



The Erosion of Child Care Funding for Working Families in Connecticut

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In Connecticut, child care fees for one child can consume 25% to more than 40% of a family's annual gross income. To help pay for the high cost of child care, low-income Connecticut families can receive government support from a variety of sources. These programs can make the difference between a parent being able to work or remaining unemployed. Connecticut's three primary early care and education programs, all providing similar services at comparable levels of quality, are Head Start, School Readiness, and State-Funded Child Development Centers. In addition, if families are poor enough, they can get a child care subsidy (Care4Kids) from the Connecticut Department of Social Services (DSS) and take it to any early childhood provider (including family child care) in the state. Although these programs differ somewhat in their origins, initial intended purposes, the entities responsible for them, and their current financing, they now collectively seek to address a significant state need – to provide high-quality early care to very young children.

To the families served by these programs, it does not matter what the program is called, who runs it, or how it is funded. What matters is that the parents can afford the program, that their children will be safe and well cared for, and that children will be learning at the same time that their parents are working. High quality learning environments in the early years advance children's school readiness, while low quality settings set children back developmentally so that it is hard for them ever to catch up. Despite this knowledge and the demonstrated need of Connecticut families, Connecticut's funding for early care and education remains insufficient, and has actually *declined* in recent years. A 2004 Office of Legislative Research report found that from 1999 to 2004, "state spending on School Readiness and Head Start programs has generally risen, while spending on the Care4Kids program declined by almost 40%."¹ In addition, over this same period, the State Funded Center program experienced a decline in expenditures of about 14% (22% when adjusted for inflation).²

This report describes how Connecticut's current vision that all children enter kindergarten ready for school success and the related new investments in early care and education, are being more than offset by insufficient funding, and in some cases funding *cuts* for related programs, specifically State Funded Centers, School Readiness and Care4Kids.³

¹ Connecticut General Assembly, Office of Legislative Research, *Preschool and Child Daycare Programs, 2004-R-0502*, (September 27, 2004), available at www.cga.ct.gov.

² For an overview of early care funding in the Department of Social Services and State Department of Education in the FY 06 Budget see P. Oliveira, *A Summary of the Final FY 06 Early Care Budget* (Connecticut Voices for Children, September 2005), available at www.ctkidslink.org/pub_detail_255.htm.

³ Head Start, a primarily federally-funded child care program, will not be addressed in this analysis.

I. Connecticut Early Care and Education Trends

A. Overall, funding for early care and education programs is chronically being cut.⁴ The FY 06 early care and education budget in the combined Connecticut Department of Social Services (DSS) and State Department of Education (SDE) 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). Comparing the FY 06 budgets to FY 06 “Current Services” – the budget necessary to maintain state-funded services at current levels - there is only a \$5.7 million increase (i.e., the FY 06 budget is about 3% over the \$198.2 FY 06 Current Services budget). However, despite the recent increase, total funding approved for early care initiatives in FY 06 in the DSS and SDE budgets 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).

Early care investments that have been increased are exclusively in the SDE early care budget. The DSS early care budget, in contrast continues to be cut. From 1999 to 2004 the DSS child care budget, as reported in *The Status of Child Care in Connecticut*, was reduced by \$60.4 million (\$155.7 million to \$95.3 million).⁵

B. The number of licensed child care providers in Connecticut has declined.⁶ Despite a growing need for child care and an increased emphasis in Connecticut on the need for early care and education for all children, the number of licensed child care providers has dropped by 22% from 1999 (6,167) to 2004 (4,810). The number of licensed child care centers and group homes declined by about 5%, while the number of licensed family day care homes declined by 28%.

# of Licensed Child Care Centers/ Group Homes⁷ and Family Day Care Homes⁸			
	Center/Group Home	Family Day Care Home	Total Licensed Capacity
1999	1,725	4,442	6,167
2000	1,700	4,026	5,726
2001	1,712	3,692	5,404
2002	1,681	3,431	5,112
2003	1,639	3,321	4,960
2004	1,633	3,177	4,810

⁴ P. Oliveira, *A Summary of the Final FY 06 Early Care Budget* (CT Voices for Children 2005) available at www.ctkidslink.org/pub_detail_255.html.

⁵ Connecticut Department of Social Services, *Status of Child Care in Connecticut* (1999); Connecticut Department of Social Services, *Status of Child Care in Connecticut* (2000); Connecticut Department of Social Services, *Status of Child Care in Connecticut* (2001); Connecticut Department of Social Services, *Status of Child Care in Connecticut* (2002); Connecticut Department of Social Services, *Status of Child Care in Connecticut* (2003); and Connecticut Department of Social Services, *Status of Child Care in Connecticut* (2004), available at www.dss.state.ct.us/pubs/index.htm#Reports.

⁶ *Status of Child Care in Connecticut*, 1999-2004, see n. 5 above.

⁷ A "child day care center" offers or provides a program of supplementary care to more than twelve related or unrelated children outside their own homes on a regular basis for a part of the twenty-four hours in one or more days in the week. A "group day care home" offers or provides a program of supplementary care to not less than seven nor more than twelve related or unrelated children on a regular basis for a part of the twenty-four hours in one or more days in the week. See CT General Statutes Section 19a-77.

⁸ A "family day care home" consists of a private family home caring for not more than six children, including the provider's own children not in school full time, where the children are cared for not less than three nor more than twelve hours during a twenty-four-hour period and where care is given on a regularly recurring basis (except that care may be provided in excess of twelve hours but not more than seventy-two consecutive hours to accommodate a need for extended care or intermittent short-term overnight care). During the regular school year, a maximum of three additional children who are in school full time, including the provider's own children, shall be permitted, except that if the provider has more than three children who are in school full time, all of the provider's children shall be permitted. See CT General Statutes Section 19a-77.

C. In total, licensed child care capacity in Connecticut has declined.⁹ From 1999 to 2004 the number of licensed child care spaces dropped by 11% (from 124,506 to 110,623). The decline in total capacity is due, entirely, to a loss of family day care spaces (a 52% drop from 1999 to 2004), as the number of spaces in centers and group homes has actually increased.

Capacity¹⁰ of Licensed Child Care Centers/Group Homes and Licensed Family Day Care Homes			
	Center/Group Home	Family Day Care Home	Total Licensed Capacity
1999	85,283	39,223	124,506
2000	87,107	24,013	111,120
2001	89,554	22,021	111,575
2002	90,379	20,453	110,832
2003	90,907	19,808	110,715
2004	91,653	18,970	110,623

As expected, the number of licensed family day care home programs declined along with the decrease in the licensed family day care home capacity.

Capacity of Licensed Family Day Care Homes Compared to # of Licensed Family Day Care Homes¹¹		
	Capacity of Licensed Family Day Care Homes	# of Licensed Family Day Care Homes
1999	39,223	4,442
2000	24,013	4,026
2001	22,021	3,692
2002	20,453	3,431
2003	19,808	3,321
2004	18,970	3,177

As shown in the table below, as the capacity of licensed child care center and group homes (i.e., number of spaces) has increased, the number of licensed center and group home programs has decreased. Therefore, on average, individual child care centers and group homes are each serving more children. However, small group sizes and low child to teacher ratios are predictive of higher quality care.¹² Connecticut’s trend raises the question whether group sizes and child to teacher ratios in these centers, has also increased, reducing quality.

⁹ *Status of Child Care in Connecticut*, 1999-2004, see n. 5 above.

¹⁰ Licensed spaces is the number of children a child care center or group home is “allowed” to serve, but does not necessarily reflect the number of children the site intends to or actually serves, which is typically fewer.

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¹² M. Whitebook, *Bachelor’s Degrees Are Best: Higher Qualifications for Pre-Kindergarten Teachers Lead to Better Learning Environments for Children* (The Trust for Early Education, 2003).

Capacity of Licensed Centers/Group Homes Compared to # of Licensed Programs		
	Capacity of Licensed Centers/Group Homes	# of Licensed Centers/GH
1999	85,283	1,725
2000	87,107	1,700
2001	89,554	1,712
2002	90,379	1,681
2003	90,907	1,639
2004	91,653	1,633

One possible reason for the drop in the number of child care centers is that running a profitable child care business has many challenges. Connecticut Child Care Infoline reports that of the 44 child care centers that closed from July 1, 2004 to June 30, 2005, 75% (33) identified “business not profitable” as their reason for closing. A quick look at centers’ budgets illustrates that part of the problem is that centers are unable to collect the full cost of providing quality child care, because neither parents nor the government are in the position to pay for it.

A 2003 survey of Connecticut early care centers showed that prices charged for child care in many of our towns do not cover the full cost of services rendered. In 80% of centers in poorer communities, the cost of running the child care business exceeded the price charged for care; and 20% of centers in wealthier communities reported that costs exceed price.¹³ Centers in the largest, poorest cities are far less able to charge the “true cost” of providing quality child care; yet even in our wealthier suburbs, quality cannot be guaranteed, wages are often artificially low, and programs are reluctant to price themselves out of the market.

II. Connecticut Early Care and Education Initiatives for Low- and Moderate-Income Families

A. CT State Funded Child Development Centers. State Funded Child Development Centers (SFC’s) were established in 1968 to provide comprehensive early childhood services for economically-challenged families and children. The program was Connecticut’s initial “school readiness” effort and has been instrumental in helping families to transition from welfare to work. Connecticut’s Department of Social Services (DSS) manages the fifty-three contracts (representing 114 sites) with State Funded Centers. These centers serve over 4,000 low-income children of all ages (see below) each month in 36 municipalities across the state. Enrollment is targeted to families earning less than 75% of the State Median Income (SMI). Centers are required to maintain the same level of quality as School Readiness programs (and often serve children funded with that grant as well). Currently, 90 of the 114 SFC facilities are accredited.¹⁴

State Funded Centers are a smart investment because:

- *State Funded Centers provide quality early care and education.* Eighty three percent of the Centers are demonstrating (or are well on track to achieving) a level of quality equivalent to Connecticut’s much-respected School Readiness programs, as measured by the National Association for the Education of Young Children (NAEYC) accreditation.

¹³ P. Oliveira, *An Analysis of Child Care Center Budgets* (CT Voices for Children, 2003), available at www.ctkidslink.org/pub_detail_201.html.

¹⁴ Additionally, 4 are exempt from NAEYC accreditation in favor of Head Start, 1 facility has been visited without a decision, 8 have filed for accreditation and are awaiting a visit, 6 are exclusively school-age and not in the NAEYC system and the remaining 5 are not eligible to participate in accreditation at this time but will file under a new system. (December 2005).

- *State Funded Centers serve low-income children across the whole state.* Funds are *not limited* to children living in the poorest districts only, but are available to low-income children in many parts of the state.
- *State Funded Centers serve low-income children of all ages.* Full day childcare is provided to 1,076 infants/toddlers, and 2,533 preschoolers. Part-day childcare is provided to 54 infant/toddlers, 342 preschoolers and 372 school age children.

Number of Children Cared for in CT State Funded Child Development Centers (2005)			
	Full Day	Part Day	Total
Infants/ Toddlers	1,076	54	1,130
Preschoolers	2,533	342	2,875
School Age	N/A	372	372
Total:	3,609	768	4,377

Connecticut makes a significant investment in State Funded Centers -- about \$23 million of state and federal funds annually.¹⁵ However, although the cost of providing early care has increased and quality requirements have expanded, unlike this year, the program had not had a corresponding increase in funding. To the contrary, expenditures have declined over the past years. As shown in the following table, FY 04 spending was \$3.9 million (14.4%) less than FY 00 spending. Adjusted for inflation, the decline is even steeper; real (inflation-adjusted) FY 04 spending was \$6.52 million (22%) less than FY 00 spending.¹⁶

DSS' Grants to Centers Total Federal & State Funding¹⁷ (in millions)				
2000	2001	2002	2003	2004
\$27M	\$25M	\$25M	\$24.4M	\$23.1M

Because the centers' revenue is directly related to the number of children served, State Funded Centers cannot take in fewer children to save money when funding is low. In fact, according to a 2005 DSS report, the State Funded Centers have been serving more children with less money. As shown in the table below, average per child funding dropped by \$243 (or 4.5%) from 1999 to 2004,¹⁸ and by \$958 (or 16%), adjusting for inflation.

Changes in State Funded Center Average Per Child Rates: 1999 and 2004				
	Expenditure	# of Children Served	Average Per Child	Inflation Adjusted Average Per Child (in 2004 \$)
1999	\$24 M	4,491	\$5,344	\$6,059
2004	\$23.1 M	4,528	\$5,101	\$5,101

The reduction in the *state's* contribution to these grants (as distinct from the federal funds that DSS also includes in the grants) is one factor contributing to the fiscal crisis that SFCs are experiencing. In fact,

¹⁵ Connecticut Department of Social Services, *The Status of Child Care in Connecticut* (2005), available at www.dss.state.ct.us/pubs/index.htm#Reports.

¹⁶ P. Oliveira, *The Crisis in Funding for State Funded Child Development Centers* (CT Voices for Children, 2005), available at www.ctkidslink.org/pub_detail_228.html.

¹⁷ *The Status of Child Care in Connecticut, 2000-2004*, see n. 5 above.

¹⁸ *The Status of Child Care in Connecticut, 2005*, see n. 15 above.

adjusted for inflation, the FY 05 General Fund investment in State Funded Centers was 10% (\$770,000) *less* than the investment in FY 02.

In response to reports demonstrating the crisis in funding for State Funded Centers¹⁹, the General Assembly appropriated a total of \$3.74 million *more* dollars in the FY 06 and FY 07 budgets to these programs (as compared to the FY 05 budget).

State Funded Child Development Center Funding (in millions)			
FY02 Actual	FY04 Final	FY05 Budget	FY06 Budget
\$7.1M	\$6.7M	\$6.8M	\$10.4M

With this additional allocation of over \$3.7 million in additional funds, State Funded Centers first received notice that they would receive a 7% increase across all grants. CT Voices for Children’s analyses suggested that this would only spend about \$1.5 of the \$3.7 million, resulting in a lapse of over \$1.5 million into the General Fund. Upon recalculation, DSS announced a new set of rates, giving centers a 14% increase across all grants. As shown below in the revised rates, this increase will allow DSS to raise the per child payment on average between \$779 and \$1046 for full time care and between \$300 and \$405 for part time care, depending on the age of the child and geographic location of the child care center.

Average Increase in Annual Per Child State Funded Center Reimbursement Rate				
	# Children Served	Average Current Rate (FY 05)	Average Rate Increase @ 14%	New Average Rate (FY 06-07 Budget)
Infant/Toddler Full Time	1,076	\$7,470	\$1,046	\$8,516
Pre-K Full Time	2,533	\$5,565	\$779	\$6,344
Infant/Toddler Wrap Around	54	\$2,690	\$377	\$3,067
Pre-K Wrap Around	342	\$2,146	\$300	\$2,446
School Age	372	\$2,890	\$405	\$3,295
TOTAL:	4,377	\$5,503	\$770	\$6,274

The intention of the increase, as stated in DSS correspondence to State Funded Centers is “to begin to address the rate differential between our Child Day Care program and the state’s School Readiness program.”²⁰ However, the new average full time preschool rate of \$6,344 (up from the current average rate of \$5,565) still remains much less than the School Readiness rate of \$7,750 per child. In addition, the increase does not (significantly) address the centers’ existing debts, which range from \$2,000 to \$550,000 and are estimated to total over \$2.5 million.²¹

Also, while there is funding in the FY 07 budget to maintain this year’s increase for the State Funded Centers, there is no additional increase budgeted for FY 07 to further close the rate differential between State Funded Center preschool spaces and School Readiness spaces. In fact, School Readiness received an increase this year of \$250 per child, pulling it farther ahead of the State Funded Centers, and has another \$275 per child increase allocated for FY 07 bringing the rate to \$8,025. Thus, as shown below, come 2007, the State Funded Center rate for preschoolers will still be \$1,681 less than the School Readiness rate for full time preschoolers, minimizing the existing differential by only \$250 over the next three years.

¹⁹ *Crisis in Funding*, see n. 16 above.

²⁰ September 16, 2005 letter from Claudette J. Beaulieu, Deputy Commissioner of DSS to Child Day Care Contracts.

²¹ *Crisis in Funding*, see n. 16 above.

Differentials Between State Funded Center and School Readiness Reimbursement Rates			
	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

And, to be clear, the goal of parity with the School Readiness rate does not adequately address the true fiscal needs of Connecticut’s State Funded Centers. According to a 2005 estimate by the CT Early Care and Education Finance Project,²² annual operating costs for full time School Readiness preschool programs average about \$8,890 per child. This exceeds both the School Readiness and the State Funded Center preschool rates.

B. CT School Readiness Program. School Readiness is a preschool initiative begun in 1997 as part of a comprehensive effort to provide access to quality early education programs, support families and their needs for child care and initiate new strategies for closing the achievement gap in Connecticut schools (PA 97-259). Recognizing that young brains are learning long before kindergarten, and the best way to close the achievement gap is to prevent the gap from ever developing, Connecticut was a pioneer in addressing the early learning needs of at risk preschoolers through the School Readiness program. The program, administered by the State Department of Education (SDE), in partnership with the CT Department of Social Services (DSS), helps families in Connecticut’s poorest towns afford quality early care. At least 60% of the children enrolled must be at or below 75% of the state median income. In addition to state funding, programs charge parent fees based on the DSS school readiness sliding fee scale, and the Care4Kids child care subsidy can be used as well.

The Connecticut legislature’s investment in the School Readiness program started strong, and has remained steady. The School Readiness full-day/full year preschool reimbursement rate was increased from \$7,250 to \$7,500 per space in FY 05, \$7,750 per space in FY 06, and \$8,025 per space in FY 07.²³ In addition, the number of towns eligible for competitive school readiness grants was expanded.²⁴

There is evidence that these investments are paying off. In a 2004 evaluation, conducted by the Connecticut Commission on Children, the School Readiness program was found to:²⁵

- *Improve language and literacy skills.* Children with two years of preschool were twice as likely to be considered ready for kindergarten in language and literacy skills as their peers without preschool.
- *Improve math skills.* Children with two years of preschool were twice as likely to be considered ready for kindergarten in math skills as their peers without preschool.
- *Improve social/emotional skills.* Children with two years of preschool were one and a half times as likely to be considered ready for kindergarten in social/emotional skills as their peers without preschool.
- *Improve motor skills.* Children with two years of preschool were one and a half times as likely to be considered ready for kindergarten in fine motor skills than their peers without preschool.

²² CT Early Childhood Alliance, CT Early Care and Education Finance Project, *Meeting the Need, Accepting the Challenge: The Connecticut Early Care and Education Cost Model* (2005, in press). Information available at: www.readyssetgrowctkids.org/finance.html.

²³ Seventy percent of the rate increase is to be used for staff compensation and the remainder for professional development, as identified by School Readiness liaisons as budget areas in greatest need of support.

²⁴ This change supercedes PA 05-13 that would have phased-out the school readiness competitive grant program for the 28 poorest towns effective July 1, 2005.

²⁵ Connecticut Commission on Children (2004). *Opening the Kindergarten Door*. Available at: www.cga.ct.gov/coc/PDFs/book.pdf

Total School Readiness Capacity and Utilization. As shown in the chart below, funding to School Readiness has increased, while the capacity of the program and the number of children served both fluctuate. In fact, from 2000 to 2004 capacity declined by 6% (from 6,983 to 6,531). Utilization rates increased, and remained consistently near full capacity.²⁶

Total School Readiness Capacity and Utilization Trends²⁷						
	1999	2000	2001	2002	2003	2004
Spaces Available	6,472	6,983	6,349	6,088	6,237	6,531
Children Served	5,688	6,424	6,215	5,953	6,165	6,438
% Used	88%	92%	98%	98%	99%	99%

When spaces cannot be fully utilized, it is unlikely that funding will be increased. Increases in the reimbursement rates also account for some of the fluctuation in capacity; as increased funding is used up to pay for the per child cost increase. In addition, the decrease in 2003 can be accounted for by the rescission by the Office of Policy and Management that year, in which allotments were reduced by approximately \$2.5 million dollars.

School readiness funds go to 64 towns in two ways: *priority school district (PSD) grants* are guaranteed to the 19 most economically and educationally needy districts in the state and *competitive grants* are available to the towns that are in the low 50th of wealth rank (50 poorest towns) that are not priority school districts. This may include some communities with no priority school or schools that draw significant numbers of students from low-income areas of districts with more wealth.

- *Priority School Districts (PSD).* These districts receive a grant allocation for spaces for eligible children, that is based on a formula that uses the average number of enrolled kindergartners in each priority school district for the three years prior to the year the grant is to be paid and the ratio of the average percentage of free and reduced meals for all severe-need schools in the district. At least 60% of the school readiness spaces in a priority school district must be full-day/full year, however some part day and part year spaces are also available. The following table shows the rates paid for various schedules of care.

Length of Day/Year and Reimbursement Rates for School Readiness Spaces			
	Length of Day	Length of Year	Per Child Annual Rate
Full Day / Full-Year	10 hours	52 weeks	\$7,500
School Day / School-Year	7 hours	189 consecutive days	\$6,000
Part Day / Part-Year	2.5 hours	180 consecutive days	\$4,500
Extended Day	Wrap around to complete 10 hours	52 weeks	\$2,676

In FY 06, Priority School Districts will receive \$3.3 million more in grants than they did in FY 05 (from \$44.8 million to \$48.1 million).²⁸ The Priority School Districts are: Ansonia, Bloomfield,

²⁶ The under-utilization is in full day spaces.

²⁷ *Status of Child Care in Connecticut.* (As reported in June of 1999, 2000, 2001, 2002, 2003, 2004). CT Department of Social Services.

²⁸ *2005-2006 School Readiness Formula Grant, Comparison of 2004-2005 and 2005-06 SDE Formula Allocations.* (Aug 2005). Connecticut State Department of Education, Finance and Internal Operations, Office of Grants Analysis.

Bridgeport, Bristol, Danbury, East Hartford, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Putnam, Stamford, Waterbury, West Haven and Windham. In FY 06, there are currently 7,392 (October 2005 Monthly Data Report School Readiness spaces in the PSD's, distributed as follows:

FY 06 School Readiness Priority School District Spaces and Funding	
Full Day / Full-Year	5,380
School Day / School-Year	292
Part Day / Part-Year	1245
Extended Day	475
<i>Total PSD Spaces</i>	<i>7,392</i>
<i>FY 06 Total Grant</i>	<i>\$48.1M</i>

- *Competitive Grants.* This is a competitive \$107,000 grant for spaces for eligible children who reside in an area served by a *severe need* school or, new this year, in a town that is one of the fifty poorest ranked towns in the state, that is not a PSD.²⁹

In FY 05, 26 school districts received competitive grants totaling \$3,811,036: Ashford, Branford, Brooklyn, Chaplin, Derby, East Haven, Enfield, Greenwich, Griswold, Groton, Hamden, Killingly, Manchester, Mansfield, Milford, Naugatuck, Plymouth, Sprague, Stafford, Stonington, Stratford, Thompson, Torrington, Vernon, West Hartford and Winsted.

The 36 eligible towns in 2006 are: Ashford, Branford, Brooklyn, Chaplin, Colchester, Coventry, Derby, East Haven, Enfield, Greenwich, Griswold, Hamden, Hampton, Killingly, Ledyard, Lisbon, Manchester, Mansfield, Milford, Naugatuck, Norwich/Groton, Planifield, Plymouth, Scotland, Shelton, Sprague, Stafford, Stonington, Stratford, Thompson, Torrington, Vernon, West Hartford, Winchester, Windsor, and Woodstock.

For FY 06, \$4,162,348 is available for 484 Severe Need School Readiness spaces in the competitive grant districts, distributed as follows:

FY 06 School Readiness Competitive Grant Spaces and Funding	
	FY 2006
Full Day / Full-Year³⁰	326
School Day / School-Year³¹	0
Part Day / Part-Year³²	158
Extended Day³³	0
<i>Total Spaces</i>	<i>484</i>
<i>Grant</i>	<i>\$4,162,348</i>

²⁹ Eighteen additional towns are eligible because of this change: Andover, Beacon Falls, Canterbury, Colchester, Coventry, Hampton, Lebanon, Ledyard, Lisbon, Montville, North Canaan, Preston, Scotland, Sterling, Thomaston, Voluntown, Wolcott and Woodstock.

³⁰ 10 hours per day; 52 weeks per year; \$7,500

³¹ 7 hours per day; 189 consecutive days; \$6,000

³² 2.5 hours per day; 180 consecutive days; \$4,500

³³ Wrap around to complete 10 hours per day; 52 weeks per year; \$2,676

The Challenge of the Current Understanding of School Readiness. Connecticut has a vision that all children arrive at kindergarten ready for school success. In strategizing about how to close the achievement gap and realize this goal the State acknowledges the need for comprehensive supports across the critical domains of health, safety, learning and economic security. Specifically, Connecticut is building a plan for achieving the vision of “all children ready for school” based on the knowledge that children with a quality preschool experience are better prepared for the demands of school at entry to kindergarten, and after.

However, the key to achieving this is *quality*, and a program that serves the multidimensional needs of early childhood. Poor quality, in contrast, is detrimental to healthy development. While capacity cannot be expanded at the cost of quality, it is equally true that quality cannot be improved at the expense of children’s access to a preschool education. The system must be built in a way to support the growth of *both* capacity and quality.

Unfortunately, past budget decisions have not always reflected this goal. For example, despite Connecticut’s recent funding increases, its failure to support expansion *and* quality concurrently is resulting in the reduction of school readiness spaces in some towns.³⁴ The factors converging to result in this reduction, despite good intentions to grow the School Readiness program, include:

- ***End of One Time Carry-Forward of Unexpended Funds.*** The General Assembly authorized the carry-forward of certain unexpended funds for use in either FY 04, or over FY 04 and FY 05. In other words, if towns did not utilize all the funding for spaces allotted them the prior year, they were allowed to use those funds over their choice of the next year, or the next two years. For this reason, in FY 04 and FY 05, many towns had more funding than usual. The General Assembly required that these funds be used exclusively for the expansion of spaces, and not for other quality enhancement initiatives.³⁵ However, the carryover provision does not extend into FY 06. That is, the funds that were used for expansion were *one-time* revenues. The spaces funded with the one time revenues, according to the State Department of Education, were *temporary slots that ended June 30th of each grant period* and centers were to use them for 4-year-olds entering kindergarten the following year.
- ***Inadequate Funding to Cover the Rate Increase.*** The full-day/full year per child preschool space reimbursement rate (with inputs from all sources of funding) was increased by \$250 in FY 06. This mandated increase in the reimbursement rate was sufficient to cover only those spaces allotted in the districts grants, and not coupled with an increase sufficient to cover the costs, for *all* current School Readiness spaces, when including those added as a result of the carry-forward funds.
- ***Fixed Distribution Formula.*** The school readiness law as it is currently written disburses the funds appropriated to districts using a fixed formula. The entitlement that goes to each district is based on the average kindergarten enrollment for the past three years and the average percentage of free and reduced priced meals for all the severe need schools in the district. From one year to the next, these factors vary and so does the grant. For example, in FY 06, Hartford received a 4.7% increase (about \$343,000) due to reductions in their kindergarten enrollment, as compared to Stamford that received a 10.9% increase (about \$320,000) with the increase in kindergarten enrollment. Although the law states that a town cannot receive less funding than what it received in the prior fiscal year,³⁶ most one-

³⁴ Oliveira, P. (2005). *Toward Continued Growth of the School Readiness Initiative: Capacity and Quality*. CT Voices for Children. Available at: www.ctkidslink.org/pub_detail_260.html

³⁵ The carry forward funds were an incentive to expand. By contrast, quality enhancement funds through DSS, to support additional scholarships for career advancement and accreditation services, were increased by almost \$1 million, compared to FY 05, but this is still \$400,000 less than FY 02.

³⁶ See Connecticut General Statute Section 10-16p(e)(1).

time grants (like the carry-forward funds) are not part of the entitlement and so are not considered subject to this law. Some supplemental grants do count in this formula. For example, two Middletown and Meriden did get supplements added to this year's allocation.

The result is that while the current statute mandates the per space reimbursement rates be increased for each child served, some towns had *less* money this year than they did last year because the funds that were available through the carry forward provision are not again available. Additionally, the per-space rate increase can use up the grant when communities do not have sharp increases in their allotment (due to factors like a growing kindergarten enrollment). As such, those towns that carried forward unexpended funds to support temporary slots in FY 05 were not able to continue them in FY 06.³⁷

C. CT Child Care Subsidy Program, Care4Kids. Care4Kids, the Connecticut child care subsidy program administered by the Department of Social Services (DSS) was established to provide monetary support for moderate- and low-income families who need care for their infants, toddlers, preschoolers and school-age children while they are at work or in school or training. Unlike State Funded Centers and School Readiness that can only support center based care, Care4Kids is a voucher that a family can use at a variety of child care settings: centers, licensed family day care homes, and unlicensed family and neighbor care.

Despite an increased need for child care, the number of children receiving the child care subsidy has been cut in half over the past five years. In 2004, 52% (14,214) fewer children received the help of the child care subsidy than in 2000 (from 29,485 children to 15,271). By comparison, Rhode Island (a state with about one-third the population) serves nearly as many children through its child care subsidy program (13,810) as does Connecticut (15,271).

Number of Children by Age Receiving the Care4Kids Subsidy in CT					
	2000	2001	2002	2003	2004
Infant/Toddler	7,607	7,622	7,765	6,298	4,135
Preschool	8,628	8,492	7,849	7,464	5,173
School-Age	13,250	12,263	12,561	8,871	5,963
Total	29,485	28,377	28,175	22,633	15,271

Care4Kids is a smart investment because:

- *Care4Kids helps pay for the child care necessary for parents to go to work.* For a family of three with an annual income of \$34,000,³⁸ the Care4Kids weekly subsidy of between \$89 and \$227³⁹ for each child in full time care can make the difference between a parent being able to work or remaining unemployed.
- *Care4Kids can make up part of the difference between the true cost of quality care and what parents can afford to pay.* Parent fees charged by centers are at a maximum, and costs cannot be cut any more without sacrificing quality. Additional resources are essential to protect the State's current and historical investment in these low-income children and families.

Under federal regulations, a state may designate any family earning up to 85% of the State Median Income (SMI) as eligible for a federally-subsidized child care subsidy. Connecticut's threshold has fluctuated over the

³⁷ A case example of how these factors have converged to leave Hartford with \$15,368 *less* in total funding and 118 *fewer* spaces in FY 05 than in FY 06 can be found in *Toward Continued Growth of the School Readiness Initiative: Capacity and Quality*. Available at: www.ctkidslink.org/pub_detail_260.html

³⁸ Care4Kids Income Guidelines, July 2004, based on the 2001 Market Rate Survey. A new applicant family of 3 is eligible if their annual income is \$34,394 or less.

³⁹ Care4Kids Weekly Reimbursement Rates, January 2002 to present.

last decade (with changes in available funding) and currently is set at 50% of SMI for new families,⁴⁰ rather than the federal recommendation of 85%. As such, the maximum annual income for child care assistance for a family of three in Connecticut in 2005 is \$36,120. If set at the federal threshold, however, a family of three earning less than \$61,404 would be eligible.

Years with Changes in Care4Kids Initial Income Eligibility Limits: 1988-2004 (Federal limit allows up to 85%)	
	Income Limit (% of SMI)
1988	TFA Families and Working Families up to 55%
1991	TFA Families and Working Families up to 70%
1992	TFA Families and Working Families up to 75%
2002	TFA Families Only
2003	TFA Families Only
2004	TFA Families and Working Families up to 50%

In addition, when funding is less than would be necessary to serve all income eligible families who need assistance, Connecticut triages among families who meet its low income eligibility standards in allocating child care subsidies. Within the class of eligible families (based on family income, age of child and the other factors discussed above), Connecticut first awards subsidies to families who are currently on Temporary Family Assistance (TFA) and those who have recently moved off of TFA, placing them ahead of other low-income working families who have not been on cash assistance in granting subsidies.⁴¹

Recent efforts to close the state's budget deficit also have resulted in reduced, and insufficient, funding for Care4Kids. As shown below, between FY 02 and FY 06, Care4Kids funding was cut by \$53 million (or 44%). Adjusting for inflation, the reduction was nearly half of all funding -- \$61 million (or 47%). The FY 06 budget is \$3 million less than is needed in FY06 to maintain current services in the Care4Kids program, which is expected to be covered by \$4 million available in federal funds from the previous year's unused TANF bonus. These reductions in Care4Kids funding and greater reliance on federal funds have eroded the stability of this program as a funding source for child care centers and family day care homes.⁴²

⁴⁰ A family is eligible to enroll at 50% SMI or less, and can remain on until they reach 75% SMI.

⁴¹ Specifically, parents receiving TFA cash assistance who are employed or are participating in an approved employment services activity or who are completing such an activity that was started before the family's TFA grant was discontinued have highest priority. Next in line are working parents whose TFA benefits were discontinued within six calendar months prior to the date of application for Care4Kids, then parents under the age of 20 who are not receiving TFA but who are attending high school, then working parents with gross family income under 50% of SMI, working parents with gross income between 50% and 75% of SMI who request assistance for a child adopted from DCF, and all other working families with gross family income between 50% and 75% of SMI. Regulations of CT State Agencies, §17b-749-08.

⁴² P. Oliveira, *Separating Fact from Fiction: Myths About the Adequacy of Funding for Care4Kids* (CT Voices for Children, 2005), available at www.ctkidslink.org/pub_detail_238.html.

Care4Kids Funding: FY 02 - FY 06				
<i>(in millions)</i>				
FY02 Final	FY04 Final	FY05 Final	FY06 Current Services	FY06 Budget
\$121.6M	\$60.9M	\$59.2M	\$71.6M	\$68.6M⁴³

Federal Child Care and Development Block Grant funds⁴⁴ are used to partially finance Care4Kids. Comparing FY 04 expenditures on Care4Kids to estimated spending in FY 06, spending is predicted to increase slightly, by about \$9 million. However, Connecticut's *state* investment has *dropped significantly* from about 50% of total spending on the program (\$30 million) to about 33% (\$23 million) of total spending.⁴⁵ This makes the program especially vulnerable to federal budget cuts.

Comparing Federal Child Care and Development Fund (CCDF) and State Funding for Care4Kids				
<i>(in millions)</i>				
	SFY 04 Actual⁴⁶	% of Total Funding	SFY 06 Estimated⁴⁷	% of Total Funding
CT	\$30M	50%	\$23M	33%
FEDERAL	\$31M	50%	\$46M	77%
TOTAL	\$61M	100%	\$69M	100%

Enrollment in the Care4Kids program has declined partially because many primary consumers – working parents - have been *denied access* to the subsidy this year.⁴⁸ As Care4Kids program funding was cut, eligibility for the subsidy was limited and intake was closed to new low-income applicants *not* receiving cash assistance through Connecticut's Temporary Family Assistance (TFA) program. This group – low-wage working parents *not* on TFA – had been *the* primary consumer of the subsidy in previous years. In 2002, for example, nearly half of all subsidies (47%) went to these families (compared to 39% for families transitioning off TFA and 14% for families on TFA). In 2004 Connecticut totally closed intake to the child care subsidy program for families who were not receiving TFA, thereby denying the subsidy to a significant number of needy, and otherwise eligible families.⁴⁹

By 2004, only 38% of the Care4Kids subsidies supported non-TFA families (compared to 38% for families transitioning off TFA and 24% for active TFA families). In short, as a result of closing intake and restricting eligibility, enrollment of non-TFA families dropped by 56% between 2002 and 2004.

⁴³ An additional \$4 million is available for Care4Kids from TANF bonus funds carried forward to 2006.

⁴⁴ Note that CCDF funding is based on the Federal Fiscal Year (October 1 to September 30) and is different from the Child Care Subsidy allocations and expenditures that are based on the State Fiscal Year (July 1 to June 30). This adds to the complexity of budget comparisons.

⁴⁵ P. Oliveira. *A Primer on Connecticut's Use of Child Care and Development Block Grant Funds for the State Child Care Subsidy Program*. (CT Voices for Children, 2005). Available at: www.ctkidslink.org/pub_detail_259.html

⁴⁶ CT Department of Social Services Child Care Team, 2004

⁴⁷ CT Department of Social Services, *CCDF Plan: 2006-2007*.

⁴⁸ In addition, reductions in the number of TFA and transitioning families are suggested to be due to a lack of incentive to parents to enroll, the low reimbursement rates and the difficult application process.

⁴⁹ *Separating Fact from Fiction*, see n. 41 above.

Number of Care4Kids Payments for Children by Family Status: 2002-2004⁵⁰			
	2002	2003	2004
Currently receiving TFA benefits (“active TFA”)	3,944 (14%)	4,074 (18%)	3,665 (24%)
Transitioning off TFA	10,988 (39%)	7,468 (33%)	5,803 (38%)
Not Receiving TFA benefits (“non-TFA”)	13,242 (47%)	11,090 (49%)	5,803 (38%)
TOTAL	28,174	22,632	15,271

The families who were no longer eligible to enroll were put on a wait list. This wait list grew to *over 13,000* families from 2004 to 2005. Although intake to Care4Kids was re-opened in February of 2005 for low-income non-TFA families, less than 12% of the wait list was accepted and enrolled in the subsidy program. Many applying families were found to be not eligible because their income exceeded 50% of state median income, or their children had aged out of the program. In addition, difficulties with the application process and changes of address (making it hard for DSS to contact families on the wait list) are thought to have contributed to the low enrollment. In short, 11,440 (or 88% of) the low wage working families who came forward to seek help in paying for child care over the past year never received it.

With closed intake and long wait lists, 14% of the funds appropriated to Care4Kids went unspent. In response, the General Assembly adopted legislation in an attempt to ensure that *all* funds appropriated to Care4Kids be used for this purpose, which states, "The department [DSS] shall open and maintain enrollment for the child care subsidy program and shall administer such program within the existing budgetary resources available."⁵¹ However, despite this clear statement of legislative intent, DSS closed intake to the program for families not receiving temporary family assistance for 2004. By arbitrarily closing intake to certain low-wage working families, DSS' actions again resulted in a significant amount of unused funds. In SFY 04, the proportion of unused funds increased to 31%,⁵² despite clear need.

Lapsed Funds in Care4Kids (in millions)		
	SFY03	SFY04
Appropriation	\$114M	\$90.3M
Expenditure	\$98.9M	\$61.9M
\$ Lapsed	\$15.1M	\$28.4M
% Lapsed	13%	31%

In addition, rates paid to providers for each child are inadequate and significantly lower than the true cost of care. Because the Department of Social Services is required to survey providers on the fees they charge for care in order to determine the reimbursement rate for the child care subsidy, some believe that the reimbursement rate is actually based on the cost of providing care, and therefore must be adequate to pay for child care. This is not true.

First, DSS is mandated to undertake a market rate survey every two years to determine the fees charged locally by child care centers. The reimbursement rate is to be based on the price of care as determined by this survey. However, DSS is not also required to increase the reimbursement rate to reflect the results of the survey. Consistently, there has been a lag in DSS updating reimbursement rates to reflect current market

⁵⁰ *Status of Child Care in Connecticut*, 2002, 2003 & 2004, see n. 5 above. DSS reports only the percentage of recipients in each category, not the number. The numbers reported are estimations based on DSS reports on the total number of recipients each year and the percentage for each category in each corresponding year.

⁵¹ P.A. 04-258, §37(a), *An Act Concerning State Expenditures for Social Service Programs*.

⁵² Low utilization of the subsidy program is suggested to be due to restrictions in eligibility and a tedious application processes.

rates. For example, reimbursement rates were not increased for almost a decade between 1991 and 2001. Current rates (in 2005) were set in January of 2002, and are based on the 2001 market survey.

Also, federal regulation allows the child care subsidy rate to be set at such a level that it can cover the price of 75% of the fees in a geographic area. However, Connecticut has chosen to set it much lower, at the 60th percentile. Even though new rates, reflective of the 2001 Market Rate survey were implemented in 2002, reductions in appropriations to the program required that the rate structure be altered in some other way to account for the decrease in available funds. There is no requirement as to at what percentile of market rates subsidies must be based. While previously rates were based on the 75th percentile, this was reduced to the 60th percentile to decrease costs, while still implementing an updated rate structure.

Most importantly, there is a significant difference between the “price” charged by providers for child care, and the actual “cost” of providing care. The average price of child care for a preschooler in a center in Connecticut is about \$8,000 per year.⁵³ However, the actual *cost* of providing care is estimated to run well over \$10,000 annually. For infants and toddlers the cost is even greater.

Child care centers make up the difference through strategies such as in kind donations (services and rent), low wages for those who provide care and early education to children, and through ongoing fundraising. Many providers do not base their fees on a budget or on what it actually costs to run a business, but rather on what they feel “the market can handle,” on what parents can afford, and on what nearby centers charge.⁵⁴

III. In Summary: The Challenges

Connecticut has a vision that all children begin kindergarten fully ready for school success. And as the wealthiest state in the nation, there is no excuse for failure. A key component in achieving this public goal is for all families seeking early care and education to have access to affordable, high quality programs. While Governor Rell identifies quality early care and education for all children as a top priority for her administration, she is also clear that improvements will come in small increments over a long period of time.⁵⁵ Unfortunately, a young child’s development cannot be put “on hold.” Each year of delay means another group of children lose the chance to achieve their full potential. Connecticut can afford to do a better job *now* to help low-income families afford the child care that is necessary for them to work and for their children to arrive at kindergarten fully ready to learn.

The net increase of \$7.8 million dollars for early care and education services in the DSS and SDE budgets is a necessary step toward restoring services that have been dramatically cut over the past four years. However, the new investment in early care and education for *some* children in *some* programs is undermined by the continued deterioration of the essential services that historically have been instrumental in allowing low income families to work, and have served as the backbone of child care providers’ funding. Cuts in funding to the Care4Kids program (reduced by nearly 40% from FY02 to FY05) coupled with unequal payment rates across state agencies for similar services (\$5,500 from DSS as compared to \$7,500 from SDE per child) and no cost of living increases for State Funded Centers have actually driven programs into deficit, requiring them to borrow money just to make payroll.

These specific challenges must be addressed:

⁵³ Child Care Infoline, Average Costs, 2003

⁵⁴ P. Oliveira, *An Analysis of Child Care Center Budgets* (CT Voices for Children, 2003), available at www.ctkidslink.org/pub_detail_201.html.

⁵⁵ Comment by Governor Rell at the Early Childhood Education Cabinet Meeting, September 2005.

A. Overall, early care and education programs have been cut. Though the \$7.8 million increase in the FY 05 budget is a strong start toward recovering previously cut funds, total funding approved for early care initiatives in FY 06 in DSS and SDE is still \$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).

The consequence of these cuts is a deterioration of the capacity of the state to meet the needs of all children who require early care and education services. The number of licensed child care providers has dropped by 22% from 1999 (6,167) to 2004 (4,810). The number of licensed child care spaces has dropped by 11% from 1999 (124,506) to 2004 (110,623).

B. DSS programs lapse funds appropriated by the legislature for child care. Despite the demonstrated need for child care subsidies, in FY 03 31% of the funds appropriated to Care4Kids were not spent. In response, the General Assembly adopted legislation to attempt to ensure that all funds appropriated to Care4Kids be used for this purpose, which states, "The department [DSS] shall open and maintain enrollment for the child care subsidy program and shall administer such program within the existing budgetary resources available."⁵⁶ However, despite this clear statement of legislative intent, DSS closed intake to the program for families not receiving temporary family assistance for the majority of 2004. By arbitrarily closing intake to certain low-wage working families, DSS' actions again resulted in a significant amount of unused funds.

C. Connecticut is relying heavily on federal funding and is not contributing its share to early care and education. With the inevitable cuts at the Federal level to programs supporting child care, this is a dangerous source to rely on for a significant proportion of early care funding. In particular, Federal Child Care and Development Block Grant funds⁵⁷ are used increasingly to finance Care4Kids, Connecticut's child care subsidy program. Connecticut's *state* investment has *dropped significantly*: from about 50% of total spending on the program (\$30 million) to about 33% (\$23 million) of total spending.

Also, Connecticut invests about \$23 million of state and federal funds annually into State Funded Centers.⁵⁸ The reduction in the *state's* contribution to these grants (as distinct from the federal funds that DSS also includes in the grants) is one contributor to the fiscal crisis that these centers are facing. In fact, adjusted for inflation, the FY 05 General Fund investment in State Funded Centers was 10% (\$770,000) *less* than the investment in FY 02.

D. Formulas designed to sustain growth and provide adequate support are manipulated to cut costs. Many formulas exist to ensure that allocations reflect increased costs, as well as to objectively allocate available funds to children or districts based on need. However, manipulation of these rules allows the General Assembly to cut spending, in spite of the intent of these formulas to sustain growth. For example, while Care4Kids funding was increased, in 2002, to reflect the increased "price" of care according to the 2001 Market Rate Survey, the level of payment was reduced from the 75th percentile of prices to the 60th percentile, in order to cut costs of the program. In addition, to cut spending the eligibility levels for the child care subsidy have become more limiting over the last decade, from 75% to 50% of SMI.

E. Child care centers are not viable business models, as they exist today. Unlike most industries in which demand drives price, while the need for quality care continues to increase, this demand does not

⁵⁶ P.A. 04-258, §37(a), *An Act Concerning State Expenditures for Social Service Programs*.

⁵⁷ Note that CCDF funding is based on the Federal Fiscal Year (October 1 to September 30) and is different from the Child Care Subsidy allocations and expenditures that are based on the State Fiscal Year (July 1 to June 30). This adds to the complexity of budget comparisons.

⁵⁸ *Status of Child Care in Connecticut*, 2005, see n. 15 above.

translate into parents' ability or government's willingness to pay more for it. As a consequence many centers in Connecticut now run substantial annual deficits that yearly endanger their ability to continue operating or at least to continue offering services to lower-income families that need them the most.⁵⁹ These factors call into question the economic viability of a small, independent child care center business model, and suggest the need to think creatively about alternative strategies to help center reach economic efficiency.⁶⁰

IV. Recommendations for Efficiently Moving Toward the Vision of "All Children Ready"

A. *Adequately fund existing programs that are the backbone of early care and education.*

1. Restore Care4Kids funding. Current funding for the child care subsidy program is inadequate, and has forced DSS to close intake to families who are not receiving Temporary Family Assistance ("non-TFA families") for most of 2005. However, the FY 06 budget appropriates \$3 million *less* than what was determined to be needed simply to maintain current services in 2006, not even taking into account this unmet need. In addition, low-income families not eligible for the subsidy under existing income cut-offs continue to struggle to pay for child care, demonstrating the need to restore eligibility levels to 75% of State Median Income (currently they are set at 50% of SMI) for families receiving TFA, as well as non-TFA families. If child care assistance is insufficient to serve all families, and Connecticut restricts eligibility only to welfare recipients and families transitioning off of assistance, many low-income, at-risk families will feel forced to go onto welfare because they cannot maintain employment without assistance with child care. This result undermines the purpose of welfare reform – to reduce the number of families who must rely on cash assistance by helping low-wage families achieve economic stability. It is recommended that Connecticut:
 - Open intake to all non-TFA families of incomes below 75% of SMI
 - Maintain coverage for all other families currently enrolled
 - Restore funding to Care4Kids to fund these restorations.
2. Maintain and increase funding allocated to the State Funded Centers in the FY 07 budget. The \$3.7 million addition in state funding for the State Funded Centers will allow for a new average full time preschool rate of \$6,344 (up from the current average rate of \$5,565). This is still much less than the School Readiness rate of \$7,750 per child, and much less than a 2005 estimated annual operating cost of about \$8,890 per child. Continued investment in this program in FY 07, through another increase in the reimbursement rate and a regular cost of living increase, would bring these centers to a more stable financial base.
3. Provide for the necessary funds to support the legislatively mandated increase in the School Readiness reimbursement rate. The concurrent expansion of spaces *and* quality is the ultimate goal. In 2004 carry-forward funds were allowed for expansion. This year, with encouragement from the Governor and legislators to focus on quality, centers are mandated to increase the individual reimbursement rate, but funding is not also provided for the previously added spaces. Expansions must be supported with an increase in overall funding sufficient to cover the increase in cost due to both the increased cost of the reimbursement rate as well as the current number of spaces.

B. *Be strategic in distributing, managing and fully utilizing appropriated funds.*

1. Care4Kids. Based on the current Care4Kids caseload (an average of about 16,000 per month) and the increased rate of new enrollees (2000 in September 2005 compared to 1400 in July 2005), the Department of Social Services predicts that again, in 2005, the Department's budget will not adequately meet the demand for the subsidy. It appears that to avoid overspending, DSS will again close the Care4Kids program to some portion of now eligible families. If, in 2006, the program is in

⁵⁹ *Crisis in Funding*, see n. 16 above.

⁶⁰ P. Oliveira, *New Strategies to Help Child Care Centers Succeed in the Challenging World of Small Business* (CT Voices for Children, 2005), available at www.ctkidslink.org/publications/ece05strategies11.pdf.

danger of exceeding its budget, it is imperative that DSS not make the choice, again, to close intake prematurely, and in the end, lapse funds.

2. School Readiness. Current law protects districts from receiving less funding through the School Readiness grant than they did in the previous year, suggesting legislative intent to at least sustain the program. Overall, funding has been increased, an indication of intent to actually grow the program. Unfortunately, despite good intentions, the convergence of a number of complications described in this report has resulted in *no* growth for some Connecticut towns, and some *reductions* in others. To avoid these problems in the future:
 - a. A protocol or formula ensuring a balance between increases in capacity and investments in quality for School Readiness programs is necessary to maintain parallel growth in the two goals.
 - b. In School Readiness, as in many other areas of the state budget, reliance on one time funding, though useful in the present, can prove problematic in the future. We must be more careful about our one-time investments, so that expansions can be sustained in future years.
 - c. Finally, a review of the current town distribution formula, as well as the timing and protocol for distributing allotted dollars to towns, should be undertaken to assess the fairness of the formula for all towns as well as to identify barriers to full utilization by some towns.