more than what was budgeted in FY 07, it is noteworthy that it was equal to what was *actually* spent on Care4Kids in FY 07, taking into account deficiency appropriations and a one-time TANF bonus. Thus, the increased funding in FY 08 allowed only for the continuation of current services; it was insufficient to provide for an expansion in services or an increase in provider reimbursement rates.

⁴ For a more detailed summary of FY 08 budget changes, see Oliveira, *FY 08 Budget Update: Early Care Funding* (July 2008), available at www.ctkidslink.org/publications/ece07fy08budgetupdate.pdf.

⁵ See Connecticut Office of Fiscal Analysis, “FY 08 – FY 12 General Fund and Transportation Fund Budget Projections” (February 4, 2008), p.12, available at http://www.cga.ct.gov/OFA/Documents/Statements/2008/Feb_4_2008_Statement.pdf, and Connecticut Office of Fiscal Analysis, “Child Care Services Grant Information Sheet,” (January 28, 2008), p.118 at <http://www.cga.ct.gov/OFA/Documents/Grants/2008GrantSheets.pdf>.

child care centers goes only about halfway in compensating the Department of Social Services for the recent rate increase it instituted,⁶ an increase that brought the rate in alignment with a School Readiness rate that is itself insufficient.⁷

In short, the additional funding the Governor proposes in FY 09 for DSS' early care programs would, in large part, only allow these programs to continue to serve its current population of children. Funding is insufficient to allow for large-scale expansion of these programs or much needed (and belated) increases in reimbursement rates to assure quality in the care provided. Indeed, even with the Governor's proposed increase in FY 09 funding, total DSS funding for early care and education would remain about \$29 million (18.8%) *less* than spending on these programs in FY 02 (adjusted for inflation).

Meanwhile, while the Governor repeats her commitment to assuring that all children are ready for kindergarten, her proposed SDE budget revisions fail to reflect the same commitment. Her recommendation would *reduce* funding for School Readiness and would leave unchanged the funding for Head Start Services or Head Start Enhancement - amounts that were not increased in FY 08 or FY 09 despite the fact that these programs also are geared towards the goal of having all children ready for kindergarten.

The Bottom Line

If the Governor's FY 09 budget recommendations are adopted, total funding for early care and education in the DSS and SDE budgets would, for the first time in six years, be more than it was in FY 02 (adjusting for inflation). This is, clearly, a move in the right direction.

However, the real (inflation-adjusted) increase between FY 02 and FY 09 is just \$7.12 million – or about \$1 million per year. This is inconsistent with the Governor and General Assembly's expressed commitment to narrowing the state's educational opportunity and achievement gaps. It strongly suggests we are not doing enough, quickly enough.

As Governor Rell stated at the recent *Early Childhood Summit: Investing in the First 1,000 Days*, "Every child gets one chance....we don't want to squander that." The Governor's proposed FY 09 budget revisions would provide a small net increase in early care funding in the SDE and DSS budgets. However, much, much more remains to be done if all families are to have access to affordable, high-quality child care and if all children truly are to be "ready by five and fine by nine."

⁶ See "Meeting Minutes for Early Childhood Education Cabinet," (January 14, 2008) at p.10 (quoting Peter Palermino of DSS discussing the recent rate increase), available at http://www.ecpolicycouncil.org/docs/2008-2-11/January_14th_Cabinet_meeting_minutes.pdf.

⁷ See "Preschool Expansion Report to the Early Childhood Education Cabinet" (January 14, 2008) at pp. 3-5 9 (discussing the need for a rate increase), available at: http://www.ecpolicycouncil.org/docs/2008-1-14/Preschool_Expansion_Report_to_ECE_Cabinet.pdf