

Will Federal Tax Cuts Harm America's Children?

A Report Prepared by
The Every Child Matters Education Fund

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440 First St NW, Fifth Floor
Washington DC 20001
www.everychildmatters.org

The Every Child Matters Education Fund is a 501(c)(3) non-profit, non-partisan organization. Its mission is to make children's needs a national political priority and promote the adoption of smart policies for children and families, including stopping child abuse, helping working families with child care, expanding pre-school education and after-school programs, and ensuring that children get good health care. The Every Child Matters Education Fund is headquartered in Washington, DC, and has field offices in Des Moines, Iowa and Concord, New Hampshire.

Summary

Our society is about to take a giant step backwards in the protection of children and the creation of opportunities for them. Recent federal budget and tax cuts, actual and pending, have been adopted with little regard for the still serious and unmet basic needs of millions of American children.

The Every Child Matters Education Fund has analyzed the most recent budget and tax cut choices made by the Administration and Congress, and concludes that their direct and indirect impact will shrink future federal investments in children for years to come. Further, they already are contributing to sharp reductions in children's services in many state budgets.*

Budget cuts in proven investments are especially short-sighted when more is known about child development than any time in history. Tax cuts – and the deficits they trigger – threaten to saddle our children and grandchildren with unprecedented debt. Together these cuts threaten decades of hard-fought gains for children.

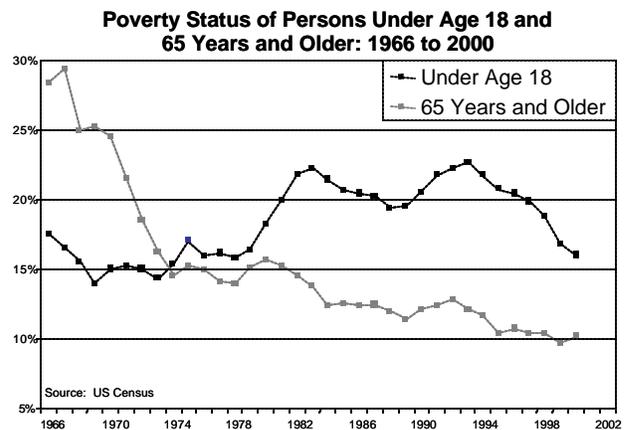
Smart Government Investments in Health and Social Programs for Children Have Been Proven to Work

Thanks to long-term voter support for federal and state government tax expenditures, steady progress has been made for decades in key health, education, and social indicators for children. For example, KIDS Count, a publication

* Given the fluid and complex nature of 50 state budget processes, the data presented here is our best attempt to capture state budget cuts to children's programs as of July 11th, 2003. Where we have been able to obtain data from state groups monitoring budget cuts to children's programs, we have incorporated that data into this report and noted the source in Appendix D. We also relied on reports done by national organizations, including the National Council of State Legislatures, National Governor's Association, National Association of State Budget Officers, Center on Budget and Policy Priorities, and the Children's Defense Fund.

of the Annie E. Casey Foundation, shows 8 of 10 national indicators improved in the decade between 1990 and 2000.

Although some politicians would shrink government spending at every level, even if it means health and social service needs go unattended, the fact is most citizens have long supported smart investments that create opportunity or which offer protection from harm and illness: mortgage subsidies, higher education grants, and preventative health measures for example – even direct income subsidies like Social Security. The elderly – constituting a powerful voting group – have fared especially well: massive federal investments have contributed to a sharp drop in poverty, and fostered healthier and more secure elders enjoying longer life spans.



While gains for children have not been as dramatic – especially in reducing their poverty rate – millions have benefited from federal initiatives in health care, education, and accident prevention. Typically administered by state and local governments, with extensive help from the non-profit sector, federal investments have strengthened many families, made kids healthier, and even helped the economy as a whole. For example:

- Studies have shown that for every dollar invested in quality pre-kindergarten programs, which improve school readiness, society receives seven dollars in benefits.

- After-school programs have been shown to reduce juvenile crime, improve school performance, and provide society with three dollars back for every dollar invested.
- The consequences of child abuse cost the country at least \$94 billion annually, yet programs exist that can reduce abuse by almost 80% and future arrests by more than half.
- Prenatal care and immunization dramatically improve healthy outcomes for children — and lower long-term health care costs.

For Almost 70 Years, the Federal Government Has Played a Key Role in Helping to Fund Children’s Programs

In most states the federal share of all health and social service spending for children is generally between 50% to 70%. For example:

- Medicaid provided health care for 47 million low-income people in 2002, including 16.5 million children (more than one-fifth of the nation’s children). In FY 2003, will provide \$159 billion and that states will provide \$121 billion for Medicaid.ⁱ
- The federal State Children’s Insurance Program helps provide health care to 3.8 million low-income children who are not eligible for Medicaid. The federal government share was \$2.7 billion in fiscal year 2001, which leveraged hundreds of millions in state dollars to help pay the cost of covering additional children.
- In fiscal year 2000, funding for child abuse and neglect prevention and treatment totaled roughly \$20 billion, which included \$9.9 billion in federal funds, \$7.9 billion in state funds, and \$2.2 billion in local funds.ⁱⁱ
- In fiscal year 2001, funding for child care assistance included \$6.5 billion in federal funds (including federal TANF dollars that were transferred for child care), and \$1.6 billion in state funds.ⁱⁱⁱ

- In 2002, the federal government invested \$6.5 billion in Head Start, the principal federal child development program for children in poverty, serving approximately 912,345 pre-kindergartners.^{iv}State financial support

The United States Made Progress in Boosting Children’s Investments During the 1990s.

- 3.8 million low-income children now have access to health care through the federal State Children’s Health Insurance Program that was created by Congress in 1997.^v
- Between 1996 and 2001, federal and state investments in child care tripled, and the number of children helped doubled, from one million to over two million.^{vi}
- The Earned Income Tax Credit, which expanded under Presidents Reagan, Bush and Clinton, lifted millions families from poverty in the 1990s.^{vii}

Investments such as these, at both the state and federal levels, have improved conditions for millions of children and families.

Changes in Key Indicators of Child Well-Being (1990-2000)	
Infant Mortality Rate	Improved
Child Death Rate	Improved
Rate of Teen Deaths by Accident, Homicide, and Suicide	Improved
Teen Birth Rate	Improved
% of Teens Who Are High School Dropouts	Improved
% of Teen Not Attending School and Not Working	Improved
% of Children Living in Families Where No Parent Has Full-Time, Year-Round Employment	Improved
% Low-Birthweight Babies	Declined
% of Families with Children Headed by a Single Parent	Declined
Source: Annie E. Casey Foundation, Kids Count Data Book 2003.	

In Spite of Progress, Many Children Remain at Risk

Even before massive federal tax and budget cuts are implemented, millions of children already lack health care, quality child development programs, and protection from child abuse and neglect. For example:

Child Health

- In the last year, more than 8 million children had no health insurance.^{viii}
- One out of five two year-olds, more than 800,000, has never been immunized.^{ix}

Child Abuse and Neglect

- In 2002, 2.6 million children were reported physically abused, sexually abused, or neglected.^x
- Nearly 800,000 children a year move in and out of foster care.^{xi}
- At least 1,300 children died last year from abuse or neglect. The true number may exceed 3,000.^{xii}
- In a federal review of 32 state child welfare systems, only 5 states were found to be in "Substantial Conformity" with federal child safety standards.^{xiii}

After-School Programs

- The parents of more than 28 million school-age children work outside the home.^{xiv}
- At least 7 million, and as many as 15 million, "latchkey children" go to an empty house on any given afternoon.^{xv}
- Unsupervised children are more likely to be involved in crime, substance abuse and teenage pregnancy in the hours after school, particularly between 3 and 4 p.m.^{xvi}

Child Care

- Child care is a reality for the 12.8 million children under age 6 who do not have a stay-at-home parent.^{xvii}

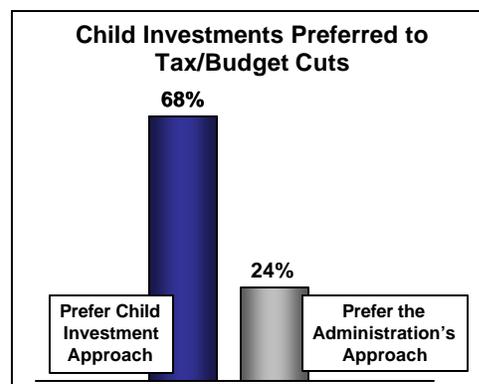
- Only 12% of eligible children in the United States are being served by the federal child care assistance program for low-income working families.^{xviii}
- Child care costs can represent 25% or more of a working family's budget.

Pre-Kindergarten Education

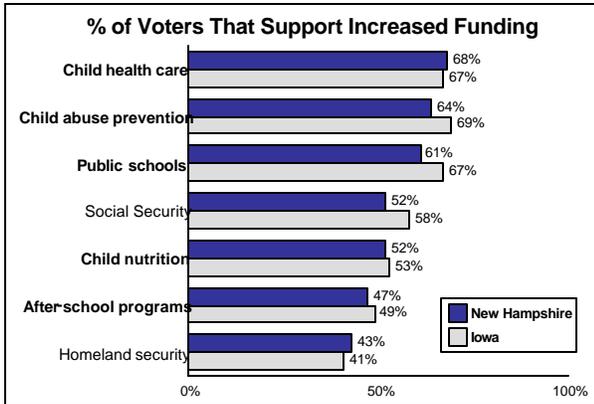
- Head Start, the federal government's early childhood development program, is only serving 6 of 10 eligible 3- and 4-year olds — and Early Head Start is only serving 1 of 20 of eligible toddlers.
- Inadequate funds mean some pre-kindergarten education programs do not have enough qualified teachers, can not adequately prepare children to learn, and can cost families more than tuition at public universities.

Polls Show Voters Want More Investments in Their Children and Grandchildren – Even Over Tax Cuts

In a recent national survey of registered voters, when given the choice between the Administration's budget and tax cuts and greater federal investments in children, voters overwhelmingly (68%) preferred child investments. Just 24% supported the Administration's approach of tax cuts. Both men and women preferred the child investment approach as did voters in all regions of the country. Younger, middle-aged, and older voters all equally chose child investments over large tax cuts.^{xix}



In two separate polls conducted in May, when asked their priorities for the federal budget, large majorities of general election voters in Iowa and New Hampshire chose to increase spending on children.^{xx}



Voters Believe Stronger Special Interests Are Pushing Aside the Needs of Children in Congress

In the same national poll 63% say that the needs of children regularly get elbowed off the table in Congress by stronger special interests, while just 24% think that Congress does a lot to help working families with children.^{xxi}

By Cutting Trillions in Tax Revenues Over the Next Decade, Congress and the Administration Have Virtually Assured Reductions in Federal and State Investments in Children – Starting Right Now and Which Will Continue for Years to Come

➤ The official projected federal revenue loss for 2001-2013 caused by the 2001, 2002, and 2003 tax cuts is \$1.7 trillion. If the temporary tax cuts that are part of these tax packages are extended and made permanent, the federal revenue losses would climb to \$3.6 trillion. When increased interest payments are added because of higher federal debt, the lost federal budget revenues would exceed \$4 trillion.^{xxii} Pulling such large revenue out of the federal

budget process will inevitably come at the expense of children.

- Last year, the Congress and Administration provided modest increases for Head Start and child abuse and neglect prevention, while also making cuts in other children’s programs such as child care assistance funding, after-school, and juvenile justice programs.
- The Administration’s proposed FY 2004 budget called for additional cuts in services for children. For example:
 - The Administration proposed a \$400 million cut from support for after-school programs, which would have resulted in 550,000 fewer children being provided after-school activities.^{xxiii}
 - The budget proposed no increases in mandatory child care funding, which would result in 200,000 children losing child care assistance over five years because of inflation and other cost increases.^{xxiv}
 - The budget froze higher education funding for the second year in a row, and proposed significant changes in public housing policy that could adversely affect three million poor families.
- Further, Congress’s recently enacted tax cut, while extending the child tax credit from \$600 to \$1,000 per child, left out millions of low income working families who will receive no tax credit whatsoever. And because the FY 2004 Budget Resolution adopted by Congress cuts domestic spending by \$167.7 billion over 10 years, according to the Congressional Budget Office, working families that depend on federal assistance to supplement their incomes are likely to be the hardest hit group by these forthcoming cuts as well.
- Although these anticipated budget cuts will harm many individual children, they still are relatively modest in comparison to total

federal spending on children. Far more ominous are the deep tax cuts already adopted which set the stage for future sharp cuts in Head Start, after-school programs, mental health, sexual abuse treatment, and other important children's programs. The result? More hurt children and a less productive workforce to support an aging population.

The Federal Government's Tax Cuts Are Eroding State Revenues, Setting the Stage for Years of State Cuts in Children's Services

In addition to directly cutting investments in children, the Congress and the Administration have adopted tax and budget policies that are weakening the states' ability to maintain children's investments.

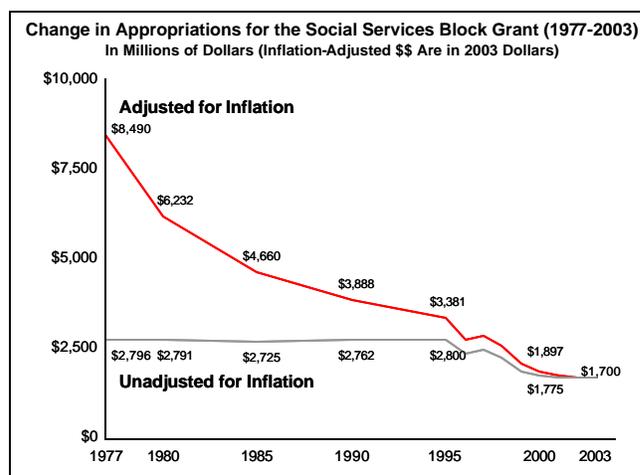
Because most state tax codes are linked to the federal tax code, federal tax cuts result in sharp revenue losses to the states. For example:

- The repeal of taxes on inherited wealth is projected to cost the states \$9 billion a year.^{xxv} (And the federal government \$50 billion a year^{xxvi}).
- The "Bonus Depreciation" of 2002 allows accelerated depreciation for equipment purchases. It is projected to potentially cost the states \$14 billion in lost revenue from FY 2001 to FY 2004.^{xxviii} (And the federal government \$97 billion).
- The new 2003 tax cuts are estimated to reduce state tax revenue by \$3 billion over the next two years, and \$16 billion or more over 10 years if extended.^{xxix} (And the federal government \$330 billion — but if some of the tax cuts that are set to expire in several years are made permanent, the cost to the federal government could exceed \$1 trillion^{xxx}).

See Appendix A for a state-by-state list of the impact of federal tax cuts on states' revenue.

Proposals to Create Additional Block-Grants Threaten Future Services to Children

The Administration, and some members of Congress, are proposing block-granting programs like Medicaid, Head Start, and foster care funding to the states, presumably to provide the states with more flexibility. But as seen in other health and social programs that were converted to block grants years earlier, the approach has served principally to reduce federal spending without regard to the real needs these programs were meant to address. For example, Congress authorizes that the Social Services Block Grant (SSBG) – a major source of funding for child protective services, for example – be funded at \$2.8 billion, but Congress has cut the funding to \$1.7 billion, a billion dollars less than what it was in 1995. Since 1977, when adjusted for inflation, SSBG actually has been cut by 80%, even while child abuse reports rose rapidly. Most of the decline in funding began in 1981, when the program was converted from an entitlement to a block grant.



As States Implement Federal Mandates, Pressure to Cut State Budgets for Children Will Increase

In a recent 50 state survey of legislators by the Pew Center on the States, 21% of all state legislators, and 30% of those in large states, said spending for homeland security had already forced cuts in state and local budgets.^{xxxii}

The Temporary Federal Relief Provided to the States Is Inadequate to Protect against Cuts in Children’s Programs

The recent \$20 billion fiscal relief package enacted by the Congress as part of the Jobs and Growth Act of 2003 will provide states some cushioning as they plug deep budget deficits – but the aid is not adequate to cover the combined \$80 billion budget deficits in state fiscal year 2003, and the \$70 billion in deficits for 2004. Furthermore, while the \$10 billion portion of the bill that provides relief for Medicaid will help some, but not all, low-income children keep health insurance, the \$10 billion portion in general fiscal relief does not require those funds to be used to maintain child safety and education programs.

See Appendix B for a state-by-state list of all projected federal fiscal relief to states.

The Bottom Line: Federal Budget and Tax Cuts, in Combination with the Slow Economy, Are Forcing Cuts in State Funding for Child Protection, Health Care, and Education

During the last decade states made progress in closing the nation’s child investment gap. For example, \$4 out of every \$10 in new state spending went for K-12 education. Almost \$1 out of every \$10 went for higher education.^{xxxiii} This progress, has stopped in most states and is now in the process of being reversed.

While there are exceptions, many states have cut children’s investments in recent years. State general fund spending declined by 1% from fiscal year 2001 to 2002, and is projected to decline another 2.3% from 2002 to 2003. Some 38 states cut spending between 2001 and 2003.^{xxxiv} While this report is not a comprehensive survey of all 50 states, the examples of state budget cuts below show a trend of reduced spending in child care, after-school programs, education, child abuse prevention and treatment, and child health.^{xxxv}

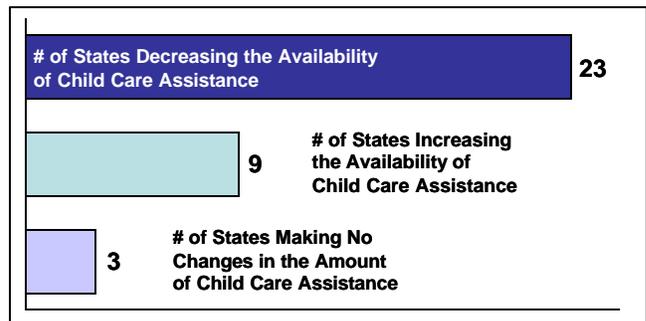
See Appendix C for additional state budget cuts in children’s programs.

Early Education and Early Care

-  Ohio cut \$268 million in child care assistance funding, resulting in 18,500 fewer children receiving child care.
-  New Jersey cut \$180.7 million in child care assistance.
-  Michigan cut \$36.2 million in child care assistance.
-  Massachusetts cut \$10 million from its School Readiness program and \$11.8 million from its Early Literacy grants.

Additionally, some states are raising parent fees for child care and reducing payment rates to child care providers, forcing delays in improvements to facilities, and reducing staff salaries, which affect staff turnover and quality of care.^{xxxvi}

The United States General Accounting Office surveyed state child care administrators and found that 23 of the 35 states responding have reduced child care assistance since June 2001.^{xxxvii}



After-School and Youth Programs

-  Massachusetts cut all \$5 million in funding for After-School and Out-of-School Time grants to communities, which serve 28,468 children, and \$4 million in after-school youth development matching grants.
-  Maryland cut \$5 million from the After-school Opportunity Fund, which would

eliminate after-school programs for 9,500 children.

K-12 Education



Georgia cut \$156 million in K-12 education funding.



New York cut \$86 million in public school funding.



In Connecticut, the governor proposed \$123.8 million in cuts to K-12 education.*



In Oregon, more than 50 school districts will shorten the 2002-03 school year by up to 24 days to offset lost tax revenue.



In Oklahoma, school districts expect to be notified that they will receive about 8% less in state funding.

A recent report from the U.S. Senate Committee on Health Education, Labor, and Pensions, and from the House Education and Workforce Committee, estimates that state expenditures on K-12 education for 2003 are at least \$6.7 billion below what's needed.^{xxxviii}

Child Abuse Prevention and Treatment Programs



The Oregon governor proposed cutting \$41 million from child abuse treatment and prevention programs.*



Minnesota cut \$37 million in child abuse and neglect prevention programs and other safety net programs.



The Michigan governor proposed eliminating \$3 million from a pilot program which allows children in foster care to live with extended families, and \$8 million in other services which strengthen families and prevent child abuse.*

* Please Note: Proposed cuts in the governor's budgets were used in this report when a final budget had not been agreed upon by the governor and state legislature as of July 11th, 2003.

Child Health



Texas cut \$428 million in child health spending, resulting in 170,000 children losing health coverage.



Minnesota cut \$350 million in health care for children and families, resulting in 38,000 people projected to lose their health care coverage.



In Oregon, the governor proposed a \$27.1 million cut to child health programs.*



In Connecticut, the governor proposed a \$16.4 million cut in child health care.*

In addition, some states are raising co-payments for services, are limiting prescription drugs, dental, vision, and mental health coverage, and are reducing payments to health care providers.

As a Result of the State Budget Crisis, More Cuts in Children's Services Are Inevitable

States are facing the most difficult fiscal situation since the War of 1812 according to the National Governors Association. States already have had to close budget shortfalls of nearly \$200 billion since 2001, resulting in many cuts to state programs, including children's programs.^{xxxix}

At the time of this report, states had already closed billions of dollars in additional gaps for fiscal year 2004, but still are facing \$53.5 billion in combined budget short falls.^{xl} Many states already have drawn on "rainy day" funds (in 2000 the states had a cumulative \$48.8 billion in "rainy day" funds, but now estimated to be at \$6 billion) and postponed spending obligations to avoid larger tax increases and spending cuts.^{xli} However, revenue performance for states has "been disappointing, so nearly every state has revised its forecast downward," meaning more pressure to cut services to kids.^{xlii} While many states have been able to avoid deeper funding cuts in children's investments by transferring funds from other units of government and by cutting administrative expenses, these options are now being exhausted.

A recent 50 state legislative survey by the Pew Center on the States confirms this outlook – 85% predicted more cuts in social services.^{xliv}

See Appendix D for a list of budget short falls for all states for fiscal year 2003 and 2004.

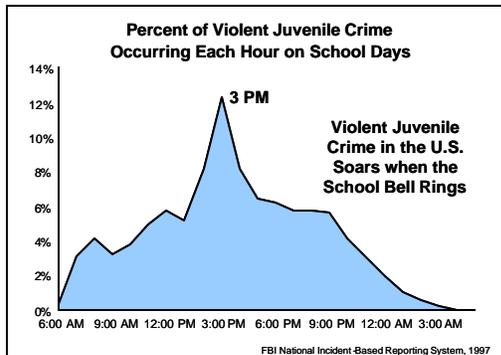
Smart Investments in Kids Save Taxpayers Money Down the Road and Make Children Better Prepared for the Future

The evidence is overwhelming that smart investments in children save money:

The High/Scope Foundation’s Perry Preschool program saved \$150,000 per participant in crime costs alone. The project produced a net savings of \$7.16—including more than six dollars in crime savings—for every dollar invested.^{xliv}



- The Quantum Opportunities after-school program produced \$3 in benefits for every \$1 spent, even without counting the savings realized from the sharp drop in crime committed by boys in the program.^{xlvi}



- For each high-risk youth prevented from adopting a life of crime, the country would save \$1.7 million.^{xlvi}
- Prevent Child Abuse America estimates that child abuse and neglect costs Americans \$94 billion a year, with two-thirds of that cost due to crime.

Conclusion – Investing in Our Kids Helps All of Us

Numerous studies confirm high rates of return on investments in pre-natal care, early childhood education, preventative health services, child abuse prevention, after-school programs, and many other children and youth services. At a time when the country is facing growing budgets deficits and the impending retirement of the “Baby Boom” generation that will strain the Social Security and Medicare funding, there is no better investment to ensure the nation’s long-term economic health than investing in children.

Despite a challenging economic climate here and abroad, the nation’s still great wealth permits the Congress and the Administration, if they choose, to invest in proven policies that help children, youth, and families. By addressing widespread child health and social problems that are beneath the status of the world’s most powerful nation, our culture affirms that every child matters.

End Notes

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- ^{xv} U.S. Census Bureau, Urban Institute estimate, 2000.
- ^{xvi} National Center for Juvenile Justice, 1999.
- ^{xvii} U.S. Census Bureau, Census 200 Summary File 3, Table P46, Age of Children under 18 in Families and Subfamilies by Living Arrangements by Employment Status of Children. This number was calculated by adding the number of children under age 6 in families with both parents working in two-parent households and the number of single parents working in single-parent households.
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- xxxvii Iris J. Lav and Kevin Carey, "A Wide Range of Public Services Already Have Been Cut In This State Fiscal Crisis," December, 23, 2002.
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Appendix A – Impact of Federal Tax Cuts on State Revenue

State	Estate Tax ¹		Bonus Depreciation Federal Tax ²		Approximate Impacts of Federal "Section 179 Expensing" Provisions on State Tax Revenue (in millions of dollars) ³		
	Decoupled from Federal Changes?	Estimated FY '03-'07 Revenue Lost If Not Decoupled (millions)	Bonus - Decoupled?	Loss Revenue (millions) if Linked to Federal Rules	SFY '04	SFY '05	Over 10 years assuming extension (SFY 04-13)
Alabama	No	\$213.3	No	\$135	10	9	82
Alaska	No	\$10.1	Yes	\$156	2	2	19
Arizona	No	\$282.7	Yes	\$242	9	8	76
Arkansas	No	\$85.3	Yes	\$119	6	5	48
California	No	\$5,299.3	Yes	n/a	-	-	-
Colorado	No	\$216.8	No	\$194	12	10	100
Connecticut	No	\$463.0	Yes	\$222	12	10	101
Delaware	No	\$122.3	No	\$35	4	4	35
District of Columbia	Yes	\$240.2	Yes	\$396	4	4	35
Florida	No	\$2,599.8	No	\$394	10	9	86
Georgia	No	\$422.0	Yes	\$46	23	20	199
Hawaii	No	\$110.7	Yes	\$69	4	3	31
Idaho	No	\$38.9	Yes	\$806	3	3	26
Illinois	No	\$1,488.0	Yes	\$400	37	32	316
Indiana	No	\$64.3	Yes	\$108	16	14	134
Iowa	No	\$119.8	Yes	\$126	6	5	50
Kansas	Yes	\$197.6	No	\$163	6	6	54
Kentucky	No	\$181.9	Yes	\$127	10	9	87
Louisiana	No	\$81.0	No	\$67	7	6	62
Maine	Yes	\$106.2	Yes	\$262	4	3	32
Maryland	Yes	\$596.8	Yes	\$597	16	14	141
Massachusetts	Yes	\$608.1	Yes	\$111	29	26	252
Michigan	No	\$565.0	Yes	\$351	19	16	151
Minnesota	Yes	\$230.3	Yes	\$123	20	18	172
Mississippi	No	\$107.9	Yes	\$195	4	4	38
Missouri	No	\$565.6	Through '03	\$48	13	11	110
Montana	No	\$21.8	No	\$67	2	2	18
Nebraska	Yes	\$59.0	Yes	n/a	4	4	36
Nevada	No	\$144.5	No	\$95	-	-	-
New Hampshire	No	\$102.4	No	\$586	3	3	28
New Jersey	Yes	\$729.7	No	\$88	28	25	246
New Mexico	No	\$85.8	No	\$1,457	4	3	33
New York	Yes	\$2,530.0	No	\$434	79	76	788
North Carolina	Yes	\$430.7	Through '03	\$34	26	23	226
North Dakota	No	\$19.3	No	\$330	1	1	8
Ohio	Yes	\$125.2	Yes	\$107	30	27	258
Oklahoma	No	\$48.2	Partial	\$227	8	7	68
Oregon	Yes	\$189.6	No	\$753	12	11	104
Pennsylvania	Yes	\$278.3	Yes	\$42	29	26	250
Rhode Island	Yes	\$67.4	Yes	\$129	3	2	22
South Carolina	No	\$190.5	Yes	\$17	7	6	63
South Dakota	No	\$18.7	No	\$242	0	0	3
Tennessee	No	\$70.9	Yes	\$730	5	4	39
Texas	No	\$1,112.0	Yes	\$97	16	14	136
Utah	No	\$56.6	No	\$25	5	5	47
Vermont	Yes	\$49.7	Partial	\$305	1	1	12
Virginia	Yes	\$487.7	Yes	n/a	22	19	187
Washington	Yes	\$365.9	Yes	\$72	-	-	-
West Virginia	No	\$65.9	No	\$312	5	4	41
Wisconsin	Yes	\$462.6	Yes	n/a	18	16	159
Wyoming	No	\$34.6	Yes	\$0	-	-	-

¹ Elizabeth C. McNichol, & Joseph Llobrera, "Why States Should Act Now to Preserve Their Estate and Inheritance Taxes," Center on Budget and Policy Priorities, 1/31/2003.

² Nicholas Johnson, "States Can Avoid Substantial Revenue Losses by Decoupling from New Federal Tax Provision," Center on Budget and Policy Priorities, 4/30/2002.

³ Nicholas Johnson, "Federal Tax Changes Likely To Cost States Billions of Dollars In Coming Years," Center on Budget and Policy Priorities, 6/5/2003

**Appendix B – Projected Federal Fiscal Relief to States
\$10 Billion Flexible Grant and \$10 Billion Enhancing the Medicaid FMAP
(Federal fiscal years; dollars in thousands)**

	Flexible Grants			Medicaid Relief Funding		Total
	FY 2003	FY 2004	Total	FY 2003	FY 2004	
Alabama	\$75,612	\$75,612	\$151,224	\$45,916	\$68,367	\$265,508
Alaska	\$25,000	\$25,000	\$50,000	\$10,232	\$15,959	\$76,190
Arizona	\$87,234	\$87,234	\$174,468	\$62,102	\$108,992	\$345,562
Arkansas	\$45,455	\$45,455	\$90,909	\$33,125	\$51,945	\$175,979
California	\$575,905	\$575,905	\$1,151,811	\$619,468	\$667,789	\$2,439,067
Colorado	\$73,133	\$73,133	\$146,265	\$35,615	\$56,670	\$238,549
Connecticut	\$57,903	\$57,903	\$115,807	\$51,764	\$82,460	\$250,031
Delaware	\$25,000	\$25,000	\$50,000	\$9,784	\$14,971	\$74,755
District of Columbia	\$25,000	\$25,000	\$50,000	\$17,072	\$26,551	\$93,623
Florida	\$271,742	\$271,742	\$543,483	\$156,545	\$247,540	\$947,568
Georgia	\$139,191	\$139,191	\$278,382	\$92,093	\$147,776	\$518,250
Hawaii	\$25,000	\$25,000	\$50,000	\$11,499	\$18,702	\$80,201
Idaho	\$25,000	\$25,000	\$50,000	\$12,372	\$22,897	\$85,269
Illinois	\$211,160	\$211,160	\$422,320	\$125,351	\$222,259	\$769,930
Indiana	\$103,384	\$103,384	\$206,768	\$63,153	\$104,885	\$374,805
Iowa	\$49,755	\$49,755	\$99,510	\$32,454	\$53,253	\$185,218
Kansas	\$45,710	\$45,710	\$91,420	\$25,859	\$36,937	\$154,217
Kentucky	\$68,721	\$68,721	\$137,441	\$55,844	\$83,039	\$276,324
Louisiana	\$75,984	\$75,984	\$151,968	\$60,854	\$96,314	\$309,137
Maine	\$25,000	\$25,000	\$50,000	\$25,058	\$40,184	\$115,242
Maryland	\$90,054	\$90,054	\$180,108	\$57,918	\$95,283	\$333,309
Massachusetts	\$107,951	\$107,951	\$215,902	\$128,941	\$204,453	\$549,296
Michigan	\$168,979	\$168,979	\$337,958	\$148,834	\$168,388	\$655,180
Minnesota	\$83,644	\$83,644	\$167,288	\$73,652	\$121,443	\$362,383
Mississippi	\$48,367	\$48,367	\$96,733	\$42,841	\$71,099	\$210,674
Missouri	\$95,133	\$95,133	\$190,266	\$72,929	\$112,383	\$375,579
Montana	\$25,000	\$25,000	\$50,000	\$8,562	\$14,510	\$73,072
Nebraska	\$29,096	\$29,096	\$58,192	\$19,459	\$30,867	\$108,518
Nevada	\$33,976	\$33,976	\$67,951	\$14,031	\$22,923	\$104,905
New Hampshire	\$25,000	\$25,000	\$50,000	\$12,509	\$21,202	\$83,711
New Jersey	\$143,066	\$143,066	\$286,131	\$106,231	\$169,128	\$561,491
New Mexico	\$30,928	\$30,928	\$61,857	\$28,032	\$46,180	\$136,069
New York	\$322,649	\$322,649	\$645,298	\$567,574	\$950,854	\$2,163,726
North Carolina	\$136,859	\$136,859	\$273,718	\$101,876	\$176,000	\$551,594
North Dakota	\$25,000	\$25,000	\$50,000	\$10,296	\$10,894	\$71,190
Ohio	\$193,033	\$193,033	\$386,065	\$147,079	\$237,807	\$770,952
Oklahoma	\$58,670	\$58,670	\$117,340	\$37,250	\$62,990	\$217,580
Oregon	\$58,173	\$58,173	\$116,345	\$41,437	\$58,754	\$216,536
Pennsylvania	\$208,810	\$208,810	\$417,619	\$184,815	\$297,917	\$900,351
Rhode Island	\$25,000	\$25,000	\$50,000	\$19,932	\$31,814	\$101,746
South Carolina	\$68,215	\$68,215	\$136,429	\$46,370	\$72,569	\$255,368
South Dakota	\$25,000	\$25,000	\$50,000	\$9,624	\$12,036	\$71,660
Tennessee	\$96,732	\$96,732	\$193,465	\$86,754	\$143,420	\$423,639
Texas	\$354,535	\$354,535	\$709,070	\$219,390	\$349,609	\$1,278,068
Utah	\$37,970	\$37,970	\$75,939	\$15,453	\$25,886	\$117,278
Vermont	\$25,000	\$25,000	\$50,000	\$12,072	\$20,812	\$82,884
Virginia	\$120,353	\$120,353	\$240,706	\$70,468	\$104,035	\$415,209
Washington	\$100,215	\$100,215	\$200,431	\$80,843	\$119,252	\$400,526
West Virginia	\$30,747	\$30,747	\$61,493	\$25,917	\$37,438	\$124,848
Wisconsin	\$91,196	\$91,196	\$182,393	\$70,053	\$99,885	\$352,331
Wyoming	\$25,000	\$25,000	\$50,000	\$5,630	\$11,154	\$66,784

Source: Federal Funds Information for States, <http://www.ffis.org/ff/sfr052303.pdf>

Appendix C – Selected State Budget Cuts in Children’s Programs (As of 7/11/03)

State	SFY 2003 Cuts	SFY 2004 Cuts and Proposed Cuts*
Alabama	<ul style="list-style-type: none"> • \$4 million cut in child care assistance, which would have leveraged an additional \$10 million in federal child care funding 	<ul style="list-style-type: none"> • \$4 million cut in child care assisting being considered • Since school funding is directly linked to revenue, an anticipated \$200 million revenue drop is expected to cost some 2,000 teachers and staff their jobs.
Arizona	<ul style="list-style-type: none"> • \$3 million cut in child care assistance. • \$4 million cut in funding for after-school activities because the TANF funding was reallocated. 	
California	<ul style="list-style-type: none"> • \$812 million reduced aid to local governments. • The governor has proposed \$2.3 billion in mid-year cuts in state aid to school districts. • California state colleges and universities tuitions are rising 10-12% for spring semester. 	<ul style="list-style-type: none"> • The Governor’s revised May budget proposal calls for \$216 million in child care cuts.
Colorado	Reduced grants to localities, including: <ul style="list-style-type: none"> • \$2.9 million for affordable housing. • \$7.6 million Tony Grampsas-Youth Services 	
Connecticut ¹	<ul style="list-style-type: none"> • \$1 million cut in child care quality enhancements. • \$2 million cut in after-school and summer program funding. 	<ul style="list-style-type: none"> • \$123.8 million in proposed cuts by the governor in K-12 education, including education equalization grants to towns, special education funding, and teacher retirement contributions. • \$16.4 million in proposed cuts by the governor in child health care, including reducing Healthcare for Uninsured Kids and Youth (HUSKY) benefits and increasing premiums and capping enrollments. • \$40 million in proposed cuts by the governor in child care assistance funding over the next three years, causing 30,000 children to lose the help they currently receive. • \$4 million in cuts proposed by the Governor for after-school and summer programs.
Delaware		<ul style="list-style-type: none"> • 1% across the board cut in district K-12 education funding. • 2% cut and increased tuition for state higher education
District of Columbia	<ul style="list-style-type: none"> • Cut funding for home visit program by \$213,072. 	<ul style="list-style-type: none"> • 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.
Georgia		<ul style="list-style-type: none"> • \$156 million in K-12 education cuts.
Hawaii		<ul style="list-style-type: none"> • Potential \$12 million in K-12 education cuts. • Potential \$3 million in higher education funding.
Idaho	<ul style="list-style-type: none"> • \$23.3 million cut in state funding for local schools. • \$2 million cut in Child Care Program. 	
Illinois	<ul style="list-style-type: none"> • \$7.5 million cut in child care funding for families receiving education and training. • \$176 million cut in K-12 state spending. 	<ul style="list-style-type: none"> • \$205 million in Medicaid cuts, primarily through drug savings.
Indiana	\$115 million cut in state support for local schools.	<ul style="list-style-type: none"> • Cut roughly 7,000 children from child care assistance by raising the eligibility from 143% of the federal poverty level (\$21,479 for a family of three) to 127% of the federal poverty level (\$19,075 for a family of three).
Iowa ²	<ul style="list-style-type: none"> • Iowa cut \$11 million from child welfare funding from FY '01 to FY '03 (a 14% decrease). • \$111,000 cut in child care assistance (2.2%). • Reducing the state appropriation for child care resource and referral agencies in 2003 by 17%. • Budget cuts forced the elimination 116 Department of Human Services positions, and holding another 135 positions vacant. 	
Kansas	<ul style="list-style-type: none"> • \$500,000 cut in child care quality enhancements • Increased the premiums for the HealthWave insurance program for children and reduced the number of children eligible for the program. • Reduced the number of children eligible for child care assistance. 	<ul style="list-style-type: none"> • \$27 per pupil cut in state aid from \$3,890 to \$3,863. • 5.9% cut in higher education funding.

Appendix C – Selected State Budget Cuts in Children’s Programs (As of 7/11/03)

State	SFY 2003 Cuts	SFY 2004 Cuts and Proposed Cuts*
Kentucky ³	\$250 cut in Medicaid funding, and another \$167 million must be cut by July 2004.	
Louisiana	<ul style="list-style-type: none"> • \$8 million cut for literacy and after-school education programs. • \$4 million cut for drop-out prevention/GED programs. 	
Maine	<ul style="list-style-type: none"> • \$3.7 million cut in child care assistance. 	<ul style="list-style-type: none"> • \$550,000 (2%) cuts in child care assistance proposed.
Maryland ⁴		<ul style="list-style-type: none"> • \$30.6 million cut in a teacher salary matching program. • Froze enrollment of children with 200% of the federal poverty level into Maryland’s Children’s Health Program (MCHIP) and imposed premiums on MCHIP enrollees in families who are above 185% of the federal poverty level. • \$25 million cut in child care assistance. • \$5 million cut in after-school funding, which would eliminate after-school programs for 9,500 children.
Massachusetts	<ul style="list-style-type: none"> • \$10 million in child care funding cuts will result in 1,500 fewer children receiving child care assistance. • \$9 million cut in the Massachusetts Community Partnerships pre-kindergarten program. • \$5 million cut in the Massachusetts After-school and Out-of-School Time program, which eliminated the program. • \$75 million cut in K-12 education funding. • \$11.8 million in cuts to Early Literacy grants. 	
Michigan ⁵	<ul style="list-style-type: none"> • \$36.2 million cut in child care assistance. • Michigan’s School Readiness pre-school program was suspended. • \$1 million cut in the Child Safety and Permanency Planning program. • \$1 million cut in the Families First program that provides intensive, short term services to families with children who are at imminent risk of foster care placement. • 5% cut in Before- and After-School Pilot programs. • \$625,000 cut in the Prenatal Care Out-reach and Service Delivery Support program. 	<ul style="list-style-type: none"> • 6.75% cut in state aid to public universities and community colleges. • The governor’s FY 2004 budget eliminates funding (\$9.5 million) for the Before- and After-school Pilot programs. • The governor FY 2004 budget eliminates funding (\$4.2 million) for teen parent counseling programs. • The governor’s FY 2004 budget eliminates funding (\$3 million) for the Kinship Care pilot program, which helped ensure that children were cared for and protected within their neighborhoods and extended families. • The governor’s FY 2004 budget cuts \$8 million in Family Preservation and Prevention services.
Minnesota ⁶		<ul style="list-style-type: none"> • \$350 million cut in health care for children and families, with 38,000 people projected to lose their health care coverage. • \$86 million cut from child care assistance, resulting in 1,200 families losing child care assistance and increased monthly co-payments for low -income families. • \$70 million in special education funding was cut. • \$9 million was cut for after-school programs for at-risk children, eliminating the program. • \$6.4 million cut in school nutrition programs, including free or reduced school breakfast and lunch. • \$7.4 cut in the Early Childhood Family Education program. • \$3.1 million cut in state funding for Head Start. • \$2 million cut for the Way to Grow program, which eliminated the program.
Missouri ⁷	<ul style="list-style-type: none"> • \$6 million in tobacco funds that were targeted for early childhood education were moved to other areas. 	<p>Disagreements between the governor and the state legislature over budget assumptions and revenue increase has resulted in the governor withholding funding for programs that help children and families, including:</p> <ul style="list-style-type: none"> • \$197 million in public school funding. • \$24.9 million in funds in state higher-ed funding. • \$30.4 million in funds state agencies, including \$9.4 million from social services and \$7.97 million from mental health.

Appendix C – Selected State Budget Cuts in Children’s Programs (As of 7/11/03)

State	SFY 2003 Cuts	SFY 2004 Cuts and Proposed Cuts*
Montana	<ul style="list-style-type: none"> • \$320,000 cut (10%) cut in child care assistance, which would have leveraged an additional \$1.2 million in federal child care funding. 	<ul style="list-style-type: none"> • \$1.6 million cut (10%) cut in child care assistance is being proposed, which would result in losing an additional \$4.6 million in federal child care funding.
Nebraska		<ul style="list-style-type: none"> • \$1.9 million cut in child care assistance.
New Jersey	<ul style="list-style-type: none"> • \$180.7 million cut in child care assistance. 	<ul style="list-style-type: none"> • \$113 million cut in support for public and private colleges.
New York ⁸		<ul style="list-style-type: none"> • \$86 million cut in public school funding. • \$15 million cut in the Advantage After School program • \$950 annual tuition increase for SUNY/CUNY schools.
North Carolina	<ul style="list-style-type: none"> • 4% cut in all programs, including Smart Start and the T.E.A.C.H. program. • \$605,000 cut in state funding for Early Head Start. • \$27.3 cut in child care assistance. • \$20 million cut in Smart Start funding. 	
North Dakota	<ul style="list-style-type: none"> • \$126,000 cut in child care assistance. 	
Ohio ⁹		<ul style="list-style-type: none"> • \$268 million cut in child care assistance funding, which will result in 18,500 fewer children receiving child care assistance. • \$32 million cut in state Head Start funding.
Oklahoma	<ul style="list-style-type: none"> • \$59.5 million (6.5%) cut in K-12 education. • Local districts have been forced to increase class size and replace substitute teachers with volunteers. 	<ul style="list-style-type: none"> • Oklahoma’s \$5 million First Start program, which was modeled after Early Head Start and provided medical screenings, enhanced staff to child ratios, home visits, will be eliminated.
Oregon ¹⁰	<ul style="list-style-type: none"> • \$62 million in cuts for children’s programs, including K-12 education, child abuse prevention and treatment programs, child health, and child care. • More than 50 school districts will shorten the 2002-03 school year to save money. In Portland, for instance, the school year will be shortened by 24 days this year. • Oregon universities raised tuition 13%. 	<ul style="list-style-type: none"> • The governor’s proposed budget cuts \$54.2 million from early childhood and youth programs. • The governor’s proposed budget cuts \$41 million in programs that prevent and treat child abuse and neglect. • The governor’s proposed budget cuts \$27.1 million to child health programs.
South Carolina	<ul style="list-style-type: none"> • \$10 million cut in funding to providers, including almost all TANF-funded after-school programs, which result in about 8,000 low-income children losing after-school programs. 	<ul style="list-style-type: none"> • \$23 million cut in prekindergarten funding.
Tennessee		<ul style="list-style-type: none"> • \$38.6 million cut in K-12 education funding. • \$22 million cut in Temporary Assistance to Needy Families (TANF) because federal TANF dollars will not be replaced.
Texas ¹¹		<ul style="list-style-type: none"> • \$205 million cut in children’s health care for the CHIP program. In addition, the CHIP will no longer cover dental, mental health, vision and hearing, and medical equipment, including wheelchairs and crutches. • \$12 million in cuts to quality early care and education programs, including the elimination of the Rising Start program to improve child care quality and the Statewide Child Care and Resource and Referral Network, and a 19% cut in the child care licensing budget. • \$29.4 million cut in crime-prevention and intervention programs that help youths facing family conflict, truancy, and delinquency.
Utah	<ul style="list-style-type: none"> • \$1.9 million cut in child care assistance. 	<ul style="list-style-type: none"> • 4.5% tuition increase in higher education.
Virginia	<ul style="list-style-type: none"> • \$2 million cut in pre-kindergarten funding. 	<ul style="list-style-type: none"> • \$286 million cut in state funding that will be offset by tuition hikes.
Washington ¹²		<ul style="list-style-type: none"> • \$600 million in K-12 education cuts. • 7% tuition hike in higher education will be used to offset cuts in state funding. • \$37.8 million cut in immigrant prenatal care. • Medicaid coverage for children over 175% of the poverty level was eliminated.

Appendix C – Selected State Budget Cuts in Children’s Programs (As of 7/11/03)

State	SFY 2003 Cuts	SFY 2004 Cuts and Proposed Cuts*
Wisconsin	\$174.2 million increase in aid to school district for K-12.	<ul style="list-style-type: none"> • \$250 million in proposed cuts by the governor for the university system, of which, \$150 million will be offset by tuition increases. • \$6 million cut in funding from the TEACH Early Childhood Wisconsin Scholarship and Bonus Program and the REWARD Wisconsin Stipend Program.

* Proposed cuts in the governor’s budgets were used in this report when a final budget had not been agreed upon by the governor and state legislature as of July 11th, 2003.

- 1 Shelley Geballe, “Addressing the FY 03 Deficit,” Connecticut Voices for Children, March, 2003 and Connecticut Voices For Children, “Budget Brief: The Connecticut Budget Through the Eyes of Our Children,” April, 2003.
- 2 “Draft Children and Family Services Review Iowa Statewide Assessment,” IA DHS, March, 2003. See <http://www.dhs.state.ia.us/Publications/Child%20Welfare%20Assessment.PDF>.
- 3 Kentucky Youth Advocates, Kids Matter Newsletter, Spring, 2003 and Rick Graycarek, “Kentucky’s Welfare Reform Program: How Kentucky’s Fiscal Crisis and Federal TANF Reauthorization Could Impact K-TAP,” Kentucky Youth Advocates, May, 2003.
- 4 Advocates for Children and Youth, “Fiscal Facts: Choices and Challenges,” Number 20, 2003, www.acy.org.
- 5 Michigan’s Children Budget Watch, “The Fiscal Year 2004 Budget: Opportunities to Advocate for Children and Families,” March 14, 2003 and Michigan’s Children Budget Watch, “Michigan Department of Community Health Budget Moves to the Michigan Senate,” June 10, 2003.
- 6 Children’s Defense Fund Minnesota, “Governor’s Budget Proposal Is an Assault on Working Minnesotans,” February 24, 2003; Children’s Defense Fund Minnesota, “Addressing the 2004-2005 Deficit: How Minnesota Children and Families Will Pay,” May 3, 2003; and Children’s Defense Fund Minnesota, “Children and Families: Left Behind In the 2003 Legislative Session,” July, 2003.
- 7 Kit Wagar, “Holden Pares Outlays; Schools, Colleges Hit,” The Kansas City Star, July 3, 2003.
- 8 Schuyler Center for Analysis and Advocacy, “Power Shift in Albany: Legislature Enacts its Own SFY 2003-04 Budget, Overrides Governor’s Vetoes and Opens Up Budget Process,” June, 2003.
- 9 Jennifer Mrozowski and Cindy Kranz, “Head Start Centers Face Closure,” The Cincinnati Enquirer, July 11, 2003.
- 10 Children First for Oregon, “Children and Family Cuts in the 2001-03 State Budget,” <http://www.cffo.org/policy/Budget%20Cuts%20Summary%20April%202003.pdf> and Children First For Oregon, “2003-2005 State Budget Proposals: The Impact on Children and Families,” <http://www.cffo.org/policy/Budget%20Proposals%20Summary%20042803.pdf>.
- 11 Texans Care For Children, “The 78th Texas Legislature: Did They Help Children?,” June 11, 2003 and Texans Care For Children, “Summary of HB 1: 2004-2005 Texas State Budget,” June, 2003.
- 12 Washington Education Association, Legislative Outlook Newsletter, June 16, 2003; Editorial, “Higher Education Key To Next Boom,” Seattle Post-Intelligencer, July 6, 2003; and Children’s Alliance, 2003 Washington State Legislative Session Impact On Children and Families, June 2003.

Appendix D – State Budget Gaps

State	FY 2003		FY 2004	
	Dollars (millions)	% of General Fund Budget	Dollars (millions)	% of General Fund Budget
Alabama	\$199.0	4.7%	N/A	N/A
Alaska	\$747.8	30.0%	\$896.0	36.0%
Arizona	\$343.0	5.7%	\$1,500.0	25.0%
Arkansas	\$0.0	0.0%	\$0.0	0.0%
California	\$10,000.0	13.3%	\$26,100.0	30.0%
Colorado	\$803.0	13.2%	\$398.0	6.5%
Connecticut	\$665.3	5.5%	\$1,942.3	14.2%
Delaware	\$0.0	0.0%	\$196.1	7.7%
District of Columbia	\$134.0	4.0%	\$143.0	4.0%
Florida	\$0.0	0.0%	\$0.0	0.0%
Georgia	\$620.0	4.3%	\$735.0	5.0%
Hawaii	\$0.0	0.0%	\$110.0	2.9%
Idaho	\$154.0	7.9%	\$160.0	8.8%
Illinois	\$1,580.0	6.5%	\$3,600.0	13.6%
Indiana	\$800.0	7.6%	\$750.0	7.0%
Iowa	\$0.0	0.0%	\$413.8	9.3%
Kansas	\$255.4	5.9%	\$980.0	21.8%
Kentucky	\$105.5	1.5%	\$198.2	2.7%
Louisiana	\$18.6	30.0%	\$600.0	8.5%
Maine	\$60.4	2.4%	\$486.5	16.7%
Maryland	\$466.3	5.0%	\$853.2	7.8%
Massachusetts	\$650.0	3.1%	\$3,000.0	13.0%
Michigan	\$158.2	1.7%	\$1,250.0	14.0%
Minnesota	\$368.0	2.5%	\$2,375.7	15.5%
Mississippi	\$96.8	2.8%	\$90.0	2.5%
Missouri	\$348.0	5.5%	\$1,000.0	15.0%
Montana	\$0.0	0.0%	\$116.0	8.3%
Nebraska	\$224.0	8.5%	\$380.0	13.6%
Nevada	\$198.3	9.8%	N/R	N/R
New Hampshire	\$58.0	47.0%	\$148.0	6.0%
New Jersey	\$1,100.0	4.7%	\$4,600.0	18.5%
New Mexico	\$0.0	0.0%	\$0.0	0.0%
New York	\$2,500.0	6.3%	\$9,300.0	24.0%
North Carolina	\$125.0	0.8%	\$2,000.0	14.0%
North Dakota	\$0.0	0.0%	\$0.0	0.0%
Ohio	\$720.0	3.2%	\$1,700.0	7.1%
Oklahoma	\$352.3	7.8%	\$299.8	6.7%
Oregon	\$1,038.0	18.8%	\$850.0	17.0%
Pennsylvania	\$735.8	3.4%	\$2,402.7	10.6%
Rhode Island	\$36.8	1.4%	\$173.9	6.1%
South Carolina	\$468.0	8.6%	\$400.0	7.5%
South Dakota	\$0.0	0.0%	\$54.2	5.9%
Tennessee	\$500.0	5.2%	N/R	N/R
Texas	\$1,795.6	5.8%	\$3,700.0	12.0%
Utah	\$7.8	0.0%	\$79.5	2.3%
Vermont	\$0.0	0.0%	\$30.0	3.4%
Virginia	\$950.0	7.7%	\$1,100.0	8.8%
Washington	\$133.0	1.2%	\$1,000.0	8.9%
West Virginia	\$30.0	1.0%	\$250.0	7.5%
Wisconsin	\$373.2	3.3%	\$1,999.0	16.0%
Wyoming	\$0.0	0.0%	\$0.0	0.0%

Source: National Conference of State Legislatures, "State Budget Update: April 2003." The highest budget gap figures were used before budget control measures such as budget cuts or revenue enhancements were undertaken by the state.