



CENTER ON BUDGET AND POLICY PRIORITIES

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A WIDE RANGE OF PUBLIC SERVICES ALREADY HAVE BEEN CUT IN THIS STATE FISCAL CRISIS

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Wide-ranging state budget reductions already have been implemented for state fiscal years 2002 and 2003 as states have struggled to meet their balanced budget requirements. Many governors began with what might be termed “first round” administrative reductions in state spending, including restrictions on out-of-state travel and moratoriums on equipment purchases. Beyond that, personnel expenses in state agencies have been cut through a variety of measures, including hiring freezes, involuntary unpaid furloughs, early retirement programs, and state employee layoffs. These personnel measures can leave agencies understaffed and can impair the ability of residents to access government services and benefits. In addition, across-the-board percentage reductions in state agency budgets have been implemented in many states, either through executive action or as part of legislative budget-balancing plans. In some cases these cuts trim administrative costs, but in other places they result in direct reductions in services to low-income families.

In addition, substantial specific cuts have been made in public services. Examples of reductions in programs other than Medicaid are detailed below. (For cuts in Medicaid, see the Center report: *Proposed State Medicaid Cuts Would Jeopardize Health Insurance Coverage for One Million People*, December 23, 2002.) Note that the program reductions described below are excerpted from an October, 2002 Center report and do not include either cuts made since that time or reductions proposed by several governors in recent weeks.

Child Care

A recent report by the Children’s Defense Fund found that budget shortfalls have forced a number of states to reduce funding for child care, despite the fact that the number of low-income families needing child care services has grown significantly in recent years.¹ The impact of funding cuts has been felt in a number of ways.

- Waiting lists for child care programs exist in 19 states and are growing larger. **Florida** added more than 12,000 children to its waiting list, while **Indiana** added more than 11,000 children. **Texas** added more than 5,000

¹ *Low-Income Families Bear the Burden of State Child Care Cutbacks*, Children’s Defense Fund, September 2002.

children to its waiting list. Other states that increased the size of waiting lists include **Tennessee** and **Minnesota**, while the total number of states with waiting lists increased from 17 to 19.

- Eligibility for services has been restricted. **Nebraska** reduced the eligibility level for child care assistance from 185 percent of the federal poverty line to 120 percent for some families, while **New Mexico** reduced eligibility from 200 percent of the poverty line to 100 percent. Eligibility was also restricted in **Colorado, Indiana, New York, Washington** and **West Virginia**.
- Parent fees have increased. Indiana plans to increase parent fees for all families above 100 percent of the poverty line. Parent fees also have increased in **Montana, New York, Washington, and West Virginia**.
- Supports have been reduced for parents not on welfare who are pursuing education and training. **Illinois** cut such funding by \$7.5 million, a program was eliminated in **Colorado** that provided child care subsidies to parents in school, and **Alabama** postponed plans to extend child care assistance to families in college.

TANF

As a result of the weak economy and increasing unemployment rates, some states have projected increases in TANF cash assistance caseloads that would require additional spending on cash benefits. A number of states are having difficulty maintaining TANF programs because reserves of federal TANF funds are dwindling. Some states have already made cuts to TANF-funded programs.

- **Indiana** plans to reduce TANF spending by \$54 million by, among other steps, cutting TANF funding for child care programs by nearly \$10 million and reducing spending on a range of social service programs by nearly \$7 million.
- **Massachusetts'** FY 2003 budget reduces funding for several critical safety net and work support programs supported with federal TANF or state maintenance-of-effort funds: funding for employment services for cash assistance recipients was reduced by 20 percent; an eviction prevention program that helped about 8,000 families last year was terminated; and assistance for thousands of legal immigrant families was eliminated.
- **Tennessee's** current budget reduces TANF spending by \$20 million, affecting transportation assistance, job skills training, and substance abuse services.

- In February 2002 the state of **Washington** implemented \$54 million in cuts to welfare programs, which affected many programs including job skills training and job retention initiatives.

TANF cuts of some kind of have been implemented in a number of other states, including **Arizona, Arkansas, California, Connecticut, the District of Columbia, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Carolina, Ohio, West Virginia, and Utah.**

Higher Education

State support of public universities has been significantly affected by state budget deficits. Many state institutions of higher education have acted to make up for lost revenues by sharply increasing tuition, effectively shifting some of the burden of balancing state budgets to students and their parents. Tuition increases also reduce access to higher education for low- and moderate-income families. The College Board recently reported that tuition at four-year public colleges and universities increased by an average of 9.6 percent nationwide. Significant tuition increases include:

- Tuition and fees at the University of Kansas will be more than 20 percent higher in 2002.
- Trustees at Penn State University increased tuition by 13.5 percent, the first double-digit increase since 1984.
- Freshmen at Texas A&M University will pay at least 26 percent more in tuition and fees in 2002 than in 2001.

Tuition increases of greater than eight percent were implemented at public universities in many other states, including **Alabama, Alaska, Idaho, Illinois, Indiana, Iowa, Kentucky, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, South Carolina, Virginia, Washington, West Virginia, and Wisconsin.**

K-12 Education

Many state policymakers have worked to minimize the impact of state budget deficits on local schools, given the public popularity of education spending. But the fact that K-12 education costs represent the single largest expense in state budgets has made such reductions unavoidable in some states.² Cuts in local school aid may result in increased local property taxes, as schools seek to replace lost state aid with increased

² A recent report from the U.S. Senate Committee on Health, Education, Labor, and Pensions and the House Education and Workforce Committee estimated that total projected state expenditures on K-12 education for 2003 are \$6.7 billion below the amount necessary to accommodate normal increases in student population and per-student expenditures.

local revenues. Budget cuts can also result in scaled back programs, larger class sizes, and reductions in teacher compensation.

- Budget cuts in **Idaho** trimmed \$23.3 million from 2002 state funding for local schools.
- State distributions for K-12 education in **Illinois** were \$176 million less in 2003 than in 2002.
- State support for local school operating costs was reduced by \$115 million in **Indiana**, causing schools to fill the shortfall by internally reallocating local funds that had been previously designated for construction and maintenance costs.
- K-12 education funding in **Massachusetts** for FY 2003 was cut \$75 million below FY 2002 levels. Funding for after-school programs was eliminated, and early childhood education funding was reduced significantly.
- The governor of **Kansas** announced \$17.5 million in cuts to local school budgets in August 2002.
- Budget-balancing legislation passed in **Washington** included \$92 million in reductions for K-12 education.

Aid to Local Governments

A number of states provide aid to local units of government such as counties, cities, and towns. Some state policymakers have sought to shift some of the impact of state budget deficits to local governments by reducing the state aid those local units receive.

- State distributions to local governments in **North Carolina** were cut by \$209 million in FY 2002 and \$333 million in FY 2003, forcing some cities and towns to consider raising local property taxes to make up the difference. Localities will have the option to raise local sales taxes to fill the shortfall in state aid, a solution that would fall heavily on low-income residents because sales taxes are regressive.
- Local revenue sharing in **Michigan** for FY 2003 was frozen at the FY 2002 level, saving the state \$120.6 million.
- **Illinois** redirected \$25 million in local taxes from local units of government to the state general fund.

- **Iowa** cut \$5.5 million in reimbursements to counties for the cost of various property tax reductions, causing many counties to raise property taxes to make up for the lost revenue.

Many cities, counties, and towns operate programs that benefit low-income families. State budget cuts that reduce local revenue can jeopardize the ability of municipalities to provide those services.

Other Reductions in Public Services

Other state budget cuts have run the gamut of public services, from public safety to environmental protection to transportation. Examples include:

- \$7.5 million was cut from programs aimed at preventing youth violence in **Colorado**.
- Jury trials in **Alabama** were temporarily suspended in FY 2002 due to budget problems, and may be suspended again in FY 2003.
- A \$2 million reduction in funding for flu vaccine in **Massachusetts** resulted in a 19 percent reduction in vaccine purchases by the state Department of Health.
- Payments to over 2,000 foster parents in **South Carolina** were reduced by \$20 per month due to cuts in the Department of Social Services budget.
- Access to state parks has been reduced in states including **Massachusetts, Indiana, and Alaska**, while other states have raised fees for visitors.³
- Budget cuts forced the closure of the only state-run drug and alcohol rehabilitation center in **Iowa**.

³ *USA Today*, July 24, 2002.