



Stone Soup

State & Federal Policy & Budget Changes

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Connecticut Voices for Children

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A Bit of Context: Population

- **CT's population is about 3.4M: 78% White, 9% Hispanic, 9% Black, 3% Asian/Pacific Islander.**
- **Between 1990 & 2000, CT's Hispanic population increased by 50% and its Asian population by 81%.**
- **Between 1995 & 2025, CT's foreign-born population is projected to increase by 337,000 (a doubling) – the 12th highest increase among states in number of new immigrants.**

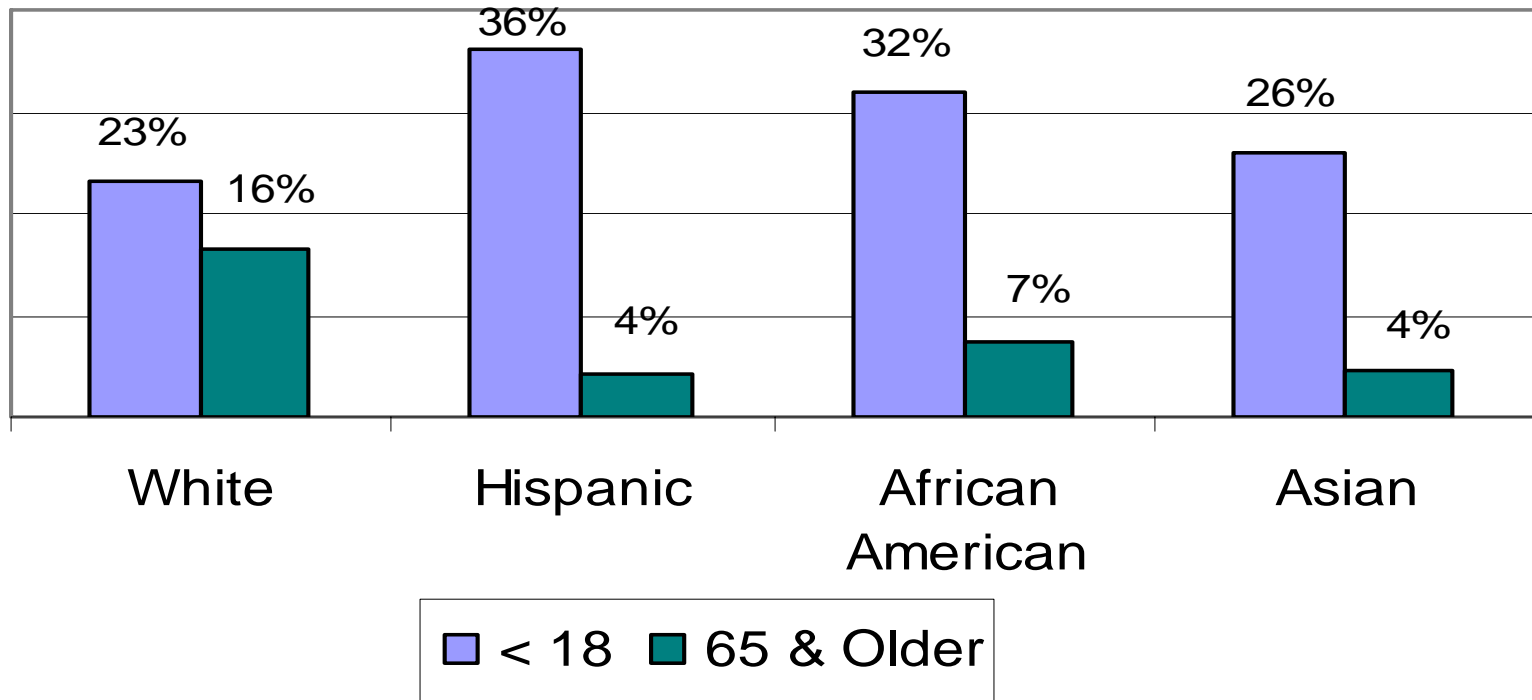
CT's Immigrant Population is Increasing

About 11% of CT's current population was born outside the US –the 13th highest percentage among all states. (An additional 2.7% were born in Puerto Rico.)

Between 1995 and 2025, CT's immigrant population is projected to increase by 337,000, *doubling* CT's foreign-born population – the 12th highest increase in *number* of international immigrants among states.

Connecticut's Minority Population Is Far Younger Than Its White Population

Percent of CT Population Within Racial/Ethnic Groups, By Age



Taken from 2000 US Census

A Bit of Context: Capacity

- **CT is first among states in per capita income. CT's median family income (\$73,456) is 37% greater than the national median (\$53,692 in 2004)**
- **CT ranks high among states in K-12 education performance and has one of the nation's best educated workforces**
- **CT has been ranked in the top 5 states on multiple indices of economic competitiveness (e.g. MAC 2003 Index, CFED Development Report Card, Milken Knowledge-Based Economic Index)**

A Bit of Context: Disparities

State averages mask significant disparities:

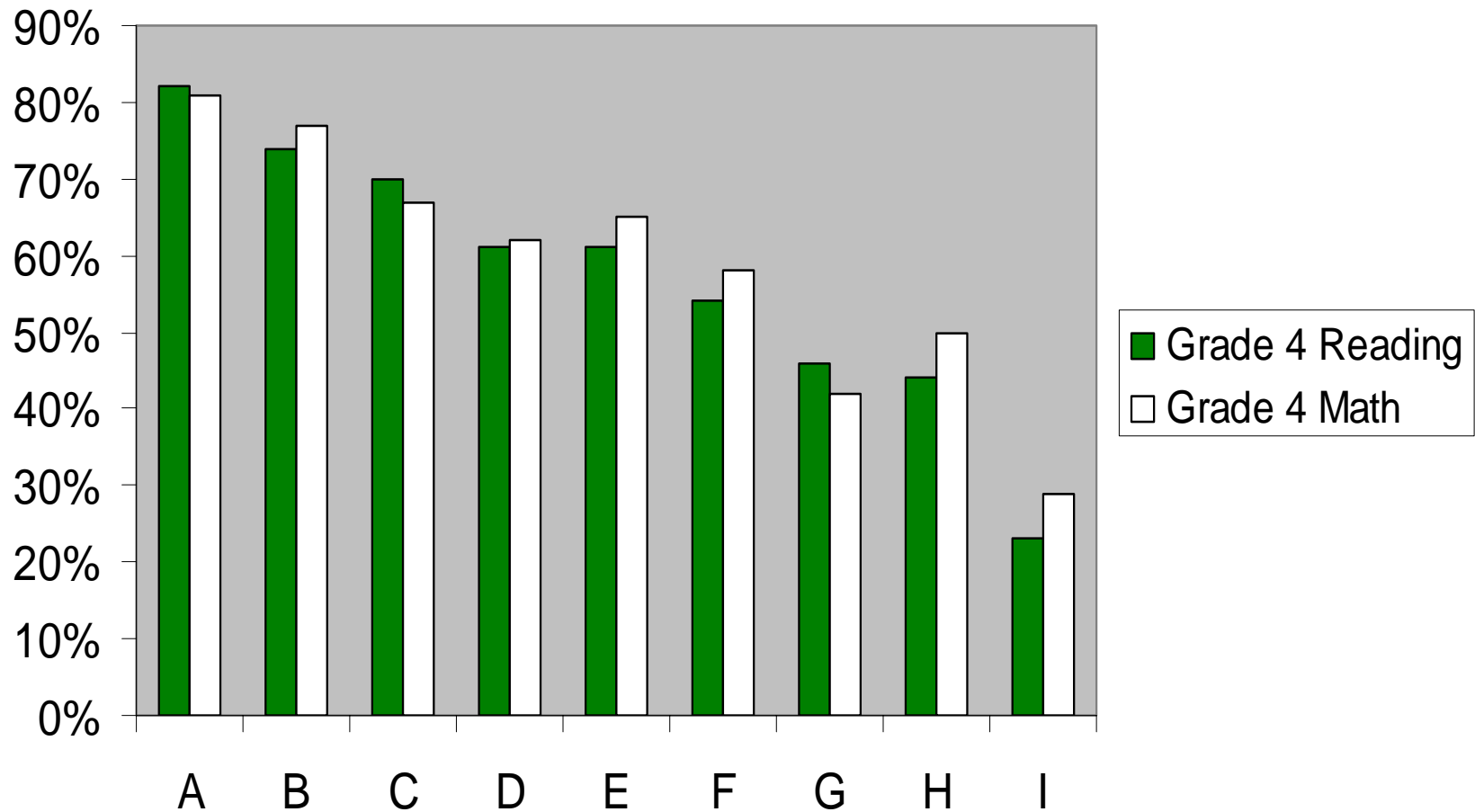
- **Per capita income:** Hispanic (all races) =\$13,123; Black, Non-Hispanic=\$16,685; Asian=\$27,948; White, Non-Hispanic=\$32,330
- **Median net worth** of CT white-headed households (\$153,900 in 2002) is 28 times greater than that of CT minority-headed households (\$5,446).
- **Educational attainment:** 42% of CT's Hispanic population (all races) have less than a high school diploma, compared to 26% of Black, Non-Hispanics; 15% of Asians; & 13% of White, Non-Hispanics.

Poverty Amplifies Educational Risk: CT's Poorest School Districts Are Not Keeping Pace

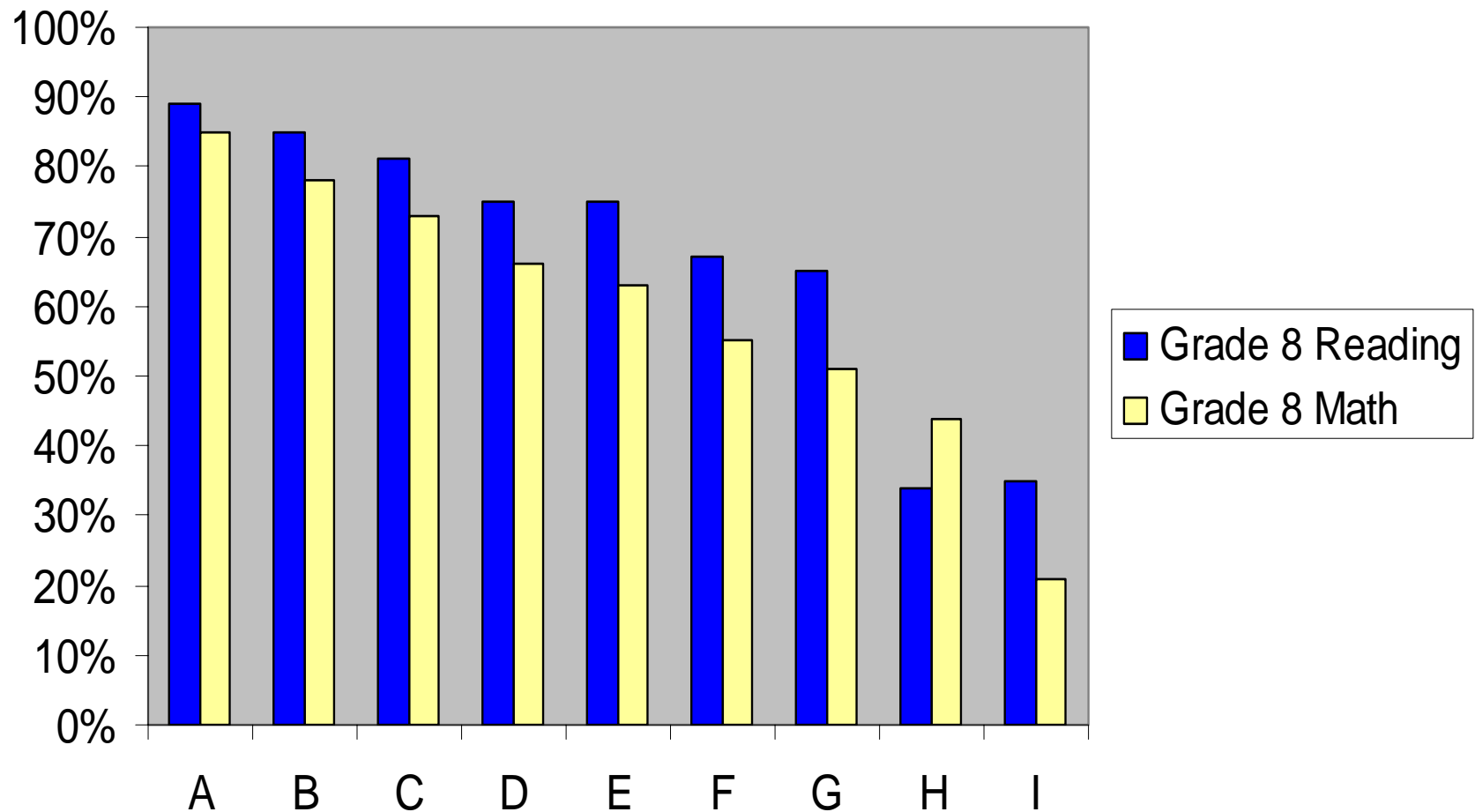
Students in ERG I (e.g. New Haven)-- as compared to ERG A (e.g. Darien) -- are:

- **1.7x less likely to attend preschool (56% v. 96%)**
- **~5x less likely to pass the CT Mastery Tests at Grade 4, 6 and 8 (15% v. 69% for CMT 4, 16% v. 78% for CMT 6, 14% v. 76% for CMT 8)**
- **9.5x less likely to pass the CAPT test in 10th grade (6.4% v. 61%)**
- **14.7x more likely to drop out of high school (22% v. 1.5%)**

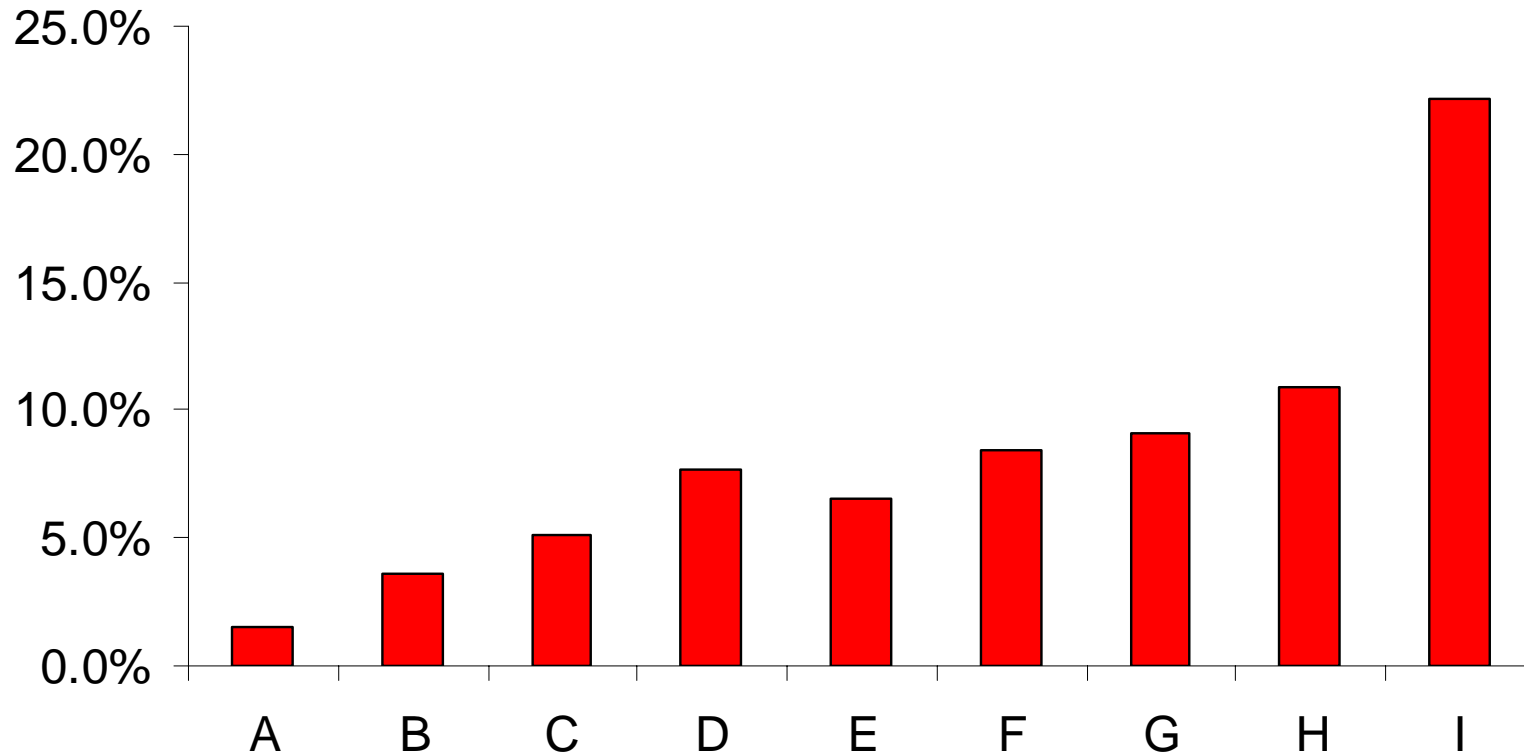
Educational Performance Generally Tracks the ERG: Grade 4 CMT Results, 2003-04



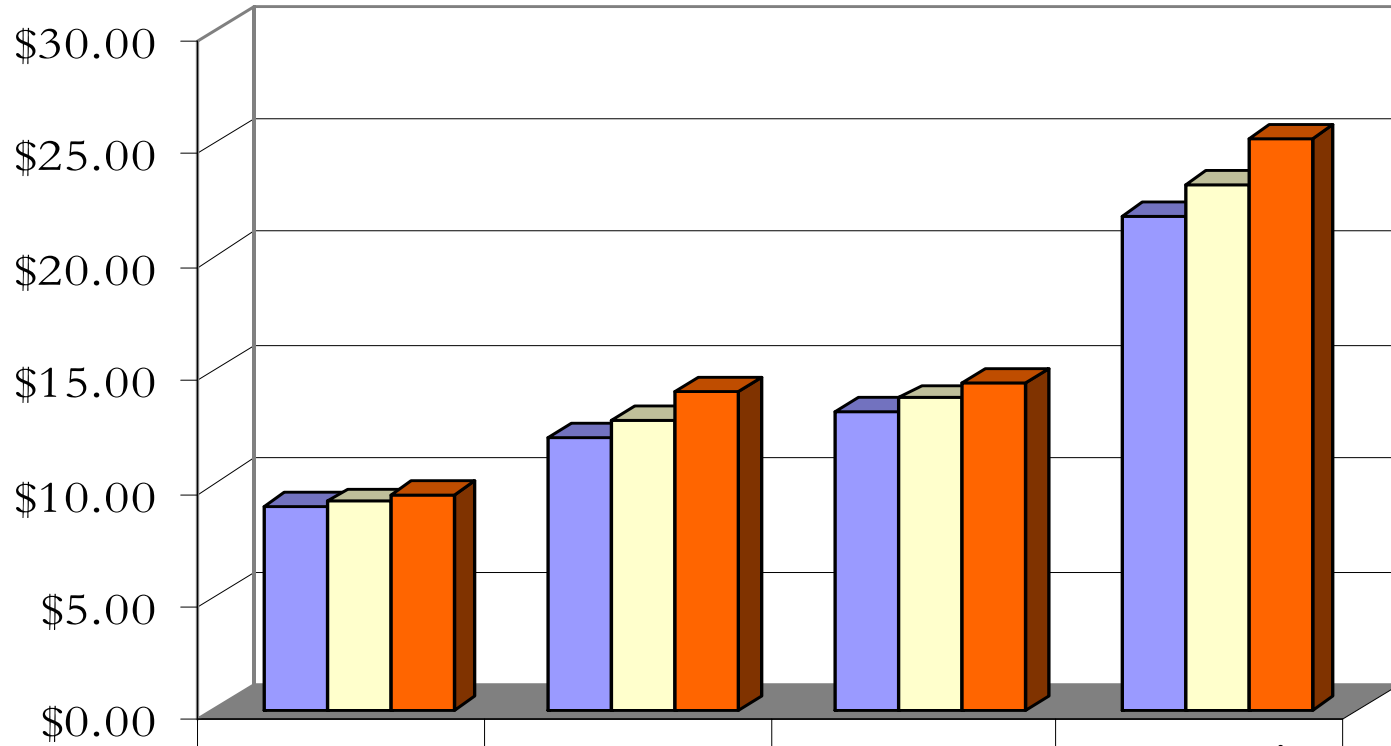
Educational Performance Generally Tracks the ERG: Grade 8 CMT Results, 2003-04



Dropout Rates Generally Track the ERG As Well



Median Hourly Wages by Educational Attainment, United States, Northeast, and Connecticut, 2004

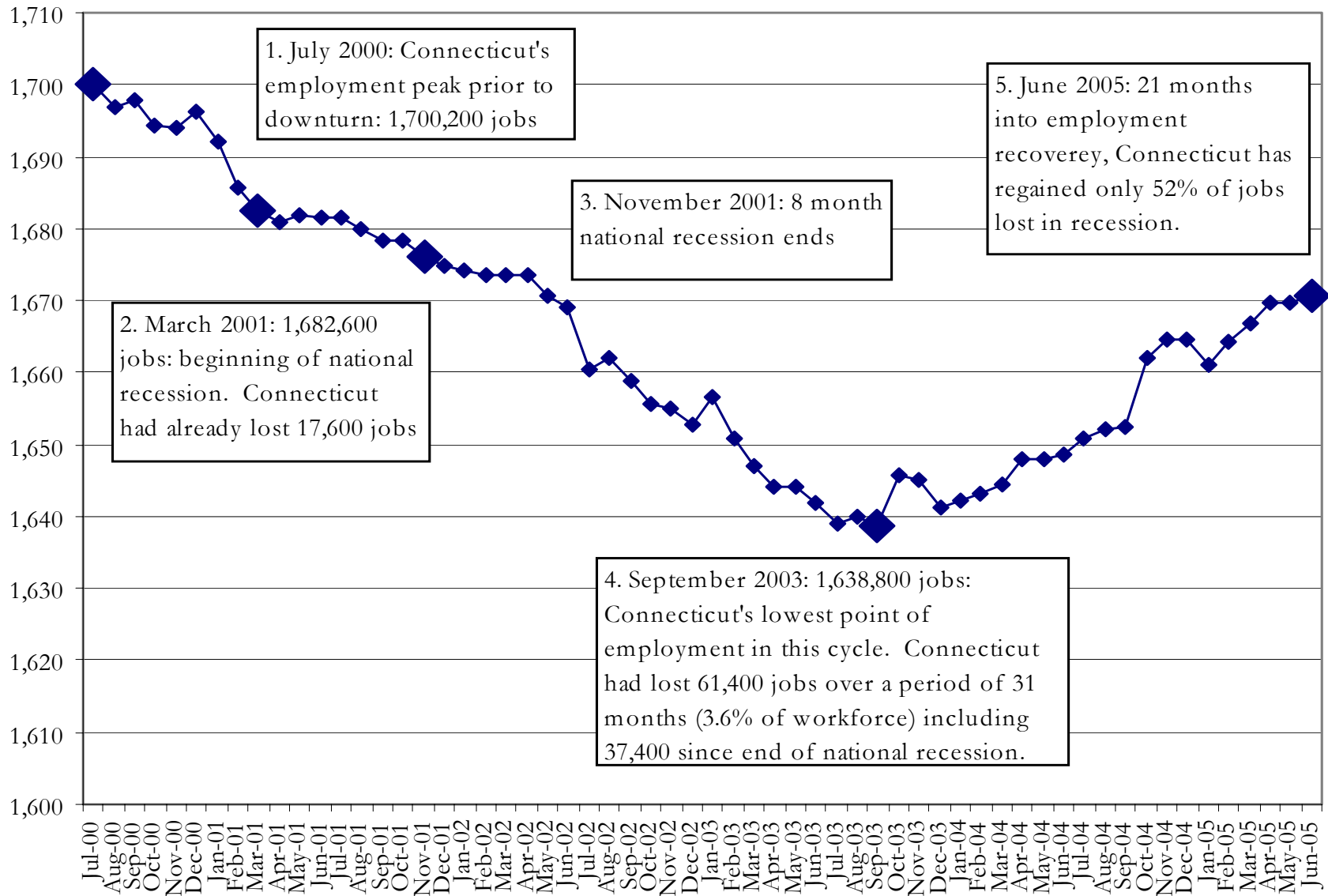


	Less than high school	High school	Some college	Bachelor's or higher
United States	\$8.93	\$11.99	\$13.18	\$21.73
Northeast	\$9.17	\$12.75	\$13.73	\$23.17
Connecticut	\$9.47	\$14.05	\$14.44	\$25.21

A Bit of Context: Economy

- **Job Loss.** CT's recession began earlier, and ended later, than the US. As of June 2005, CT had recovered just half of the 61,400 jobs it lost since July 2000.
- **Hourly Wages.** Between 1990-2004, real hourly wages of CT workers at the 10th percentile fell by 2% (from \$8.18 to \$8.05) while wages at the 90th percentile increased by 20% (from \$31.16 to \$37.45, in 2004 dollars).
- **Wage Growth.** Between 1997 & 2004, growth in median wages lagged growth in GSP (13.1% v. 18.9%)

Employment in Connecticut: July 2000 - June 2005 (in 000s)



Changes in CT's Hourly Wages (\$ 2004)

<u>Percentile</u>	<u>1980</u>	<u>1990</u>	<u>2004</u>
10 th	\$ 7.16	\$ 8.18	\$ 8.05
Median	\$13.08	\$15.72	\$17.33
90 th	\$26.00	\$31.16	\$37.45

<u>% change</u>	<u>1980-1990</u>	<u>1990-2004</u>
10 th	14%	(2%)
Median	20%	10%
90 th	20%	20%


CT Continues to Shed High-Paying Jobs, While Gaining Jobs That Pay Less

Between 2003-2004, the 5 industry sectors with the greatest job losses (total of 9,322 jobs lost) were manufacturing, total government (including casinos), finance and insurance, management of companies and enterprises, and information. On average, these jobs paid about \$83,000/year (range \$121,243 for management, \$47,249 for government).

Largest gains in this period were in construction, waste management, health care/social assistance, accommodation and food services, and educational services. On average, these jobs paid about \$38,000/year (range: \$16,600 for accommodation/food service-\$49,600 for construction).

A Bit of Context: Poverty

- **Child Poverty.** One in 10 CT children lives below the federal poverty level. Child poverty in immigrant families exceeds the state average (12.3% v. 10.5%). Among cities with population over 100,000, Hartford's child poverty rate is 2nd highest - next to Brownsville TX.
- **Asset Poverty.** Nearly 1 in 5 CT households is “asset poor” – three times the number who are “income poor” (19% v. 6.4%).
- **Low-Wage Work.** 9% of CT's FT/FY workers earn less than \$20K/year, compared to 15% of CT immigrant FT/FY workers.



	CT	New Haven	Hartford
% children in poverty (2004 Census, related children & 2004 CPS)	10.5%	33%	41%
% school children below 185% of poverty (as measured by eligibility for Free/Reduced Price meals 2000-2001)	24%	67%	69%

CT's Hourly Wages -- Though Among the Tops in the US -- Leave Many CT Families Short of Economic Self-Sufficiency

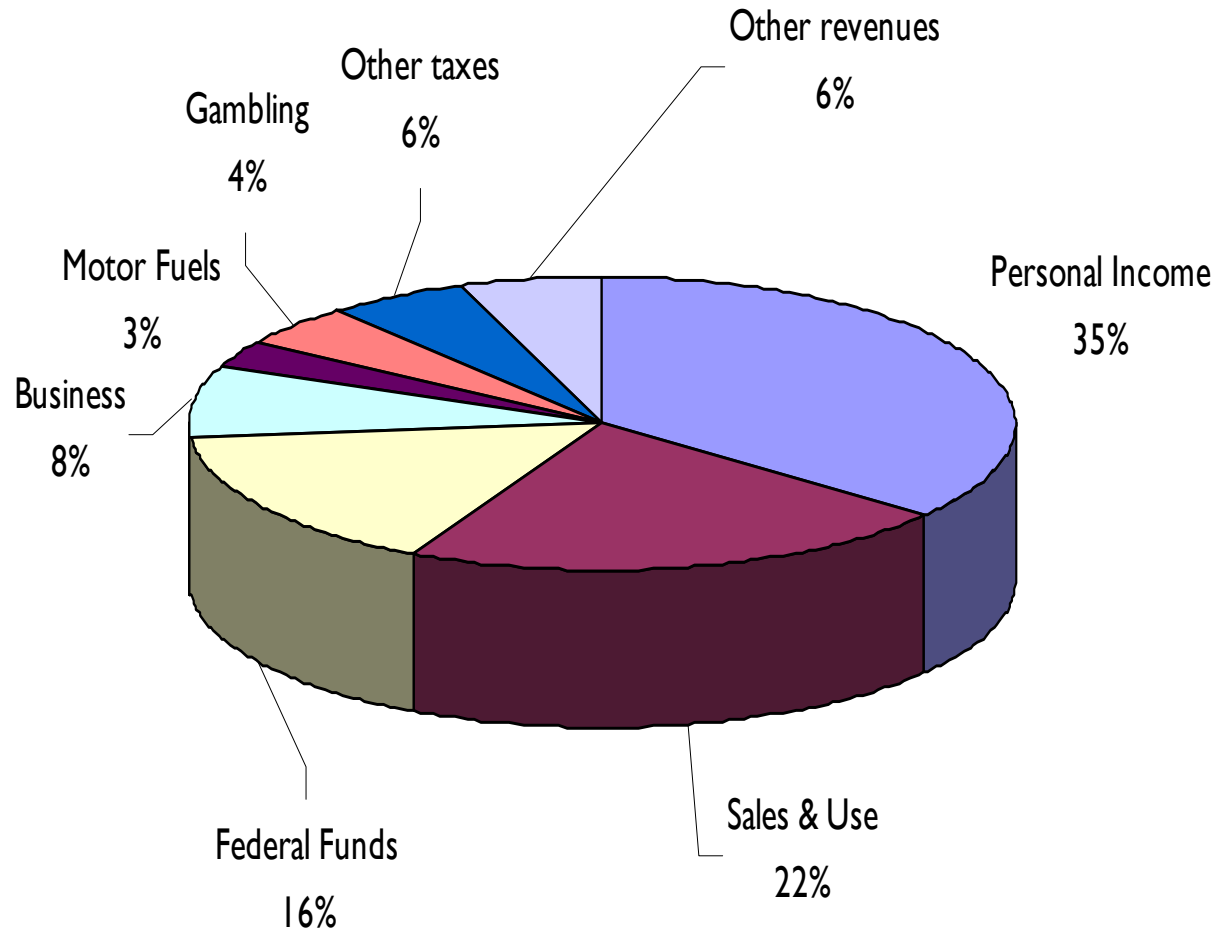
2004 Average Hourly Wages in CT (by quintile)

Low (20 th)	\$ 9.95
Median (50 th)	\$ 17.33
High (80 th)	\$ 28.98

Self-sufficiency Wage for New Haven Area Family with 1 Infant and 1 School-Aged Child (2004\$)

Single Working Parent \$19.74
Each of Two Working Parents \$11.21

CT State Revenues, FY 06

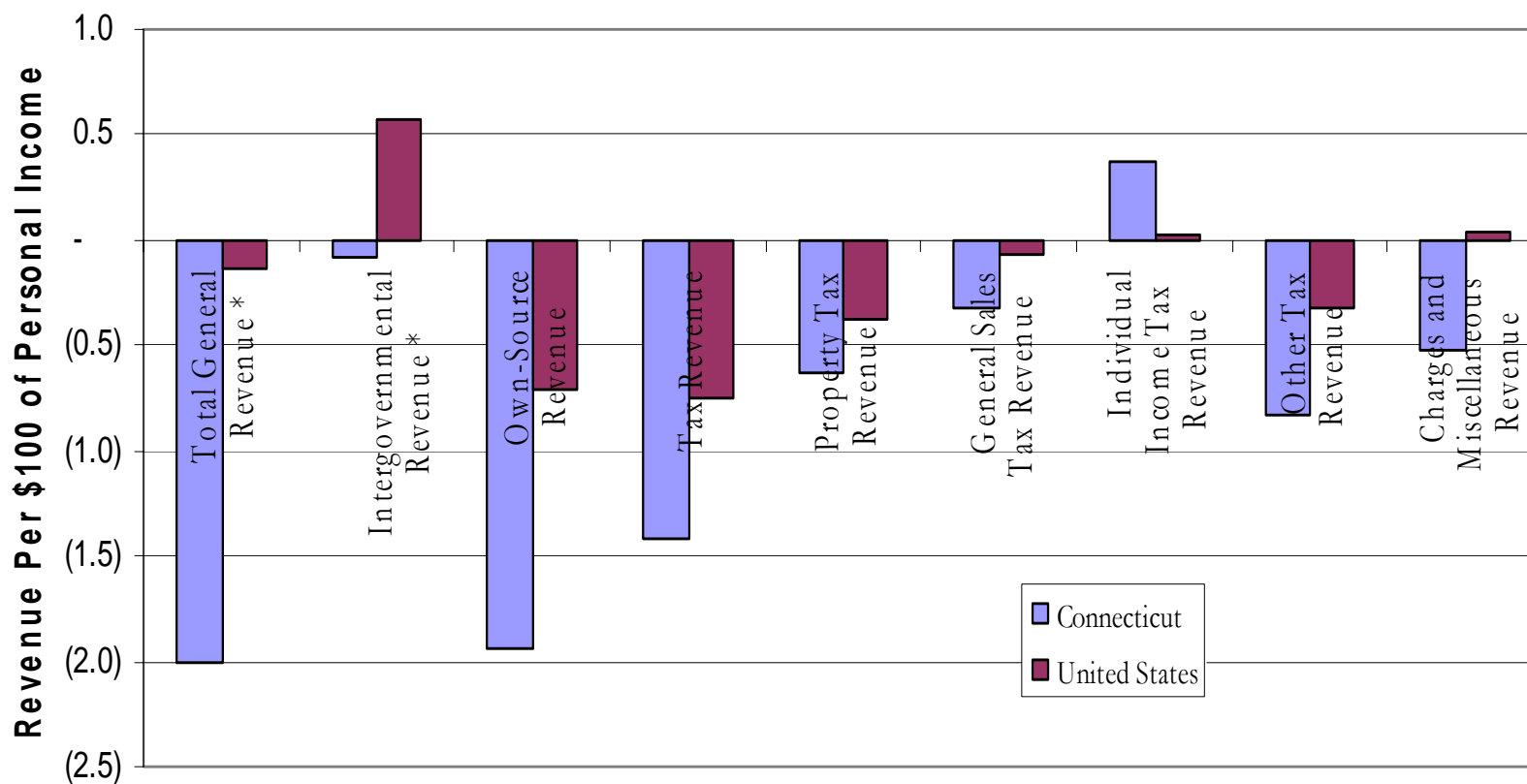


CT Revenues in Context

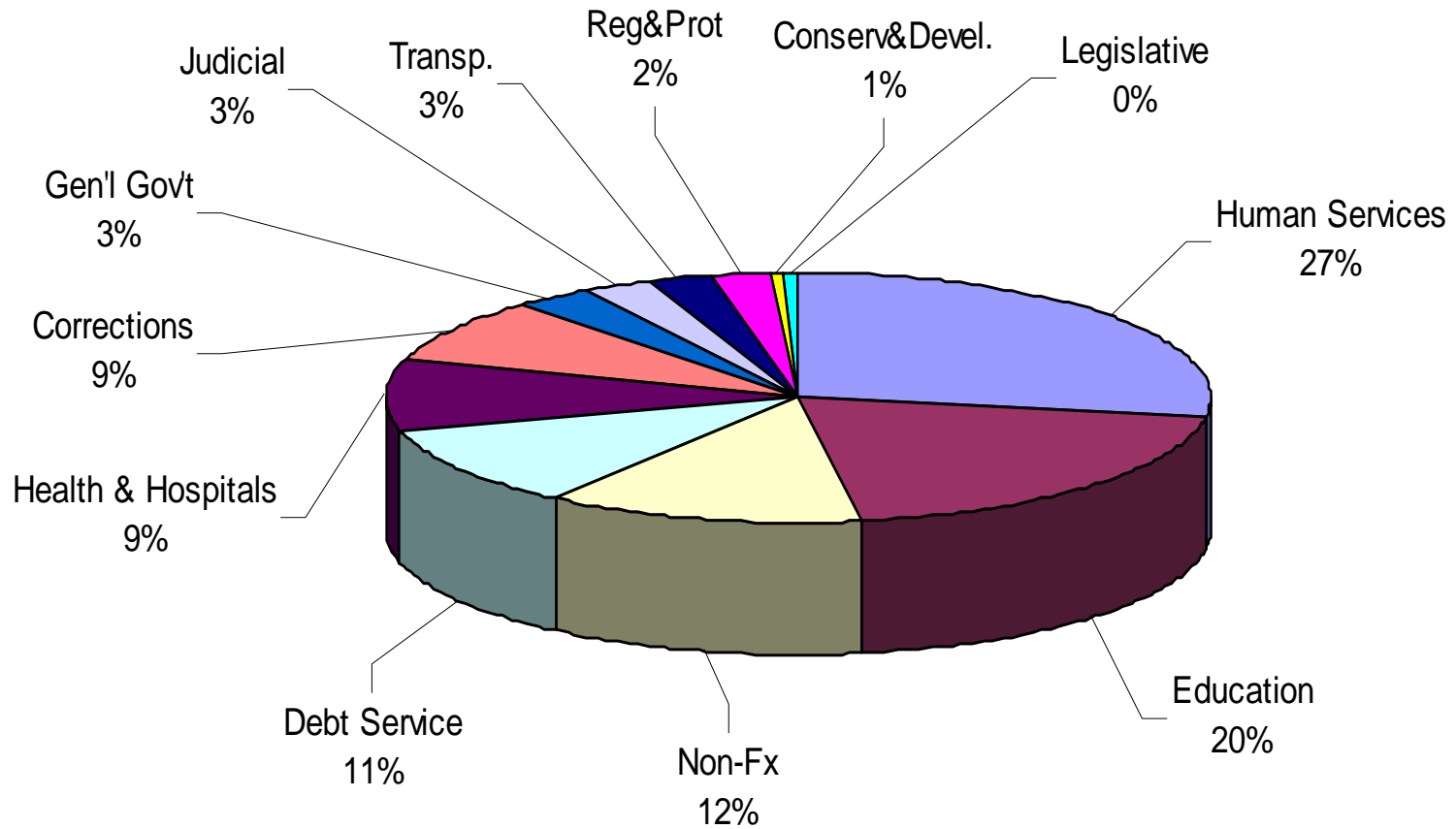
As a share of state personal income, compared to other states and the District of Columbia, CT ranks:

- **50th (i.e., second lowest, to NH) in total state and local revenues (15.5% in CT compared to 19.3% US average)**
- **Tied for 26th in state and local *tax* revenues (10.3% v. 10.4% US)**
- **Tied for 20th in personal income taxes (2.5% v. 2.3% US).**
- **Tied for 7th highest in property taxes (4.1% v. 3.2% US)**

CT's Change in State & Local Revenue (per \$100 of Personal Income) v. US Average 1992-2002



CT State Spending, FY 06



\$15.28B (net)



57% of All General Fund Spending is in 4 Budget Accounts (SFY 06)

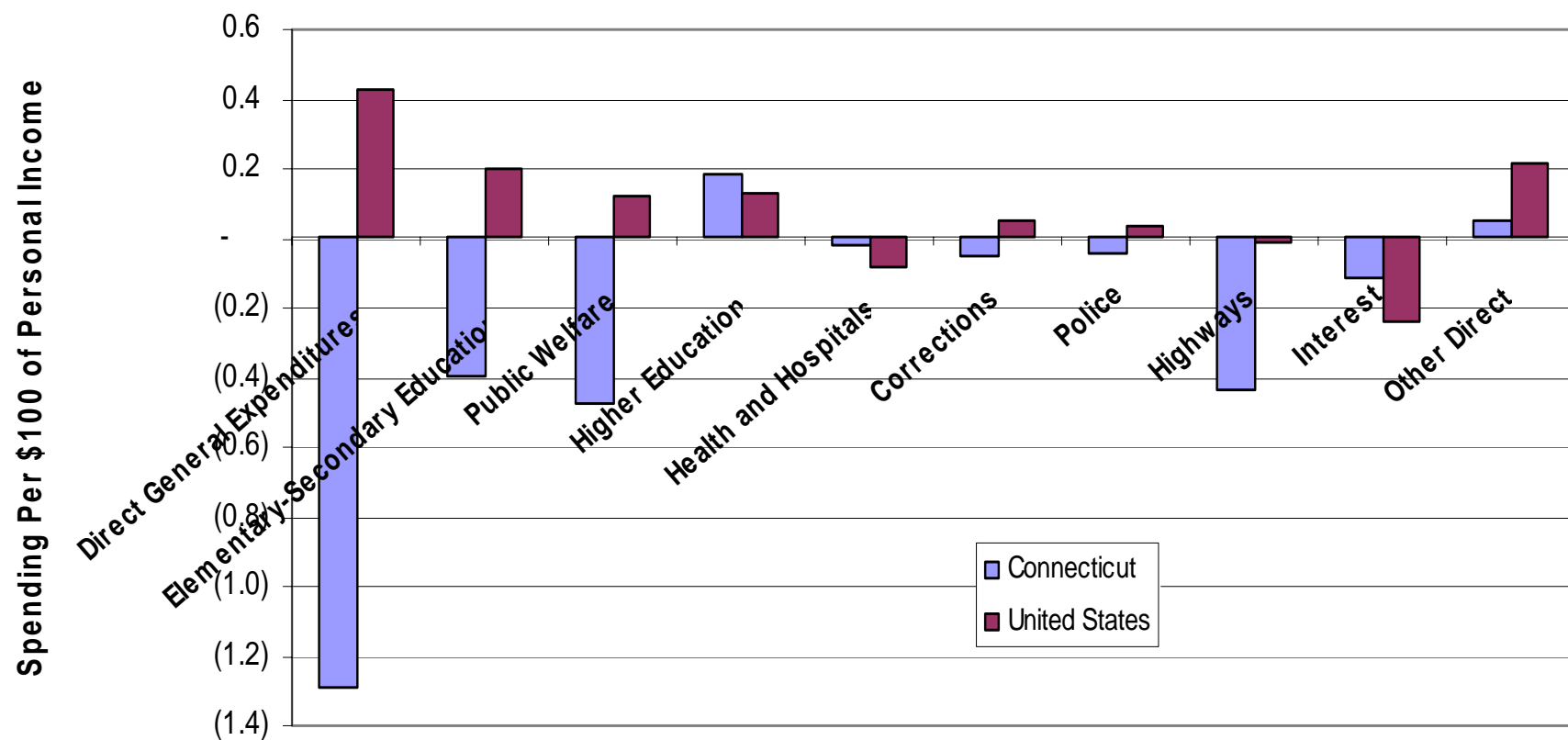
Medicaid	\$3.22B (22.6%)
Personal Services	\$2.07B (14.5%, exc. higher ed)
ECS Grants	\$1.59B (11.1%)
Debt Service	\$1.27B (8.9%)

CT's Spending in Context

As a share of state personal income, compared to all other states and the District of Columbia, in 2002 CT ranked:

- **46th (5th lowest) in total state and local capital spending**
- **47th in total state and local government spending**
- **Second lowest in total state and local spending on education and in total state and local spending on housing and the environment**
- **Lowest in state and local transportation spending**

CT's Change in State & Local Spending (per \$100 of Personal Income) v. US Average 1992-2002



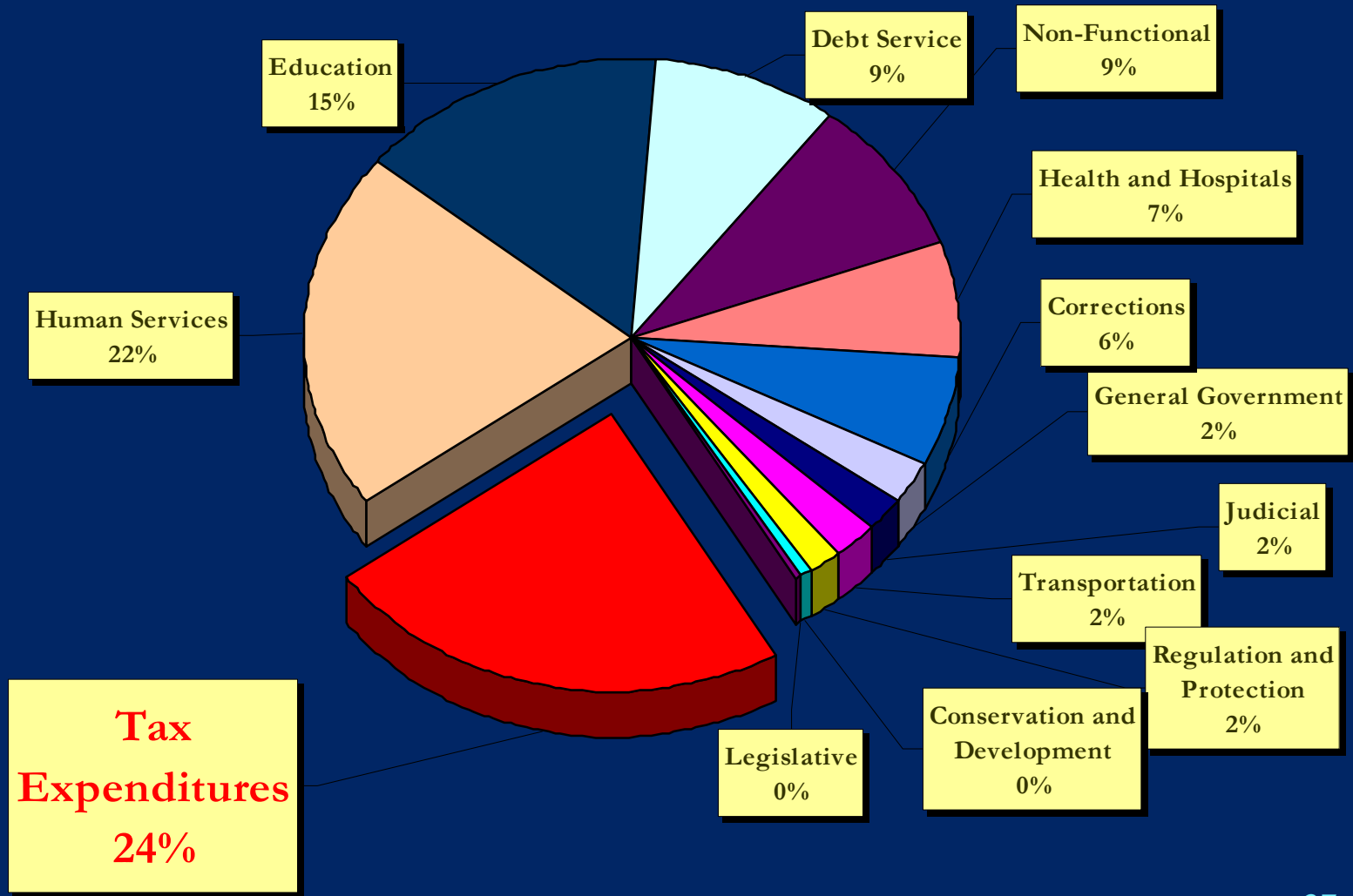


Tax Expenditures: A Form of “Hidden Spending”

Tax expenditures (tax credits, exemptions, exclusions, deductions) provide preferential financial benefit to one or more taxpayers through the tax code.

Unlike appropriated expenditures, tax expenditures are rarely revisited & become permanent revenue losses, regardless of changed economic conditions or evolving public policy, and without an assessment of their continued value to the state.

Connecticut Appropriations, FY '05 (including tax expenditures)



Emerging State Budget Issues

- Address state structural deficit
- State spending cap will *force* cuts even if CT has revenues
- Prepare for federal dis-investment

I. CT's Structural Deficit

- CT relied on one-time revenues in last biennium, overstating its true fiscal position: FY 04 “surplus” included borrowed funds and one-time federal assistance & FY 05 “surplus” included >\$413M in one-time revenues
- FY 06-07 biennial budget includes ~\$765M in one-time revenues; funds used for on-going expenses will need to be covered in FY 08
- Rapid growth in pharmacy, health care (+20% over biennium) & energy expenses will further increase current services costs

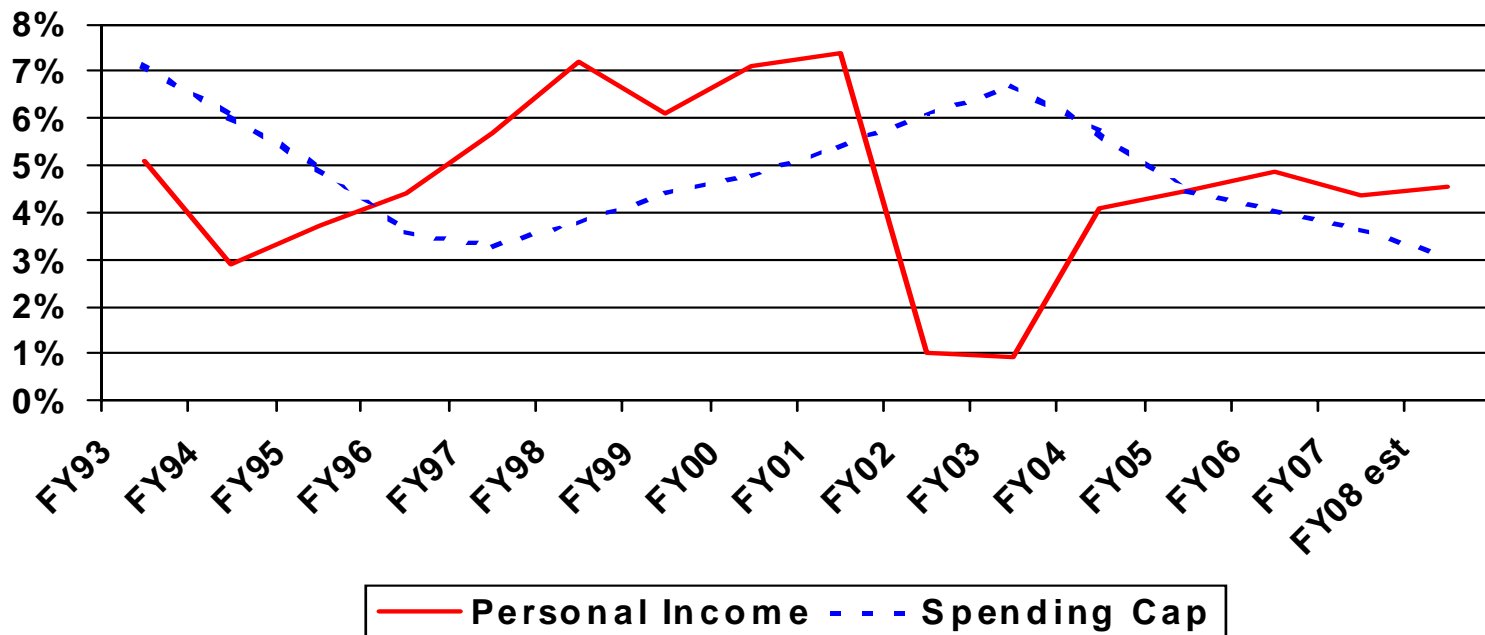
II. How CT's Spending Cap Works

- Limits growth in general budget expenditures each year to greater of average growth in personal income (excluding capital gains) for past 5 years or rate of inflation over last 12 months
- Applies to all state spending except: payments on state debt, certain grants to cities, first year federal mandates. Budget base is actual, not allowable, spending
- Requires Governor and 3/5 of both houses to exceed

Impacts of CT's Spending Cap

- Nominal growth in state spending declined from an average of 10.8%/year from 1987-1991, to 5.4%/year from 1991-2000, and 4.0% from 2000 to 2005.
- Imprudent budget decisions to avoid cap constraints:
 - Increased bonding: debt service increase from about 6% of state spending in late 1980s to 11.9% by FY 07
 - Increased use of tax expenditures for economic development
 - Increased revenue intercepts & other budget gimmicks (e.g. surplus for on-going expenses)
- Less transparent and accountable budgeting
- Ratchet down state investments with each economic cycle

Growth Allowed by CT's Spending Cap Is Unrelated to CT's Economic Cycle



CT's Declining Public Investment

General Fund appropriations for many FY 06 agency budgets (and budget accounts) remain *less than* FY 02 actual spending (not adjusting for inflation), e.g.,

	<u>FY 02</u>	<u>FY 06</u>
Dept of Higher Education	\$ 62.7M	\$ 45.4M
State Library	\$ 17.4M	\$ 10.9M
Dept of Public Health	\$ 77.8M	\$ 72.0M
Office of Policy & Mgmt	\$226.1M	\$125.3M
Dept. of Labor	\$ 59.4M	\$ 52.7M
Dept. of Envir'l Protection	\$ 42.6M	\$ 33.0M
Dept. Economic Dev.	\$ 23.6M	\$ 17.0M

CT's Declining Education Investment

The State Department of Education's FY 06 Budget is just \$11.2M more than SDE's *actual* spending in FY 01 (\$2.181B v. 2.170B).

Adjusting for inflation, SDE's budget now is *less* than actual spending five years ago.

Spending Cap Reform

- Absent change, CT will be required to cut FY 08 current services spending by about \$880M to stay under the cap
- Reform ideas: use more current & complete measure of personal income growth; include surplus spending in budget base; and exclude first year of new federal funds (& include in base)

III. Prepare for Federal Dis-investment

- Federal funds are ~ 16% of CT's total state revenues (\$2.6B in FY 06). Direct payments to residents, federal grants and contracts, etc. increase total federal investment in CT to >\$29B
- Changes in federal tax code & reductions in federal spending both likely to impact CT adversely

Federal Dis-investment Has Started

Federal CCDF block grant funding has been frozen since FFY 2002. Adjusting for inflation, this means federal child care funds have been reduced.

Number of Children Served by CCDF \$

2002	15,300
2003	11,700
2004	10,300

NOTE: State funding also has declined over this period.

CT's Increasing Reliance on Federal Funds

CT is relying *more* on federal funding for Care4Kids than before, making this program particularly vulnerable to federal funding cuts:

Federal & State Funding for Care4Kids

	FY 04	FY 04%	FY 06	FY 06%
CT	\$30M	50%	\$23M	33%
Fed.	\$31M	50%	\$46M	67%

CT is Not Taking Full Advantage of Federal Funding Opportunities

Under federal law, CT could grant eligibility to Care4Kids for any family with income under 85% of the State Median Income, i.e., a family of three could have up to \$61,404 in income. CT has set the current income eligibility limit now at 50% of SMI – or less than \$36,120 for a family of 3 (in 1992 it was 75% of SMI).

In 2004, CT closed intake to the program for families not on cash assistance, denying access to people eligible under federal law. A wait list grew to 13,000 families.

CT is Not Taking Full Advantage of Federal Funding Opportunities

Federal law allows 30% of TANF funds to be transferred to the CCDF to provide more funding for child care. 25 states have done so, using the funds to increase # of kids served, expand eligibility, lower co-payments for parents, increase reimbursement rates for provider, enhance quality, etc.

CT does *not* do this. Instead, CT “claims” TANF funds for DCF’s budget – nearly 40% of TANF funds funded DCF services in FY 03, representing nearly 1 in 5 dollars in DCF’s budget. Decisions like this force low-wage families into crisis before they get help from CT.

A Key Vote Today Is Likely to Make the Challenges Even Greater

The US House of Representatives has scheduled a vote for *today* on the federal budget. The vote will include \$15 *billion* in cuts to entitlements.

Half of these cuts are expected to come from House Ways & Means – i.e., TANF, EITC, SSI, Foster Care & Child Care



2005 State Policy & Budget Changes in Education

The CT Early Childhood Education Cabinet

- **Advise the education commissioner on ways to achieve the goals of the school readiness program**
- **Conduct a statewide longitudinal evaluation of the School Readiness Program**
- **Develop early childhood program budget requests**
- **Promote consistent quality and comprehensiveness for early childhood services**
- **\$450,000 budget**

Other Early Care & Education

- **Develop developmentally appropriate assessment tool to measure a child's readiness for kindergarten, for use by 10/1/09 (\$0.4M in FY 07)**
- **Allow DSS quality enhancement grants to be used to provide access to mental health consultants, increase quality of programs for children 3 and under, provide staff scholarships for training, and help supportive child care networks**

Other Early Care & Education

- **Raise minimum qualifications for school readiness staff, effective 7/1/2015, to require each classroom to have a staff member with at least a BA ECE, child development, or related field or teaching certificate with EC or special ed endorsement.**
- **Establish 21-member committee to review and assess pathways to BA degrees in early childhood education & child development to promote workforce professionalism.**

Other Early Care & Education

- **Extend school readiness competitive grant program to towns that are among the 50 poorest (rather than the 28 poorest) districts that are not Priority School Districts.**
- **Increase per state child school readiness grant by \$250 in FY 06**
- **Require local school readiness councils to add a representative of a community health care provider**
- **Provide school construction grant *bonuses* to school districts for projects resulting in new or expanded full-day kindergarten space, full-day school readiness space, or reduced class size in grades 1-3.**



CT's FY 06 ECE Budget

Appropriate additional funds for:

- **Capital expansion**
- **Workforce scholarships**
- **Rate increases for the state's School Readiness Initiative and for State Funded Child Development Centers**

K-12 Education

- Increase ECS grant for each town by 2% (across the board), use surplus funds to increase Priority School District grants, provide additional funding for Bridgeport, Hartford, New Haven. Still results in \$31M cut from FY 06 current services budget.
- Keep existing ECS foundation grant at same amount for two more years (\$5,801/student).
- Create pilot grant program for laptop computers in high school English classes, within “available appropriations” - \$0.5M in FY 06, \$1M in FY 07

K-12 Education

- **Authorize new SDE grants to districts identified as “in need of improvement” for curricula, training and materials authorized by SDE commissioner (\$0.4M in FY 07)**
- **Establish School Reform Resource Center to identify and promote best practices, provide professional development program, provide info on successful evaluation and data management models & provide other info to improve schools (\$0.1M in FY 07)**
- **Authorize Attorney General to bring litigation on behalf of General Assembly and CT against federal government on No Child Left Behind Act**

K-12 Education

- **Limit students to maximum of 30 months in bilingual education; if not meet English mastery standard by this time, must be placed in program other than bilingual ed. Enhance competency standards for bilingual ed teachers**
- **Authorize SDE program of after-school grants to school districts, towns, and non-profits for educational, recreational, and enrichment programs when school not in session. Grants must be “w/in available appropriations.”**
- **Establish Task Force to study inter-district magnet schools’ funding, cost sharing, governance, and projected enrollment commitment standards**

K-12 Education

- **Appropriate \$4M in new funding to increase subsidy of RESC-operated magnet schools**
- **Appropriate additional \$1.125M in FY 06 and \$2.25 in FY 07 to increase charter school operating grants from \$7,250 to \$7,625 for FY 06 and \$8,000 for FY 07**
- **Appropriate \$3.8M for costs of increased testing under NCLB**
- **Administratively: expand protections of McKinney-Vento to some foster youth**

K-12 Education

- **Require schools to report to local health department and DPH the # of pupils/school and per district with asthma diagnosis.**
- **Facilitate claiming of federal Medicaid reimbursement for services offered by School-Based Child Health programs when recommended by PPT or certain professionals**
- **Require SDE and DPH to develop guidelines for managing students with life-threatening food allergies and provide to local districts by 1/1/06.**
- **Prohibit use of pesticides on day care/school grounds (with exceptions)**
- **VETOED. Bill to require 20-minutes of physical exercise/day through grade 5 and limit junk foods in schools.**

K-12 Education

- **No increase in OPEN Choice subsidy to receiving towns (Gov proposed to increase from \$2,000 per student to \$3,500 per student)**
- **Cut state funding for school transportation (by \$14 B in FY 06 and \$17.9M in FY 07)**
- **Cut state special ed funding below statutory mandates**
- **Fund Teachers Retirement Fund at only 69.7% of amount required in FY 06.**



2005 Early Care Budget Changes, in Context

CT's FY 06 ECE Budget

The FY 06 early care and education budget in the CT DSS and SDE, combined, is \$7.8 million (about 4%) *more than* the FY 05 budget (\$203.85 million in FY 06, compared to \$196.1 million in FY 05).

However, total funding approved for early care initiatives in FY 06 in DSS and SDE is **\$25.75 million (or 11%) less than** the \$229.7 million spent for early care in FY 02 (and \$28 million less if adjusted for inflation).

CT's 2006 ECE Budget

From 1999 - 2004, state spending on SDE programs (School Readiness and Head Start) has generally risen, while spending on the the child care subsidy program declined by almost 40%.

The DSS State-Funded Child Development Center program experienced a consistent decline in funding of about 14% over the same years.

New investments that are being made in early care and education in SDE are essentially a “wash” due to the deterioration of funding in DSS.

Per Child Spending: FY 05-07

	School Readiness	State Funded Centers	Difference
2005	\$7,500	\$5,565	\$1,935
2006	\$7,750	\$6,344	\$1,406
2007	\$8,025	\$6,344	\$1,681

Emerging Funding Dilemma

Increase in reimbursement rate for school readiness, as well as in the number of towns served was *not* coupled with an increase in overall funding (+\$2.4M in FY 06) sufficient to cover these two expansions.

CT law allocates school readiness funds by a formula (based on K attendance and need). CT law also bars a district from getting *less* in a year than the grant the prior year (including supplemental funding). Unused FY 04 funds were allowed to be used in FY 05, but there are no carryforward funds for FY 06. Result? Some districts will have less \$ than last year but must increase rates. This may force these districts to serve fewer children.

Lapsed Funds in Care4Kids, the CT Child Care Subsidy Program

	SFY03	SFY04
APPROPRIATION	\$114.0	\$90.3
EXPENDITURE	\$98.9	\$61.9
\$ LAPSED	\$15.1	\$28.4
% LAPSED	14%	31%

(in millions)

Near Lapsed Funds in CT State Funded Center Grant

- With an allocation of over \$3.7 million in additional funds, State-Funded Child Development Centers first received notice that they would receive a 7% increase across all grants.
- CT Voices sent notice to DSS that this would only spend about \$1.5 of the \$3.7 million appropriated. DSS responded by a setting *new rates*, resulting in the centers receiving a 14% increase across all grants.



Other Relevant Changes in 2005

Health

- Expand coverage for parents and caretaker relatives of children on HUSKY A to 150% of the federal poverty level (from 100%)
- Maintain coverage for legal immigrants
- Expand Medicaid coverage to youth who have aged out of foster care or are in independent living programs until age 21 and to children adopted from DCF care not otherwise eligible
- Significantly increase funding for home and community-based mental health services through KidCare (including \$1M for flex funds to avert voluntary placements)

Health

- Re-institute presumptive eligibility for children applying for HUSKYA (get coverage while DSS is in process of determining eligibility)
- Require DSS to expedite Medicaid eligibility for pregnant women (process emergency applications in 24 hours and all others within 5 days)
- Maintain \$1M in FY 06 and \$1.5M in FY 07 in flexible emergency funds for children with mental health disabilities who are not under DCF care to avoid the need for emergency placements

Health – One Step Back

- Eliminate second year of Temporary Medical Assistance for families transitioning off cash assistance.
- As permitted by federal law, impose new cost-sharing requirements on parents on HUSKY with income between 100%-150% of FPL: \$25/month premium and \$1 co-pay for outpatient medical services
- Eliminate self-declaration of income
- Increase HUSKY B premiums

Other

- Increase state minimum wage but keep TFA benefits frozen at pre-1990 levels
- Create Housing Trust Fund Program to expand affordable housing for low- and moderate-income families. Authorize increase of up to \$100M in bonds for Fund, \$20M/year for next five years. Goal? New housing that costs families not more than 30% of gross household income and furthers other state housing purposes
- Amend car restraint law to require car seats for children who weigh less than 60 pounds (regardless of age, rather than 40 pounds or age 7). Requires children in booster seats to be restrained with shoulder belt.

The Generational Challenge

- Generational equity requires that us baby-boomers, now at the height of our earnings per household member, to *minimally* pay our own way, and *ideally* make substantial investments for the smaller generations behind us.
- Will we leave this legacy – or one of indebtedness, expanding divides, and diminished opportunities and uncertain futures for many of our children and youth?



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