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STATES ARE CUTTING TANF AND CHILD CARE PROGRAMS

Supports for Low-Income Working Families and Welfare-to-Work Programs are Particularly Hard Hit

By Sharon Parrott and Nina Wu

More than 35 states have made cuts in programs funded with TANF and child care block grant funds, and most of these cuts are in programs that promote the goals of welfare reform. The cuts reflect both the exhaustion of many states' surplus TANF funds from prior years and the large budget gaps many states face. The breadth and depth of these cuts highlight the importance of upcoming Congressional action on legislation to reauthorize TANF: if this legislation imposes costly new mandates on states yet provides insufficient funds to help states fulfill these mandates, states will be forced to make even more cuts in programs that help families move from welfare to work.

Recent state cuts include substantial cuts in child care programs for low-income working families, work programs designed to help TANF cash assistance recipients find jobs, services and supports for very disadvantaged families, cash assistance benefits for low-income working families, and programs designed to meet the broader "family formation" goals of TANF, such as pregnancy prevention efforts.

- **Cuts in Welfare-to-Work Programs:** At least fifteen states[1] have scaled back efforts to help TANF recipients improve their skills and find jobs or are proposing to do so. For example, Louisiana plans to cut funding for literacy programs in 2004, while California, Indiana, Massachusetts, and Montana already have cut funding for education, training, and job search programs for TANF recipients.

- **Cuts in Programs to Help the Most Disadvantaged Families:** At least eleven states have cut assistance to poor families with the most severe problems or such cuts have been included in the governor's 2004 budget proposal. For example, in 2003, Connecticut eliminated a $1 million program that provided intensive case management for TANF recipients with serious barriers to employment, Arizona sharply reduced TANF funding for substance abuse treatment, and Massachusetts eliminated an $8.2 million eviction prevention program which helped some 8,000 families pay back rent and avoid eviction in 2002.

[1] Throughout this report, the District of Columbia is treated as a state.

- **Cuts in Transportation Assistance:** In at least eight states, funding has been cut for transportation assistance either for TANF recipients who are working or participating in work programs or for low-income working families. For example, over the past two years, Arkansas, Arizona, Montana, and Tennessee each cut funding for programs that helped TANF recipients and other low-income families purchase affordable cars.

- **Cuts in Basic Cash Assistance Benefits:** In at least ten states, basic cash benefit levels, cash benefits for *working* families, or eligibility for cash benefits has been cut or is being considered for cuts. For example, Indiana and West Virginia have reduced cash benefits for low-income *working* families, Montana is planning to reduce cash benefit levels from 40.5 percent to 30 percent of the federal poverty level, and the conference committee budget report in Texas reduces the amount of assets a family may have and still qualify for TANF cash assistance from $2,000 to $1,000. In Oregon, the revised governor's budget calls for $11 million in cuts to the TANF cash assistance program and states that these cuts may be achieved by eliminating eligibility for all two-parent families, imposing stricter time limits on benefit receipt, and reducing cash benefits by $20 per month.

- **Cuts in Teen Pregnancy Prevention Programs:** Massachusetts, North Carolina, Tennessee, and the District of Columbia have reduced or eliminated teen pregnancy prevention efforts as well as programs aimed at promoting responsible fatherhood and assisting non-custodial parents in finding employment.

- **Cuts in Child Care Programs:** Some 32 states have reduced income eligibility limits, instituted waiting lists, increased the co-payments that low-income working families must make for child care, reduced provider payments, reduced funding dedicated to improving the quality of child care, or are proposing to take such steps in 2004. For example, New Mexico has reduced the eligibility limit for child care from 200 percent to 130 percent of the poverty line, Connecticut has stopped approving new applications for child care for low-income working families, Louisiana increased co-payments families must pay, and Michigan cut provider payments. The General Accounting Office (GAO) recently issued the results of its survey of child care cuts being made or proposed by states and reported similar findings. The GAO found that that since 2001, 23 states made changes in their child care programs that reduced the availability of assistance and 11 states were considering child care cuts for 2004.[2]

States are making cuts such as these for several reasons.

- **First, many states no longer can rely on unspent TANF funds from prior years to augment their annual TANF funding.** In the early years of TANF implementation, many states spent less than their total TANF block grant

[2] General Accounting Office, "CHILD CARE: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families," GAO-03-588, May 2003.

allocation. In more recent years, states have used these reserve funds to augment their annual TANF block grant and fund an array of supports and services for low-income families, particularly low-income working families. While state policymakers knew that spending above their block grant would not be sustainable in the long run — unless additional federal or state funding became available to maintain this funding when the unspent TANF funds were exhausted — they decided that it was better to use the resources to assist low-income families than to leave it unspent. In many cases, the programs supported with these additional resources — such as more intensive welfare-to-work programs and child care for low-income working families — contributed to the welfare reform successes of the past several years. While states may have expected that some of these programs would have to be cut in the future, these cuts still will have negative effects on families and welfare-to-work efforts.

- **The state fiscal crisis facing most states led to further cuts.** The state fiscal crisis had two effects on state spending decisions in TANF and child care programs. First, a number of states reduced *state* spending in these programs, in some cases reducing state child care spending that had been used to match federal child care funds. Second, states did not have resources of their own to use to replace the unspent TANF funds that were no longer available to augment annual TANF funding.

- **Caseload increases, and therefore, increased cash assistance costs led to cuts in other TANF-funded programs in some states.** While the national TANF cash assistance caseload has not increased substantially in recent years (though 38 states saw caseload increases in the last calendar quarter of 2002), some states have seen large increases in the number of families needing basic cash assistance during the recession. Sixteen states saw increases in their TANF cash assistance caseloads of more than 10 percent between March 2001 and December 2002.[3]

Implications for TANF Reauthorization Legislation

The fact that states are making substantial cuts in TANF and child care programs has important implications for TANF reauthorization.

- **States already making cuts in TANF and child care programs do not have spare resources to meet increased TANF work requirements without making cuts in other areas.** The House-passed TANF reauthorization bill would increase states' TANF work participation requirements and has been projected by the Congressional Budget Office to impose $6 billion to $9 billion in additional costs on states. If states already are making cuts in TANF and child care programs,

[3] Elise Richer, Hedieh Rahmanou, and Mark Greenberg, "Welfare Caseloads Increase in Most States in Fourth Quarter," Center for Law and Social Policy, April 2003, http://www.clasp.org/DMS/Documents/1049386524.1/caseload_2002_Q4.pdf.

they will be forced to make still deeper cuts if they are required to meet expensive new work mandates without being given additional resources.

- **States are cutting programs that both help families move from welfare to work and meet other important TANF goals such as assisting low-income working families, discouraging teen pregnancy, and providing assistance to very vulnerable families.** Presumably, states that have been forced to cut TANF and child care programs have sought to cut those that have the least value or political support. Yet, given the list of programs that have been cut thus far — child care for low-income working families, welfare-to-work programs, wage subsidies for working poor families, transportation assistance, programs designed to help the most disadvantaged TANF recipients move toward employment, teen pregnancy prevention, literacy programs, and emergency assistance provided to avert evictions or other immediate crises — it seems clear that further cuts would *not* come from unimportant programs that are not central to meeting TANF goals.

Even without expensive new mandates, additional cuts in TANF and child care programs are likely as more states exhaust their unspent TANF funds from prior years and inflation continues to erode the value of the TANF block grant. Each year, the purchasing power of the TANF block grant falls as inflation increases the cost of providing various types of services, including employment programs that help recipients find jobs and assistance paying for transportation. Moreover, without additional child care resources, child care cuts will deepen as the cost of providing child care rises over time. (The wages and salaries of child care workers increase with inflation, and the cost of the physical space that child care providers rent and maintain rises as well.)

If policymakers want to forestall further cuts and reverse some that already have occurred, then TANF reauthorization legislation must include reasonable work requirements and additional resources both to meet new costs associated with increased work requirements and ensure that states can continue their current efforts to help families move from welfare to work and to help support low-income working families.

Recently Enacted Fiscal Relief Does Not Obviate the Need for Additional Resources in TANF Reauthorization Legislation

In the recently-enacted tax bill, states were granted $20 billion in funds to help alleviate some of the effects of the severe fiscal crisis now facing states. These funds, provided for 2003 and 2004, will help states balance their budgets and reduce somewhat the overall level of cuts states must make.

While these grants are helpful, it is important to recognize the limitations of the fiscal relief provided by the tax bill. First, the funding provided is only enough to offset about one-quarter of the budget shortfalls states faced or are facing in balancing their budgets for 2004. Thus, while the funding is likely to reduce the overall level of cuts states must make in 2004, it will not eliminate the need to make such cuts and will do little to help states undo the cuts that were made in 2003 and are slated to continue in 2004.

Second — and more important in the context of TANF reauthorization — these federal funds are *temporary*. The funds will be exhausted by the end of 2004 and members of Congress have expressed no intention of providing additional resources at that time. Yet, the funding shortfalls in TANF and child care will last far beyond 2004. TANF reauthorization legislation will set TANF and child care funding levels for the next five years. During this five-year period, states will no longer be able to rely on unspent TANF funds from prior years to augment their annual block grant. Moreover, if TANF reauthorization legislation freezes TANF funding as is expected, inflation will continue to erode the value of the block grant each year. Finally, increased costs associated with new work requirements are likely to increase substantially over time. In CBO's estimate of the costs of meeting the work requirements included in House reauthorization bill, fully *two-thirds* of the $6 to $9 billion five-year cost came in 2007 and 2008.

Tracking Cuts Being Made In States

The Center has been tracking cuts that states are making in child care and TANF-funded programs. The Center has gathered information in two ways. In most cases, the Center gathered information from a variety of sources, including state budget documents, policy analysts, and press reports, and then gave state TANF and child care administrators the opportunity to verify the information we collected. In some cases, agency staff did not respond to multiple requests for verification. In these cases, we used the information we had gathered from other sources if we had a high degree of confidence about its accuracy. In a small number of states, the Center relied on reports issued by state policy organizations that have expertise in tracking state budgets for information about reductions that have been made or are now being considered in TANF and child care programs. These reports are based on information provided to the organization by the state.

The Center was able to collect information about most, although not all, states. *Thus, it should not be assumed that there were no cuts in TANF or child care programs in states for which information is not presented here.* Furthermore, in some states that instituted cuts in a number of areas, we have not provided information about *every* cut.

Finally, this report includes information about cuts that are being considered as states develop their 2004 budgets. The report includes information about proposals included in the governor's budget proposal and, in a limited number of states, proposals in the budget proposal put forward by state legislative leaders. As state budgets are finalized, some of these cuts will be included while others will be rejected. In some cases, cuts may be enacted that are not included in this report.

Table I **Summary Table of Enacted and Proposed Cuts in** **TANF-Funded and Child Care Programs**	
Program Area	**States In Which Cuts Have Been Enacted or Proposed by the Governor**[4]
Welfare-to-Work Programs (includes job training, education, job search, and other employment services programs)	Arizona, California, Connecticut, D.C., Indiana, Iowa, Louisiana, Massachusetts, Missouri, Montana, Oregon, Rhode Island, Tennessee, Washington, Wisconsin
TANF Cash Assistance Programs (includes cuts to basic benefit levels, cash benefits for working TANF recipients, cash benefits for grandparents and other relatives caring for children, and limitations on access to cash benefits through changes to time limit policies or asset-eligibility rules being made for budgetary reasons)	California, Connecticut, Indiana, Minnesota, Montana, Nevada, Oregon, Texas, Washington, West Virginia
TANF-Funded Transportation Programs	Arizona, Arkansas, Missouri, Montana, Tennessee, Washington, West Virginia, Wisconsin
TANF-Funded Services for Very Disadvantaged Families (includes TANF-funded domestic violence services, substance abuse treatment, homelessness programs, programs that provide emergency assistance such as payments to avoid eviction, services for families that have been sanctioned for failing to meet program requirements, and other families with serious barriers to employment)	Arizona, Connecticut, D.C., Illinois, Iowa, Massachusetts, Nevada, North Carolina, Oregon, Washington, Wisconsin
TANF-Funded Teen Pregnancy Prevention and Teen Parent Programs	D.C., Massachusetts, North Carolina, Tennessee
Child Care Programs (includes funding reductions, new eligibility restrictions, cuts in provider payments, and cuts in quality initiatives)	Alabama, Alaska, Arizona, California, Colorado, Connecticut, D.C., Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Washington, Wisconsin

[4] Enacted cuts include cuts that were made in SFY 2002, 2003 or will be made in 2004. Proposed cuts are cuts being proposed for SFY 2004 and/or SFY 2005. Cuts that were included in a governor's budget proposal but not included in enacted budget legislation this year have not been included.

State	TABLE II Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Arizona	**Overall Cuts** The total amount cut from programs in State Fiscal Year (SFY) 2002 was approximately $19.2 million. The SFY 2003 TANF appropriation of $284 million is $58 million higher than the 2004 TANF block grant because the state is planning to spend unspent funds from prior fiscal years. The SFY 2004 TANF appropriation is still $47 million below SFY 2003 spending levels. **Welfare-to-Work Programs** *SFY 2002:* ▪ Eliminated funding for a pilot program that provided employment and other services to noncustodial parents with children receiving TANF. ▪ Eliminated funding for a job training program for domestic violence victims. ▪ Eliminated funding for job retention programs. *Governor's Proposed SFY 2004 Budget:* ▪ Cuts funding for the TANF work program (called JOBS) by $7.3 million. ▪ Eliminates funding for a volunteer services contract ($2.9 million) that helped place welfare recipients in unpaid work experience programs throughout the state. **Transportation** *SFY 2002:* ▪ Eliminated funding for a Wheels-to-Work program that leased refurbished cars to low-income families. **Services for Very Disadvantaged Families** *SFY 2002:* ▪ Eliminated funding for a pilot program to help TANF recipients facing a sanction come into compliance. ▪ Cut funding for substance abuse treatment and child abuse prevention. *SFY 2003:* ▪ Cut funding for substance abuse treatment from $30 million to $11 million over a three year period. **Other** *SFY 2003:* ▪ Eliminated a $200,000 Food Stamp outreach initiative.
Arkansas	In SFY 2002, the Governor implemented $3.4 million in state and federal TANF cuts, including: ▪ A $1.4 million cut in flexible funds given to local coalitions to provide child care, transportation, and an array of other services to low-income, at-risk families. ▪ A cut of almost $450,000 for a program that helps cash assistance recipients purchase cars to commute to work. ▪ Cancellation of a $500,000 contract for transportation services for cash assistance recipients. ▪ A $725,000 cut in performance bonuses for caseworkers. ▪ A $462,000 cut in funding for an independent evaluation of its Transitional Employment Assistance program.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
California	**Welfare-to-Work Initiatives** *SFY 2003:* ▪ Reduced funding for adult education and community college services for CalWORKs by $74 million. *Governor's Proposed 2004 Budget, as revised in May:* ▪ Reduces state funding for CalWORKs community college services by an additional 10.8 percent. **Cash Assistance Benefits:** *SFY 2003:* ▪ Delayed the statutory cost-of-living adjustment (COLA) for CalWORKs cash assistance from October 2002 to June 2003, for an eight-month savings of $99.1 million. *Governor's Proposed 2004 Budget, as revised in May:* ▪ Suspends June 2003 and October 2003 COLAs for savings of $156.3 million in SFY 2004. **County Funding for TANF Programs** *SFY 2003:* ▪ Reduced funding for county CalWORKs administration by $47.4 million and suspended "cost-of-doing-business" (CODB) increases for the second consecutive year. ▪ Did not provide, for the third consecutive year, bonus payments (known as "performance incentives") to reward counties that have moved CalWORKs recipients from welfare to work. *Governor's Proposed 2004 Budget, as revised in May:* ▪ Continues to suspend county CODB increases and does not make performance incentive payments to counties. ▪ Shifts additional financial responsibility for CalWORKs cash assistance, employment services, and administration to counties, in exchange for a dedicated revenue source.
Connecticut	**Access to Cash Assistance** *SFY 2003:* ▪ Budget adjustments adopted in February 2003 reduce the number of six-month extensions to the time limit available to recipients on the TFA program from three to two, unless the recipient can demonstrate at least two serious barriers to employment. *Governor's Proposed SFY 2004 Budget:* ▪ Would make recent legal immigrants ineligible for MOE-funded cash assistance. **Welfare-to-Work Initiatives** *Governor's Proposed SFY 2004 Budget:* ▪ The budget for employment services, which relies on MOE funds exclusively, has been cut gradually over the past few years, from $23.5 million in SFY 2000 to $15.4 million in SFY 2003. The proposed level of funding for SFY 2004 is $15.1 million. The largest reduction came between SFY 2000 and SFY 2001, when funding fell from $23.5 million to $16.1 million. **Services for Very Disadvantaged Families** *SFY 2003:* ▪ Eliminated a nearly $1 million program that provided intensive case management to TANF recipients with barriers to making the transition from welfare to work.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Connecticut, cont.	*Governor's Proposed SFY 2004 Budget:* ▪ Eliminates the Safety Net Program which provided vouchered services and assistance and concentrated case management services to people who no longer are eligible for cash assistance because of sanctions. These families typically have serious barriers to employment.
District of Columbia	**Overall Cuts** Excluding TANF transfers to child care, overall TANF spending in DC was $130.1 million in SFY 2002 and $108.4 million in SFY 2003; in SFY 2004, D.C. plans to spend $70 million. (These numbers include TANF funds spent directly on child care.) **Welfare-to-Work Initiatives** *SFY 2003:* ▪ Cut funding for a post-secondary tuition assistance program for welfare recipients by approximately $69,000. ▪ Cut funding for literacy programs by $6.2 million. *SFY 2004:* ▪ Cuts funding for Department of Employment Services employment programs by $7.2 million. ▪ Eliminates funding for post-secondary tuition assistance programs. ▪ Eliminates funding for literacy programs. **Teen Parent/Teen Pregnancy Prevention** *SFY 2003:* ▪ Cut funding for pregnancy prevention programs by $2.3 million. *SFY 2004:* ▪ Cuts funding by an additional $199,300. **Services for Very Disadvantaged Families** *SFY 2003:* ▪ Cut funding for home visit program for long-term welfare recipients and recipients who had been sanctioned by $213,072. *SFY 2004:* ▪ Eliminates funding for home visit program. ▪ Eliminates funding for specialized services for TANF recipients who are victims of domestic violence. ▪ Cuts TANF funding for child welfare services, energy assistance, and emergency services.
Illinois	**Services for Very Disadvantaged Families** *Governor's Proposed 2004 Budget:* ▪ Cuts the Homeless Prevention Program by $2.5 million. In SFY 2003, this program received $3.5 million in federal TANF funds. **Other** *SFY 2003:* ▪ Cut the Monetary Award Program (MAP) by $38 million. The MAP provides financial aid to low-income college students. The program previously had received some $56 million in TANF funding. The cut was achieved by eliminating eligibility for fifth-year students, including many low-income mothers who needed additional time to complete their degree. ▪ Cut the Healthy Families Illinois program by $385,000. In SFY 2003, the program received $9.7 million. This program funds community-based home visiting programs for new parents. The budget also proposes $200,000 in cuts to the $11 million Parents Too Soon program designed to reduce subsequent pregnancies and improve parenting skills and child outcomes.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Indiana	**Cash Assistance** *SFY 2003:* ▪ Reduced cash assistance benefits for working families. Under the revised policy, a family of three with a parent working 30 hours a week at $6.00 will see her cash income supplement fall from $288 to approximately $94 per month. An estimated 9,600 working families per month are affected by this change in policy. ▪ Adopted a full-family sanctions policy as a cost saving mechanism. This policy is projected to save $3 million. **Welfare-to-Work** *SFY 2003:* ▪ Cut funding for the Indiana Manpower and Comprehensive Training (IMPACT) program, the main component of Indiana's welfare-to-work program, by $2.5 million. **Other** *SFY 2003:* ▪ Reduced administrative costs by $4.8 million. ▪ Saved $1 million by cutting funding for a home visiting program for at-risk new mothers and several other programs.
Iowa	**Overall Cuts** In response to dwindling unspent TANF funds from prior years, the overall TANF budget was reduced from $148,865,708 in SFY 2002 to $145,125,492 in SFY 2003. Additional cuts in non-cash assistance spending were needed, however, because of projected increases in the TANF cash assistance caseload. The 2004 budget also assumes an increase in the TANF cash assistance caseload. **Welfare-to-Work Initiatives** *SFY 2003:* ▪ Reduced Promise Jobs Monitoring, which provides funding to monitor the progress of families achieving set outcomes. ▪ 17 percent across-the-board contract cut for the Promise Jobs services. ▪ Discontinued the Promise Jobs enhanced services pilot for clients in need of intensified case management. ▪ Eliminated the Jobs Access and Reverse Commute funding. ▪ Eliminated the On-the-Job Training Program which provided wage incentives to employers who hire Promise Jobs participants (average of five per month). **Assistance for Very Disadvantaged Families** *SFY 2003:* ▪ Eliminated funding for well-being visits for families with more than one Limited Benefit Plan or who have lost FIP assistance due to 60 month limit. ▪ 10 percent across the board decrease in contract for FaDSS services, a program that provides intensive case management to families with multiple barriers such as mental and physical disabilities, domestic violence problems and substance abuse problems.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Iowa, cont.	▪ Eliminated Supervisory Intervention prior to imposing a Limited Benefits Plan (reduction of an average of 79 cases a month), which ensured a Supervisor reviewing a family's case and justification prior to imposing sanctions. ▪ Eliminated funding for Community Voice Mail, which provided free voicemail for homeless and low-income persons to use while they look for a job and for other purposes for up to 3 months. ▪ Reduced funding for the Emergency Assistance Program, which provided one-time rent and utility assistance for the purpose of preventing homelessness. ▪ Eliminated Innovative Strategies funding used to provide incentives to contracted agencies that demonstrate success at completing well-being visits to families terminated from FIP and other strategies. **Other** *SFY 2003:* ▪ Reduced funding for the administration of Individual Development Accounts. ▪ Eliminated funding for Community Self-Sufficiency grants, which provided funding for communities and agencies to develop strategies to eliminate barriers such as transportation, child-care, etc. ▪ Eliminated Post-FIP Diversion and reduced the Family Self-Sufficiency Grants , which provided assistance to clients to remove barriers such as transportation and childcare in order to eliminate the need for TANF assistance again. ▪ Discontinued the Redesign of Financial Assistance Services, which would reengineer the way DHS income maintenance field staff deliver services. ▪ Eliminated funding for new Welfare Reform evaluations. **SFY 2004 Budget Provisions (Enacted):** ▪ Eliminates funding for the administration of Individual Development Accounts. ▪ Eliminates the Emergency Assistance Program.
Kentucky	*SFY 2002:* ▪ The budget for the Cabinet for Families and Children was reduced by 4.6 percent, or $15.6 million. These cuts largely were achieved by reducing the level of state spending in Kentucky's TANF program, known as K-TAP. The state's MOE spending was dropped from 85 percent to 80 percent of the amount the state spent on welfare programs in 1994, a reduction $5.9 million. *SFY 2003:* ▪ The relocation assistance limit was reduced from $900 to $500 and the post-TANF employment retention bonus of $500 in each of three quarters was changed to a $130 month payment for 9 months. *SFY 2004:* ▪ Further cuts in welfare are expected but the specifics, to be developed by the agency, are not yet available.
Louisiana	The state plans to reduce overall TANF spending by $36,020,000 in SFY 2004 because there will be fewer TANF reserve funds from prior years to spend in SFY 2004 and SFY 2005. Some of the reductions planned for 2004 include: ▪ $7 million cut for the Community Response Initiative, which funds programs aimed at improving low-income communities.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Louisiana, cont.	▪ $8 million less for literacy and after-school education programs. ▪ $4 million less for a drop-out prevention/GED program.
Massachusetts	**Welfare-to-Work Initiatives** *SFY 2003:* ▪ Funding for employment services for current and former cash assistance recipients was reduced by 20 percent relative to SFY 2002 in the initial SFY 2003 budget. On January 30, 2003, the Governor eliminated *all* remaining funds for the employment services program, terminating all TANF-and MOE-funded education, training, job search, and transportation services immediately. **Assistance for Very Disadvantaged Families** *SFY 2003:* ▪ Eliminated an $8.2 million TANF-funded eviction prevention program, which helped roughly 8,000 families pay back rent in SFY 2002. ▪ Cut an MOE-funded program to prevent child abuse through home visits of newborns from $19 million to $17 million in the initial SFY 2003 budget, and then to $13 million. ▪ Lowered eligibility limits for family emergency shelter in the SFY 2003 budget, and then further restricted shelter access in January 2003. **Assistance for Legal Immigrants** *SFY 2003:* ▪ In August 2002, legal immigrant households lost state-funded food stamps partially supported with MOE funds. ▪ In November 2002, eliminated TANF MOE funding for cash assistance for 600 legal immigrant families. **Pregnancy Prevention** *SFY 2003:* ▪ Cut a TANF-funded teen pregnancy prevention program from $5 million to $2.5 million in the (program was cut by $2 million in the initial budget and then by an additional $1 million in January 2003). ▪ Eliminated a $1 million TANF-funded family planning program.
Minnesota	**Cash Assistance** *SFY 2004-2005 Budget:* ▪ Reduces cash assistance benefits for low-income working families and the level at which families become ineligible for MFIP from 120 percent to 115 percent of the federal poverty line. This policy change results in $8 million in savings over the next two years. ▪ Reduces TANF cash assistance grants by up to $125 per month for a family that includes an SSI recipient. This is estimated to save $22.4 million over the next two years. ▪ Reduces TANF cash assistance grants by $50 per month for families living in subsidized housing. (The law had previously allowed for a $100 reduction but this policy had not been implemented.) ▪ Institutes full-family sanctions policy and a "family cap" policy. **Program Sunsets** The state has allowed a number of programs to sunset because TANF reserves from prior years are no longer available. These include funding for work programs for recipients with serious barriers to employment, a transitional jobs program, and a transitional housing program.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Missouri	*SFY 2002:* ▪ Reduced funding for benefits and services designed to help cash assistance recipients continue working or find a job. For example, transportation benefits for cash assistance recipients with earnings were scaled back from one year to 90 days. Funding was also reduced for other services for cash assistance recipients, including assessments, case management, work-related expenses, and job skills training. *SFY 2003:* ▪ Reduced TANF funding for community-based programs by $2.35 million or 36 percent. Some of these programs link cash assistance recipients with employment opportunities. *Legislative Budget Proposal, SFY 2004:* ▪ The legislature-approved budget would have eliminated MOE-funded cash assistance benefits for legal immigrants ineligible for federal assistance. The Governor vetoed the social services budget and, thus, the fate of this provision is unclear.
Montana	**Overall Cuts** In October 2001, the Governor implemented $9.2 million in TANF cuts to cover the costs associated with rising cash assistance caseloads. That cut proved insufficient, and in January 2002, an additional $8.8 million in cuts were made. The $18 million in cuts affected 21 programs, including education and job training programs, transportation and housing aid, substance abuse and mental health services, and diversion services. Further cuts are now being considered. **Cash Assistance** *SFY 2004:* A rule change is expected to be issued soon that would reduce cash grants from 40.5 percent to 30 percent of the federal poverty line. A family of three now receiving $507 per month in cash assistance would receive only $375 under the proposed rule change. **Other** *SFY 2002:* Funding was either reduced or eliminated for: ▪ Services for individuals with learning disabilities. ▪ A program that provided car loans to low-income families. ▪ Mental health services. ▪ Low-income housing programs. ▪ A post-employment training program.
Nevada	**Overall Cuts** At the beginning of SFY 2002, the state had $22 million in reserve TANF funds from prior years. Because cash assistance spending for the fiscal year exceeded the legislatively approved amount by almost $12 million, the reserved funds were projected to be exhausted by the end of SFY 2003. As a result, more than $11 million in cuts were made during SFY 2002. More than $20 million in cuts were made in SFY 2003. **Cash Assistance** *SFY 2002:* ▪ Shortly after the terrorist attacks of 9/11, Nevada began to disregard unemployment insurance benefits when determining cash assistance benefits. This policy was ended in September 2002 when the Governor declared the economic crisis to be over.

State	TABLE II, continued **Implemented and Proposed Cuts in TANF and MOE-Funded Programs** **(other than child care programs)**
Nevada, cont.	**Kinship Care** *SFY 2003:* ▪ Grant levels were reduced in the TANF Kinship Care program which provides assistance to non-parent relatives caring for children. **Other** *SFY 2003*: ▪ Reductions in contracts for services, such as domestic violence, statutory rape prevention, substance abuse prevention, job retention, and second chance homes. ▪ Reduced TANF funds transferred to counties to administer the TANF Emergency Assistance Program. ▪ Cuts in administrative spending in areas such as travel, training and vacancy savings resulting from a hiring freeze.
North Carolina	*SFY 2002:* ▪ Funding was either reduced or eliminated for teen pregnancy prevention, nonmarital pregnancy prevention, substance abuse treatment, domestic violence, housing assistance, fatherhood, individual development accounts, and after-school programs. ▪ Funding was eliminated for pilot projects totaling $5.4 million to address problems of families with significant employment barriers to economic self-sufficiency and to reduce or prevent intergenerational poverty. ▪ Funding was eliminated for a $1.5 million evaluation of the state's Work-First program.
Oklahoma	**Overall Cuts** To maintain the TANF program at the current level, Oklahoma would require approximately $120 million in funding during SFY 2004. Total revenue available to the program has been estimated to be approximately $110 million, requiring about $10 million of reductions. If TANF spending is not reduced, additional reductions in the child care subsidy program may be required. Final decisions regarding the TANF/CCDF plan are to be made in June 2003.
Oregon	**Cash Assistance** *Governor's Revised 2004 Budget Proposal* The Governor's budget calls for cuts of $11 million in the TANF cash assistance program and says that these cuts may be achieved by: ▪ Eliminating all assistance to two-parent families in the state's TANF program. Oregon already imposes more restrictive eligibility requirements on two parent families, but the budget would eliminate eligibility for this group entirely. ▪ Reducing cash assistance benefits from $460 to $440 per month for a family of three. ▪ Revising the time limit policy. The budget proposal does not specify how the time limit policy would be altered, however. **Welfare-to-Work** *Governor's Revised 2004 Budget Proposal* ▪ Reduces funding for welfare-to-work programs by $8.5 million. **Services to Very Disadvantaged Families** *Governor's Revised 2004 Budget Proposal* ▪ Reduces regular and domestic violence-related emergency assistance programs by $4.7 million, just 60 percent of what is needed to maintain current service levels.
Rhode Island	**Welfare-to-Work Initiatives** *SFY 2003:* ▪ Reduced funding for the Rapid Job Entry program by $1.7 million.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Rhode Island, cont.	**Cash Assistance** *SFY 2003:* ▪ Eliminated a yearly $100 "weatherization payment" provided to families participating in the Family Independence Program.
Tennessee	**Overall Cuts** For SFY 2003, the Tennessee Department of Human Services cut approximately $20 million from TANF and MOE-funded programs. This included very substantial cuts in training, education and rehabilitation programs, and transportation assistance. A second round of $22 million in cuts to TANF programs is planned to take effect on July 1, 2003. In addition to the cuts listed below, the state also reduced its transfers to the Social Services Block Grant and other state agencies, and cut evaluation and training funding. For SFY 2004, state spending on its TANF program will fall by $5.5 million. **Welfare-to-Work Initiatives** *SFY 2003:* ▪ $1.9 million cut in job skills training programs. *SFY 2004 Budget:* ▪ Reduces funding in other support services needed to help move persons from welfare to work, including training expenses and special support services, as well as a cut in adult education classes. ▪ Eliminates work and education performance bonuses, which had been shown to be effective in motivating participants. ▪ Eliminates services designed to help persons who have found jobs obtain needed tools, uniforms or other items. **Transportation Assistance** *SFY 2003:* ▪ Cut approximately $3.8 million in transportation assistance. This includes assistance for persons who have left welfare for work, transportation assistance provided for mothers who are currently in work, training and education programs and the First Wheels car loan program, which provides loans for inexpensive, reliable used cars for persons moving from welfare to work. *SFY 2004 Budget:* ▪ Cuts $ 3.6 million in transportation assistance. ▪ Cuts $500,000 in transportation assistance. **Teen Parent and Fatherhood Programs** *SFY 2004 Budget:* ▪ Eliminates teen parent programs and cut fatherhood programs by 82 percent.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Texas	**Cash Assistance Benefit Levels and Eligibility** *Conference Committee Report on SFY 2004-2005 Budget:* ▪ Reduces the amount of assets families can have and still qualify for TANF cash assistance from the current $2,000 level (or $3,000 for those taking care of an elderly or disabled family member) to the pre-1995 level of $1,000. ▪ Reduces the once-per-year supplemental payment from $60 per child to $30 per child. ▪ Reduces the vehicle asset limit – the value of automobiles excluded from countable assets when determining eligibility for cash assistance – to $4,650 for two-parent TANF families from $15,000, the level it was set at in the last legislative session.
Washington	**Overall Cuts** In SFY 2002, the Governor implemented $54 million in cuts to welfare and child care programs. Further cuts totaling $17.3 million were made in January 2003, with more cuts expected in the future. **Cash Assistance** *SFY 2003:* ▪ Eliminated cash incentives for families that leave welfare early. **Welfare-to-Work Initiatives** *SFY 2002:* ▪ Reduced funding for the Families that Work program ($7.5 million), which provides literacy, parenting, and job skills training to parents. ▪ Reduced funding for the Job Success Coach Initiative ($5.4 million), which was designed to promote job retention. ▪ Eliminated pilot projects ($3.1 million), which were to test new ways to help welfare recipients move into the workforce. ▪ Reduced funding for community college training programs, transportation programs, and substance abuse treatment. *SFY 2003:* ▪ Reduced funding for the Community Jobs programs that provide temporary, paid employment to recipients with barriers to employment. Some $4 million in savings were achieved by shortening the duration of placements and cutting enrollment. **Support Services** *SFY 2003*: ▪ Reduced funding by $3.5 million for support services such as clothing, transportation, car repairs and personal hygiene items for TANF recipients and families that recently left TANF. **Assistance for Very Disadvantaged Families** *SFY 2003:* ▪ Cut the amount of emergency financial assistance that can be provided to individual homeless families by 50 percent, from $1,500 to $750, though a portion of this reduction may be restored.

State	TABLE II, continued Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)
Washington, cont.	*SFY 2004 Proposals Under Consideration by Governor:* Because TANF caseloads have risen, the state is now considering the following policy changes in order to reduce TANF cash assistance costs (these changes can be made administratively and do not require legislative changes): ▪ Instituting full-family sanctions. ▪ Requiring applicants to conduct 30 days of job search before receiving ongoing cash aid. ▪ Limiting time limit extensions.
West Virginia	**Cash Assistance** *SFY 2002*: ▪ Reduced the TANF "earnings disregard" from 60 percent to 40 percent. This change is estimated to save $2.2 million by reducing cash assistance to working families. *SFY 2003:* ▪ Reduced the child support incentive ($50 pass through) from $50 to $25. **Supportive Services** *SFY 2002:* ▪ Lowered payments for supportive services, such as transportation or work expenses for both current and former recipients, and limited eligibility for these support services to six months (this is a lifetime limit) for former recipients. This change is estimated to save $1.4 million. **Other** *SFY 2002:* ▪ Lowered the eligibility threshold for community-based services provided to low-income families from 185 percent to 150 percent of the federal poverty line. This threshold is how the state defines which families are "needy."
Wisconsin	**Overall Cuts** Governor's biennial budget reduces total TANF and W-2 related spending by about $58 million in 2003-2004 (8.4 percent) and $62 million in 2004-05 (nine percent). These cuts come on top of reductions made in the 2001-2002 biennium. **Welfare-to-Work Initiatives** *SFY 2002:* ▪ Eliminated the $6.1 million per year appropriation for work-based learning programs, which served youth from families with income levels up to 200 percent of the federal poverty line. *SFY 2003:* ▪ Eliminated the $3.5 million annual funding for the Partnership for Full Employment Program. ▪ Cut $2,158,000 (21 percent) from the Workforce Attachment and Advancement Program, which provides grants to W-2 agencies and Workforce Development Boards to help low-income families and non-custodial parents find and sustain employment, and advance to higher paying jobs. ▪ Reduced funding for literacy programs targeted to TANF-eligible families by $654,000 (47 percent). *Governor's Proposed 2003-2005 Budget:* ▪ Reduces funding for the Workforce Attachment and Advancement program by more than $5.2 million per year, or 74 percent. (The Joint Finance Committee eliminates the remaining $2 million per year.)

State	TABLE II, continued **Implemented and Proposed Cuts in TANF and MOE-Funded Programs (other than child care programs)**
Wisconsin, cont.	▪ Reduces the funding level for Job Access Loans by two-thirds, to $200,000 per year. ▪ Eliminates the remaining $800,000 per year for literacy programs. **Transportation** *SFY 2002:* ▪ Reduced the annual appropriation for transportation programs from $2 million to $900,000, or 55 percent. *Governor's Proposed 2003-2005 Budget:* ▪ Eliminates the remaining $900,000 per year earmarked for transportation programs. **Services for Very Disadvantaged Families** *SFY 2002:* ▪ Cut by half the $1 million annual grant to Alcohol and Other Drug Abuse (AODA) Treatment Programs for TANF-eligible persons. *SFY 2003:* ▪ Eliminated the annual grant to AODA Treatment Programs for TANF-eligible persons. **Paternity Establishment** *SFY 2002:* ▪ Eliminated the $92,000 annual appropriation for in-hospital paternity establishment. **Other** *SFY 2002:* ▪ Eliminated the $1 million annual appropriation for the Milwaukee Private Industry Council. These funds were used for administrative oversight and coordination activities in the Milwaukee W-2 agencies. *SFY 2003:* ▪ Cut all but $300,000 of the $7.08 million appropriation for Community Youth Grants, which are intended to improve the social, academic and employment skills of TANF-eligible youth. *Governor's Proposed 2003-2005 Budget*: ▪ Contract allocations for W-2 agencies for administration and ancillary W-2 services are reduced by $22.1 million per year, or about 22 percent. (The Joint Finance Committee cut an additional $1.1 million annually.) ▪ Eliminates the following TANF appropriations: $449,000 per year for the Adolescent Pregnancy Prevention Services Board, $1 million annually for immunizations, and $1 million per year for nutrition services.

State	TABLE III Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Alabama	**Funding Reductions** The state reduced state spending on child care in 2002 and 2003, resulting in substantial losses in federal matching funds. ▪ In 2001, Alabama needed to spend $8.6 million in state funds in order to draw down their full allotment of federal child care matching funds, but it spent just $3.9 million in state matching funds, down from $5.8 million in 2000, and, as a result, lost some $11 million in federal matching funds. ▪ In 2002, the state reduced state matching funds to just $2.56 million, and lost some $17 million in federal matching funds. ▪ In 2003, the state eliminated all state matching funds and lost $21million in federal matching funds. In 2002 and 2003, the state was able to "fill in" with TANF funds, thereby averting a substantial decline in the overall child care budget. Child care provider costs increased, however, and the state was forced to freeze placements. If the agency receives a supplemental appropriation this year, it will draw down some of its federal matching funds. In 2004, the state is projecting that it will need to scale back TANF funding of child care substantially because reserves have dwindled. **Eligibility Restriction** In October 2002, the state froze slots for working families in the child care assistance program. This change affected families that were not welfare recipients or recent welfare leavers.
Alaska	**Possible Funding Reduction** Because Alaska's reserves of unspent TANF direct and TANF transfer balances will run out by the end of this fiscal year, the amount of available TANF financing for child care spending could drop by $3 million in State Fiscal Year (SFY) 2004.
Arizona	**Eligibility Restriction** *March 2003* ▪ Froze new enrollment in the child care subsidy program except for current TANF recipients and families leaving welfare for work. **Provider Reimbursement** *SFY 2003:* ▪ Repealed an adjustment to child care subsidy amounts that had been designed to ensure that reimbursement rates kept pace with the cost of child care. The reimbursement increase would have cost $22 million in TANF and federal child care funds **After-school Program** *SFY 2003:* ▪ Eliminated a $4 million TANF-funded after-school program before the program was implemented. (The money had been allocated in SFY 2002.) **SFY 2004 Budget Proposals** *Governor's Budget Proposal:* The Governor's proposal would reduce the amount of TANF funds that are transferred to the Child Care Development Fund (CCDF) by $39.5 million, but these amounts would be replaced by state general funds, resulting in no actual decrease in the funding for these programs.

State	TABLE III, continued **Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)**
Arizona, cont.	*Budget Proposal – Legislative Leaders (already passed the House):* The legislative proposal would reduce child care funding by $60 million below the Governor's budget proposal. An estimated 18,000 fewer children would receive child care subsidies under the legislative proposal than under the Governor's proposal. The proposal would: ▪ Reduce the income eligibility level for child care subsidies from 165 percent to 110 percent of the Federal poverty line (federal poverty line). ▪ Increase the co-payments families must make by 50 percent. A family with two children in care and income at the federal poverty line would pay more than $1,800 per year in child care co-payments. Reduce provider reimbursement rates by almost seven percent.
California	**Governor's Proposed SFY 2004 Budget** The Governor's revised May budget proposal calls for $216 million in child care cuts to be achieved through: ▪ Changes in the Regional Market Rate regulations which govern provider payments. ▪ Lowering the reimbursement rate ceiling. ▪ Eliminating services to 13-year-olds and to children in families that meet prior income eligibility limits but do not meet current limits. ▪ Implementing family fees for families with incomes above 40 percent of the state median income (SMI), rather than the current threshold of 50 percent of the SMI.
Colorado	**Counties Adopt Various Child Care Cuts** Due to a welfare caseload increase of 16 percent in 2002, TANF dollars that had been transferred to child care are now being spent on cash assistance. In Colorado, counties have the discretion to determine child care policies, and many have decided to lower income eligibility requirements for child care subsidies to address budget shortfalls. For example: ▪ Jefferson County, which experienced a 26 percent increase in the cash assistance caseload during SFY 2002, decreased the income eligibility level for child care twice in 2002. The county first decreased the rate from 180 percent to 150 percent of the federal poverty line, then later decreased it again to 130 percent of the federal poverty line, which is the lowest rate in the state. This means that families of three with incomes between $18,550 and $25,685 are no longer eligible for child care subsidies. As a result, about 800 families lost child care assistance and at least one child care facility closed. ▪ In Pueblo County, the income eligibility level for a family of four dropped by $5,500, which resulted in a loss of assistance for almost 6.5 percent of eligible families. Other counties have implemented cost-cutting measures without reducing income eligibility limits such as freezing enrollment – which eight counties have done – and cutting child care provider reimbursements. Some counties have eliminated education as an activity that qualifies for child care assistance.
Connecticut	**Eligibility Restrictions** *SFY 2002:* ▪ Closed the child care subsidy program to new applicants in June 2002. It was briefly reopened with federal bonus funds, but the program closed to new applicants again in August 2002. *Governor's Proposed 2004-2005 Budget:* ▪ Reduces state spending on child care subsidies by 20 percent over the next two years, from $106 million in SFY 2003 to $90 million in SFY 2004 and $84.5 million for SFY 2005. The

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Connecticut, cont.	state would achieve these savings by continuing to freeze enrollment for low-income working families and setting new restrictions on eligibility. Among parents leaving welfare, eligibility would be limited to households earning 55 percent or less of the state median household income, down from the prior limit of 75 percent of median income. The state expects about 10,000 fewer children to be served by SFY 2005 because of these restrictions. There are currently more than 5,000 families on the waiting list for child care subsidies. **Increased Co-Payments** *SFY 2002:* ▪ Began requiring TANF cash assistance recipients to make child care co-payments (January 2002).
District of Columbia	**Eligibility Restrictions** *SFY 2002:* Established a waiting list for low-income working families who were not receiving certain welfare benefits. In total, funding for 2,000 child care slots was cut. As of May 2003, there were 1,150 children on the waiting list. *FY 2004 Proposal* The city is proposing to reduce the income-eligibility limit for child care subsidies from 250 percent to 200 percent of the federal poverty level which is expected to affect approximately 650 children initially. **Quality Investments** *SFY 2002:* Reduced spending on professional development and supply expansion activities by $3 million, or 53 percent. **FY 2004 Budget** The FY 2004 budget reduces child care funding. Overall funding for child care – including TANF funding – is expected to fall to $63.3 million in 2004, down from $81.5 million in 2002. Virtually all of the reduction in child care funding comes from reduced TANF funding for child care.
Florida	**Eligibility Restriction** While funding for child care has not been cut, there currently are more than 48,000 children on the waiting list for child care subsidies.
Georgia	**Eligibility Restrictions** The state's child care subsidy program served 4,000 fewer children in 2002 than it did in 2001, partially because the state increased its provider reimbursement rates without increasing overall funding enough to maintain the caseload size. As of October 2002, there were 22,132 children on the waiting list for child care subsidies.
Idaho	**Funding Reduction** *SFY 2003:* The $34.3 million Idaho Child Care Program was reduced by about six percent. **Increased Co-Payments** *SFY 2003:* The maximum share of child care expenses that the state will pay was reduced from 99 percent to 93 percent, effectively increasing per-child costs to families by about $18 per month.

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Illinois	**Funding Reduction** *Governor's Proposed 2004 Budget*: ▪ Cuts $551,000 from Teen REACH, an after-school program for at-risk students ages 6-17. In SFY 2003, this program received $19.9 million. ▪ Eliminates funding for the Children's Place, a child care facility for children with parents who have been diagnosed with HIV/AIDS.
Indiana	**Funding Reduction** *SFY 2003:* ▪ Cut TANF transfers to CCDF by $9.7 million. The cut in child care funding would have been higher had it not been for the receipt of a TANF performance bonus. **Eligibility Restrictions** *SFY 2003:* ▪ Reduced the income eligibility level for child care assistance from 143 percent to 127 percent of the federal poverty line. This resulted in a net loss of 3,000 child care slots. As of December 2002, 15,673 eligible children were on the waiting list for child care subsidies. **Increased Co-Payments** *SFY 2003:* ▪ Increased child care co-payments for families with incomes above 100 percent of the federal poverty line. A family with income between 100 percent and 127 percent of the federal poverty line must now pay between two percent and 4.9 percent of its income in child care co-payments.
Kansas	**Eligibility Restrictions Imposed and then Restored** Income eligibility for child care was reduced from 185 percent to 150 percent of the federal poverty line from February 1, 2003 to June 30, 2003. Eligibility will be restored to 185 percent of the federal poverty line on July 1, 2003, the beginning of SFY 2004. **Quality Initiatives** *SFY 2003:* ▪ Reduced funding for early learning initiatives by $1.4 million in SFY 2003. These reductions impacted Child Care and Resource and Referral activities, professional development for child care providers, and technical assistance to infant/toddler caregivers. ▪ Eliminated frants to child care centers to meet licensing requirements and for quality enhancements. ▪ Reduced quality initiative grants by $300,000 ($229,400 were state funds).
Kentucky	**Funding Reduction** *SFY 2003:* ▪ Child care program spending is expected to decline from its peak of $153 million in SFY 2002 to $146 million in SFY 2003, a 4.8 percent cut. **Eligibility Restrictions** *SFY 2003:* ▪ Froze eligibility for new child care subsidies in May 2003, except for TANF recipients, teen parents, and child protective services cases. Eligibility will re-open when enrollment falls by at least 2,000 children.

State	TABLE III, continued **Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)**
Kentucky, cont.	*SFY 2004:* ▪ Reduce the income eligibility limit for new applicants from 165 percent to 150 percent of the federal poverty line. Families participating in the child care subsidy program remain eligible until their income exceeds 165 percent. This reduction in the eligibility limit is projected to save $9 million. ▪ Increase the minimum number of hours adults must work to qualify for child care subsidies to 20 hours per week. This change will affect families transitioning from welfare to work and other low-income working families. ▪ Change the definition of "income" to include the income of family members other than parents who live in the home with the children, such as grandparents.
Louisiana	**Eligibility Restriction** *SFY 2003:* ▪ Increased the number of hours parents must work to qualify for child care assistance from 20 hours to 25 hours per week, beginning April 1, 2003. This increase resulted in the loss of eligibility for approximately 3,100 families. **Increased Co-Payments** *SFY 2003:* ▪ Increased co-payments such that families now pay between 30 percent and 70 percent of the cost of child care. Prior to these changes, families paid no more than 15 percent of the cost of child care. **Proposed SFY 2004 Budget** ▪ Reduces child care funding by $15 million.
Maryland	**Eligibility Restrictions** *SFY 2003:* In January 2003, the state instituted a waiting list for child care subsidies. While families on TANF and recent former TANF recipients continue to receive child care assistance, low-income working families that have not received TANF cash assistance in the prior 12 months are placed on the waiting list. The waiting list was established due to a reduction in TANF funding for child care that occurred when some $40 million in child care funding was shifted out of child care to fill other gaps in the Department of Human Resource's budget. **Funding Reductions** *SFY 2004:* The final 2004 budget included $36.1 million in cuts to child care programs as compared to the 2003 appropriated levels, including: ▪ A $25 million cut in the child care subsidy program. This cut will be achieved by continuing to place low-income working families who have not recently received TANF cash benefits on a waiting list for child care subsidies and is projected to result in the loss of more than 5,000 child care slots for low-income working families. ▪ A $5 million cut in after-school programs. ▪ A $2 million cut in funding for the child care resource and referral agencies. These community-based organizations help families find child care providers who can meet their children's needs. This represents a 34 percent cut in funding. ▪ A $2.1 million cut in child care quality initiatives. ▪ A $2 million cut in the child care credential program – funded at just $2.145 million in 2003 – which provided financial rewards to child care providers who achieved certain levels of staff training, training subsidies for child care workers, and developed training materials.

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Maryland, cont.	▪ A $1.8 million cut in family support centers, which provide services to parents with children from birth to age three, both in parents' homes and in centers. In-home and center-based services include: parenting education, adult education and family literacy, job readiness training, health education and referral, infant and toddler developmental assessments and referrals, child care while parents are on-site, and peer support. Because funding was shifted out of the child care budget in 2003 after the budget was enacted, 2003 spending on child care fell below appropriated levels. Savings were achieved in large measure by instituting the waiting list. As of April 29, 2003, more than 2,500 children were on the waiting list for child care subsidies.
Massachusetts	**Eligibility Restrictions** *SFY 2003:* ▪ Funding for the state's main child care subsidy program was cut by $10.6 million in the initial SFY 2003 budget, eliminating 1,500 child care slots. In January 2003, another $3.1 million was cut. This cut was made in conjunction with the elimination of welfare employment services funding. Because fewer recipients would be participating in welfare-to-work programs, demand for child care was assumed to fall. There are some 17,400 children on the waiting list for the child care subsidy program. ▪ Funding for another TANF- and MOE-funded community-based child care program focusing on early learning was cut by nearly 20 percent. This program served 21,000 children in SFY 2002. ▪ A child care program in courthouses that had provided child care to 150 children daily, when their parents had to spend time in court, was eliminated.
Michigan	**Funding Reduction** *SFY 2003:* ▪ Reduced overall child care funding by $11.7 million. **Eligibility Restriction** *SFY 2003:* ▪ Reduced the income eligibility limit for new applicant families from 167 percent to 150 percent of the federal poverty line. **Provider Rates** *SFY 2003:* • Cut child care provider rates for relative providers by six percent, or 12 to 15 cents per hour.
Minnesota	The recently enacted human services budget cut overall child care funding by some $33 million in SFY 2004 and by $50 million in SFY 2005. **Eligibility Restrictions** *SFY 2004-2005 Budget:* ▪ Reduces eligibility to 175 percent of the federal poverty line from approximately 290 percent of the federal poverty line. (Under the budget proposal, families will remain eligible until their income exceeds 250 percent of the federal poverty line.) **Co-Payments** *SFY 2004-2005 Budget:* ▪ Reduces child care spending by $11 million over the two year budget period by increasing co-payments families must make.

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Minnesota, cont.	**Provider Reimbursements** *SFY 2004-2005 Budget:* ▪ Reduces child care spending by $59 million over the two year budget period by reducing payments to providers.
Montana	**Eligibility Restriction** As of January 2003, there were 700 children on the waiting list for the child care subsidy program. **Funding Reductions** *SFY 2002:* ▪ Reduced state matching funds by $172,000 (12.4 percent). *SFY 2003:* ▪ Reduced TANF transfers to CCDF by $1.7 million. ▪ Reduced state matching funds by $320,000. ▪ Reduced quality expenditures by $300,000. **Increased Co-Payments** *SFY 2003:* ▪ The state implemented a co-payments increase that became effective in November 2002. Family co-payments increased from $5 to $10 per month for families with income below 95.5 percent of the federal poverty line. **Governor's Proposed SFY 2004 – 2005 Budget** ▪ Reduces the annual TANF transfer to child care by $7.6 million for SFY 2004 and SFY 2005. ▪ Reduces state spending by an additional $279,931 in SFY 2004 and $676,931 in SFY 2005, leading to a loss of some $2.5 million in federal matching funds over the next two years.
Nebraska	**Eligibility Restriction** *SFY 2003* ▪ Reduced eligibility for child care subsidies from 185 percent to 120 percent of the federal poverty line for low-income working families that have not received cash assistance within the past two years. The threshold remains at 185 percent of the federal poverty line for families who have recently left welfare. **SFY 2004 and 2005 Budget** ▪ Freezes provider reimbursement rates for estimated savings of $1.8 million in 2003-2004 and $2.3 million in 2004-2005.
New Jersey	*SFY 2004* Due to the uncertainty of future federal funding, the state agency projects a reduction in child care spending of $10 million in SFY 2004 (as compared to SFY 2003). Savings will primarily come from freezing enrollment in their Waiting List Reduction Initiative.
New Mexico	**Eligibility Restrictions** *SFY 2002:* In August 2001, the Children, Youth and Family Department reduced the income eligibility level for child care from 200 percent to 100 percent of the federal poverty line for new applicants. This action was taken to ensure that families who are at or below 100 percent of the federal poverty line, but not receiving TANF, would be able to receive child care, which is a state legislative requirement. No family receiving child care assistance prior to August 2001 was affected by this change.

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
New Mexico, cont.	*SFY 2003:* Effective May 1, 2003, the income eligibility level for child care was increased from 100 percent to 130 percent of the federal poverty line. Families who have incomes above 130 percent of the federal poverty line, but below 200 percent of the federal poverty line have been placed on a contact list for child care assistance. Currently, there are approximately 3,000 children on the list.
North Carolina	**Funding Reductions** *SFY 2002:* ▪ Reduced funding for Smart Start by $59 million. (Smart Start is a statewide initiative that provides supports for children under five and 30 percent of its funding must be dedicated to child care assistance for low-income families.) ▪ Eliminated state funding for Early Head Start centers for children under three (a cut of approximately $605,000). ▪ Reduced state funding for child care subsidies by four percent ($400,000). *SFY 2003:* ▪ Cut TANF spending on child care by $3.9 million, but $15 million in state funds were added for a net gain of $11.1 million. **Eligibility Restriction** As of January 2003, there were 11,002 children on the state waiting list for child care assistance.
Ohio	**Eligibility Restriction** ▪ Over the coming months the state will reduce the income eligibility limit from 185 percent to 150 percent of the federal poverty line. New applicants with incomes over 150 percent of the federal poverty line will not be accepted beginning June 9, 2003. Families already receiving child care subsidies with incomes over 150 percent of the federal poverty line will lose these subsidies as of September 30, 2003. **Increased Co-Payments** ▪ As of June 9, 2003, the state will increase co-payments. Co-payments currently range from two percent to ten percent of household income. Co-payments will remain capped at ten percent of household income, but lower income families will face increased co-payments. For certain families co-payments will more than double. **Provider Reimbursement** ▪ Provider reimbursement rates will remain frozen at levels that were based on a 1998 market rate survey. The reimbursement rate for friends or relatives providing child care in an informal setting will be reduced from 75 percent to 60 percent of the rate paid to certified professional family day care homes.
Oklahoma	**Funding Reduction** ▪ On June 30, 2003, Oklahoma will discontinue the state's $5 million First Start program. The First Start program was mirrored after Early Head Start and provided medical screenings, enhanced staff to child ratios, home visits, in addition to early education. **Quality Initiative** *SFY 2003:* ▪ Eliminated the Child Care Quality Improvement Grants, which provided assistance to child care providers in purchasing quality enhancing toys and equipment. The annual budget for this initiative was $1 million. **SFY 2004 Cuts Likely** To maintain the child care subsidy system at the current level – including movement by child care

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Oklahoma, cont.	providers at higher tiered reimbursement levels and growth in the number of children participating – Oklahoma would require approximately $195 million in funding during SFY 2004. Total revenue available to the program has been estimated to be approximately $155 million, requiring about $40 million in reductions. The state is currently evaluating the impact and need for a waiting list, decreased eligibility standards, increases in parent co-payments, and the definition of countable income.
Oregon	**Eligibility Restriction** *February 2003* ▪ Reduced eligibility from 185 percent to 150 percent of the federal poverty line. **Increased Co-Payments** *2001-2003 Biennium* ▪ Increased co-payments by $18 per month for all participants. The minimum co-payment increased from $25 to $43 per month. *2003-2005 Biennium* ▪ Eliminates a provision that limited the co-payments of former TANF recipients. ▪ Increases co-payments by an additional $19 per month, increasing the minimum co-payment from $43 to $62 per month.
Rhode Island	**Governor's Proposed SFY 2004** ▪ Cancels the rate increase based on the 2002 biennial childcare survey that was to be implemented in January 2004, denying providers an anticipated eight percent increase ($2,851,799 in state funds). ▪ Reduces provider rates for children receiving between 20 and 29 hours of care/week, saving $1,205,485 in state funds. ▪ Reduces the number of providers that qualify for state subsidy of health care coverage, saving $244,782 in state funds.
South Carolina	**After-school Program** In SFY 2003, the Department of Social Services cut a number of contracts, including almost all contracts with TANF-funded after-school programs, saving $10 million. As a result, approximately 8,000 low-income children lost their slots in after-school programs.
Tennessee	**Governor's Proposed SFY 2004 Budget** Increases co-payments that are required of working mothers who have left welfare for work by $1.3 million.
Texas	**Funding Reductions** *SFY 2002:* The state did not transfer any funds from TANF to CCDBG, resulting in a decrease of $32.9 million in funding for child care. Transferred funds previously had been used to provide direct child services or support quality improvement activities. *SFY 2003:* Most Local Workforce Development Boards (LWDBs) increased child care co-payments. The co-payment amounts used to average between seven percent and 11 percent, and now average between nine percent and 13 percent. As of February 2003, there were 28,101 children on the child care subsidy program waiting list. **Proposed SFY 2004-2005 Budget** The Senate version of the 2004-2005 budget calls for reducing state child care matching funds $5.7 million below the 2003 level of $46.2 million. Responsibility for the remaining match will be passed

State	TABLE III, continued Child Care Funding Cuts and New Eligibility Restrictions in Child Care Programs (including TANF-funded child care programs)
Texas, cont.	down to the LWDBs. In order to draw down all of the federal matching funds, LWDBs would have to almost double their current child care funding. The House version of the budget does not call for this reduction in state child care matching funds, and would actually increase the state child care funding slightly - from $46.2 million in 2003 to $46.7 million in 2004 and 2005.
Washington	**Increased Co-Payments** *SFY 2003* ▪ Increased child care co-payments by $25 per month for all families above 82 percent of the federal poverty line, saving the state $10.6 million. **Quality Initiatives** *SFY 2003* ▪ Eliminated all child care recruitment and retention contracts, cutting $6 million from its budget. ▪ Eliminated a $400,000 contract with the Department of Alcohol and Substance Abuse that provided training to child care providers caring for kids living in environments impacted by substance abuse. **SFY 2004 Proposal Under Consideration by Governor** The state is considering reducing eligibility for child care subsidies from 200 percent to 175 percent of the federal poverty line. (Reducing eligibility would not require a statutory change.)
Wisconsin	**Governor's Proposed 2003-2005 Budget** The Governor's budget would: ▪ Cut funding for programs to improve child care quality by about $6.9 million per year, or about 55 percent. ▪ Cut child care grants to local governments by almost $14.9 million annually, or 74 percent. (The Finance Committee budget proposal would restore $2.7 million in funding for scholarships and bonuses for child care teachers, and cuts an additional $1.9 million per year from the local grants.)