

January 12, 2010

An Unstable Ladder: How the Fiscal Crisis is Threatening Education and Work Support Programs for Many Women

By Sadaf Knight, Kristina Richardi and Doug Howgate

EXECUTIVE SUMMARY

State programs in higher education, employment training and child care enable residents to attain and keep quality jobs. While these programs are open to all, in each area women make up a substantial majority of those using these programs and services to improve their economic standing and support their families. This report examines state support of higher education, employment training and child care – describing how these programs work, why they are important to the participation of women in the workforce, and the strains on both the programs and participants brought about by the economic crisis.

The budget cuts that have accompanied the current recession have had a substantial affect on child care, adult and postsecondary education and employment training programs. Federal recovery act funds have helped the state to limit some of these cuts, but if recovery funds are not renewed in FY 2011 further program cuts appear likely.

While the current recession has had a negative effect in each of these program areas, the report notes that diminished state support began long before 2009. In higher education, current funding levels fall 22 percent below state funding at the beginning of the decade when adjusted for inflation, while child care support has been cut 18 percent over that same time period.

- Each of the policy areas covered in this report continue to be a vital resource for women looking to improve career opportunities and support their families, in spite of the effects of reduced state funding. Due to funding constraints, the state has frozen access to state subsidized child care; still, thousands of children receive these subsidies each month (although another 20,000 eligible children are on a waiting list awaiting state support).
- Women make up more than 60 percent of graduates of state public colleges and universities and more than 60 percent of attendees of adult basic education courses. Both of these programs help to provide education and training that translate to improved wages and employment. In FY 2010, the state has used more than \$200 million in federal recovery funds to ensure that state colleges continue to receive the same level of funding they had in FY 2009.
- Approximately 7,000 women each year participate in the state's Employment Services Program which provides training and other services to help low-income women transition off of public assistance¹. Women make up more than 90 percent of the participants in ESP.

Each of these areas provides clear benefits in terms of wage, employment or family support for women in Massachusetts. As the state continues to face difficult budget decisions it is important to keep in mind how

¹ Figure from Department of Transitional Assistance. November 20, 2009.

programs across a wide spectrum of policy areas work together to provide economic opportunities to large segments of the population.

INTRODUCTION

Ultimately, budget debates are not just about numbers. They are about how a society uses common resources to achieve common goals. One of the goals of government is to expand opportunity and provide supports that help enable people to be more economically productive. This report focuses on such efforts, specifically from the perspective of how women in Massachusetts are affected by particular programs that help residents participate more effectively in the workforce.

The state provides a wide array of services and programs that help to improve the quality of life for women and their families. From elementary education, to Medicaid and other forms of health care assistance, these programs are crucial in providing for the basic needs of thousands of working families.

This report does not seek to examine all of the areas of state government that are important to women and their families. Rather it focuses on a specific set of programs that are particularly important in helping women to participate effectively in the workforce and to support their families. These programs include education and training initiatives, as well as state programs to provide child care and early education to the children of working parents. These services are vulnerable in the midst of this historic national and state economic crisis. For women and their families, this state budget crisis has been especially hard-hitting. As women and children are often the primary beneficiaries of essential services, they are disproportionately affected by reductions in those services.

This report will focus on three key policy areas that support employment and career growth: education, workforce development and child care financial assistance. The report examines how funding for these state services are integral to the economic security and well-being of women and children, describes the budget cuts implemented to mitigate the Commonwealth's severe budget shortfall, and the impact of the cuts on families in Massachusetts.

State Fiscal Crisis in Context

To understand the context surrounding state funding for programs important to women and children, it is necessary to understand the state's fiscal condition. In each of the last two fiscal years, the state has faced substantial budget gaps that have been addressed by significant cuts to services and programs, and tax increases. These budget gaps have been caused by a combination of short-term economic factors and longer-term fiscal trends. The short-term cause is obvious: our nation has just experienced the most severe recession since the Great Depression. The longer-term causes relate to tax cuts and weaknesses in our tax system that have led to state tax revenue declining significantly as a share of the overall economy.

Between 1998 and 2008 the state personal income tax rate was reduced from 5.95 to 5.3 percent (costing the state \$1.25 billion in FY 2010), the tax rate on dividend and interest earnings was reduced from 12 to 5.3 percent (costing the state \$530 million annually), and the personal exemption was increased to \$4,400 for single filers and \$8,800 for joint filers (costing the state \$440 million annually). In addition, over the same period state sales tax revenues declined due to several factors including the shift of the economy to services, and the increase of internet commerce (which reduces sales tax receipts because the state can often not require internet retailers to collect the sales tax). In sum, the share of income paid in state taxes declined by over three billion

dollars during this period.² The state made many of the choices that led to this decline at times when the expanding economy hid the long-term revenue impact. However, the loss of these revenues meant that, instead of building budget surpluses, the state was faced with a structural budget deficit before the start of the recession. The erosion of state revenues between 1998 and 2000 meant that when the economic crisis struck in 2008, the state was not well-positioned to meet the challenges. This trend of declining tax revenues, with increased demand for state services, resulted in a budget gap of \$5 billion in FY 2010.³

Closing budget gaps of billions of dollars has required the state to balance three primary strategies: steep budget cuts, use of temporary revenues, and increases to existing taxes and fees. Budget cuts and savings made up the largest component of the state's response to the budget gap in FY 2010 (\$2.2 billion). The state also used substantial one-time revenues, in the form of the rainy day fund and money from the American Recovery and Reinvestment Act (ARRA, also referred to as the recovery bill), and an increase in the sales tax and other revenues to meet the budget challenges of the past two years.⁴

Federal recovery funds have been particularly important for preventing further cuts to state programs. In FY 2009 and FY 2010 the state will have spent \$2.9 billion in total ARRA funds to limit cuts, including support for health, education and family support programs. Without funds made available through the federal recovery bill, the state would have been forced to either make even more drastic reductions in spending on vital programs, substantially increase taxes, or likely both.

Unfortunately, without substantial new state revenues, the state will continue to face budget gaps even after the current recession is over. While it has been essential in the current economic climate to use temporary revenues, these revenues by definition are not available permanently and they will eventually either have to be replaced with new revenue or more cuts. Already, the FY 2011 budget gap is estimated at between \$2.24 and \$3 billion.⁵

STATE FUNDING FOR WORKFORCE SUPPORTS

In this section of the report, we look in-depth at key programs that help women in Massachusetts secure and maintain permanent, quality employment. State programs for child care assistance, workforce development and education provide vital assistance to thousands of women looking to improve their work skills, receive professional training and balance their work and family responsibilities. For each program area, we examine how funding for these state services affect the economic security and well-being of women and their families, describe the budget cuts implemented to address the Commonwealth's severe budget shortfall, and examine how these cuts may have impacted the economic well-being of women and children.

² The \$3.26 billion lost tax revenue reflects all tax changes over the time period - both tax increases and reductions. For more information on revenue loss over this time period, please see the MassBudget report, "Substantial Surpluses to Dangerous Deficits," available online at <http://www.massbudget.org/doc/638>.

³ The \$5.6 budget gap is calculated by adding the \$5 billion budget gap closed in the FY 2010 GAA (more information <http://www.massbudget.org/doc/647>) and the \$600 million budget gap caused by the downward revision of revenue estimates (more information found at <http://www.massbudget.org/doc/703>).

⁴ A 'rainy day fund' refers to funds set aside by states to help fill gaps in the case of budget shortfalls.

⁵ FY 2011 budget gap estimates based on the MassBudget FY 2011 Budget preview (available online at <http://www.massbudget.org/doc/693>) and recent estimates from other organizations.

Child Care Financial Assistance

Tens of thousands of low-income women in Massachusetts rely on government funded child care so they can work or attend job training and education programs. In FY 2009, approximately 57,000 children were served each month on average by the Commonwealth's child care financial assistance program.⁶

Why is child care financial assistance important?

Every day in the Commonwealth, families rely on child care to help them go to work, school or job training. Low-income families, particularly those headed by single mothers, rely on child care to go to work or to attend the job training and educational programs they need to get and maintain gainful employment. According to the U.S. Census, over 80 percent of low-income families have at least one working family member, and 75 percent of low-income female heads of household are working.⁷ Access to safe and reliable child care is an integral part of helping mothers work and keep the jobs that they need to support their families.

Without outside support, child care costs would make up a significant portion of a low-income family's budget. The median private market cost of full-day center-based preschool child care in Greater Boston is \$55.80 per day or approximately \$14,496 annually.⁸ To put this in perspective, a family of three living at the federal poverty level earns \$18,310 annually.⁹ Given child care's prohibitive market rate cost, state financial assistance is essential in making child care accessible and affordable for low-income families.

The Commonwealth's child care financial assistance program impacts low-income working mothers and their children in the following ways:

- Provides access to affordable and reliable care. Access to affordable child care allows low-income mothers to keep their jobs or attend education or job training programs that facilitate entrance into the workforce and improve their economic security;
- Supports jobs in the child care sector. The child care workforce is over 96 percent female, and child care subsidy payments purchase slots at child care programs, which ultimately support jobs for low wage workers;¹⁰ and
- Supports enriching learning environments and prepares children for school. Research shows that children who receive early childhood education and care before kindergarten show higher reading and math skills when they enter kindergarten.¹¹

How does it work?

Child care financial assistance programs, or child care subsidies, help eligible low-income families pay for child care services. Eligible families must make a co-payment which varies according to family income and size.¹² For example, under the child care financial assistance program, a family of three who earns \$21,600 in

⁶ See Massachusetts Department of Early Education and Care, *The Capacity of the Early Care and Education System*, September 2009: <http://www.eec.state.ma.us/docs/LegislativeSystemCapacityReportSept2009.pdf>.

⁷ See U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement, *Families with Related Children Under 18 by Number of Working Family Members and Family Structure: 2007*, http://pubdb3.census.gov/macro/032008/pov/new07_200_01.htm.

⁸ Massachusetts 2008 Child Care Market Rate Survey.

⁹ National Center for Children in Poverty: Income Converter: <http://www.nccp.org/tools/converter/>.

¹⁰ See U.S. Bureau of Labor Statistics, Current Population Survey: *Women in the Labor Force: A Databook* (2009 Edition): <http://www.bls.gov/cps/wlftable11.htm>.

¹¹ See CLASP, School Readiness of Children in Early Care Arrangements at http://www.clasp.org/issues/did_you_know?type=child_care_and_early_education&id=0006.

¹² The Department of Early Education and Care (EEC), has established a Parent Co-Payment Schedule (available at http://www.eec.state.ma.us/docs/FA_IE_PCP_FY10.pdf) which adheres to federal benchmarks for child care affordability. Federal CCDF regulations suggest that child care costs should not exceed 10 percent of a family's gross income to be deemed affordable (See United State General Accounting Office: GAO-02-894 Child Care Reimbursement Rates, 2002.)

gross income annually would be expected to pay approximately \$2,078 a year for full time child care. The Commonwealth then reimburses the child care provider for the difference between what the parent can pay and the state provider reimbursement rate.

Who is eligible?

There are several ways a family may access child care financial assistance in the Commonwealth. If a family receives benefits through Temporary Aid for Families with Dependent Children (TAFDC) and the head of household is working or in a job training program, the Department of Transitional Assistance (DTA) may authorize access to child care assistance for a determined period of time. Also, some children receiving child protection services through the Department of Children and Families (DCF) may also be authorized to receive supportive child care through the state's financial assistance program. EEC is required to prioritize funding and services for TAFDC recipients authorized by DTA and children authorized by DCF.¹³

In addition to families eligible due to DTA and DCF authorization, other low-income families may still be eligible for child care financial assistance. To be considered eligible, a family must demonstrate that it meets certain income and activity participation requirements. To meet income eligibility, a family must have an initial gross income at or below 50 percent of the State Median Income (SMI). For a family of three in 2009, 50 percent of the Massachusetts SMI is \$39,208, or approximately double the federal poverty level.¹⁴ Once that family receives assistance, they may remain eligible until their income exceeds 85 percent of the SMI, provided they continue to meet other eligibility criteria.¹⁵

In addition to meeting this income threshold, parents/guardians must also demonstrate participation in an allowable activity, such as employment, employment search, or education or job training program. Unlike families who receive child care financial assistance through entitlement programs in DCF and DTA, other low-income families may only receive child care financial assistance if state funds are available. As such, the family must first be placed on EEC's centralized waiting list for child care financial assistance and are notified when funding becomes available. As of May 2009, just over 20,000 children (not authorized to receive care through DCF or DTA) had been placed on the waiting list for child care financial assistance.

How is child care financial assistance funded in the state budget?

Since FY 2001, child care financial assistance has received funding through several state budget line items and has been administered by several different state agencies. However, in FY 2005, with the creation of the new Department of Early Education and Care (EEC) funding streams for child care financial assistance were streamlined in order to centralize management of the program.¹⁶ Three primary state budget line items emerged: one providing access for children with active DCF cases; one providing access to families receiving or transitioning from TAFDC who are working or in job training programs; and one for and all other low-income eligible families. As mentioned earlier, EEC must prioritize funding for families served through the supportive child care and TAFDC child care line items, since those programs are considered to be entitlement

¹³ EEC is federally mandated to support families authorized through the TAFDC program and required by state mandate to support children with open DCF cases via state budget language. Please see Massachusetts Department of Early Education and Care, *EMB FY 2010-01: Urgent Update on Access to EEC Child Care Financial Assistance*: http://www.eec.state.ma.us/docs/EMB_FY2010_01UrgentUpdateAccess2EECChildCareFinancialAssistance.pdf.

¹⁴ See Department of Early Education and Care, *EEC Financial Assistance Parent Co-Payment Table* at http://www.eec.state.ma.us/docs/FA_IE_PCP_FY10.pdf.

¹⁵ Families with a child with a documented disability are eligible for child care financial assistance if their income is at or below 85 percent of the SMI and may remain eligible until their income exceeds 100 percent of the SMI.

¹⁶ Through Chapter 205 of the Acts of 2004, the Massachusetts General Court established the Department of Early Education and Care (EEC) in Chapter 15D of the General Laws in order to consolidate all early education and care programs and services under a single agency. On July 1, 2005, EEC officially became operational. EEC combines the functions of the former Office of Child Care Services (OCCS) with those of the former Early Learning Services Division (ELS) at the Department of Education.

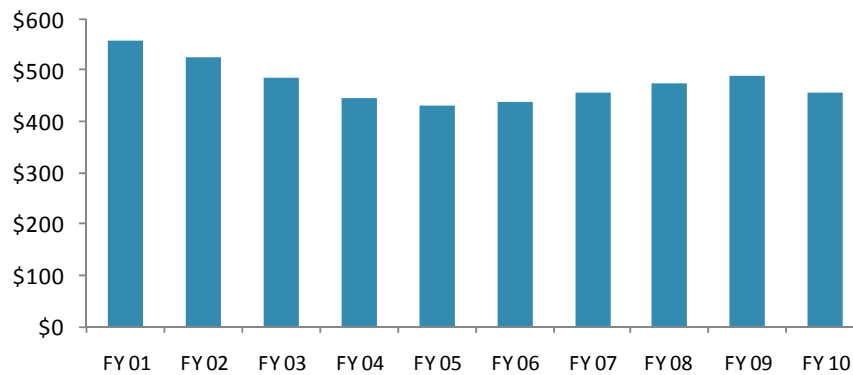
accounts. Since the income eligible account is not considered an entitlement account, income eligible families are placed on a waiting list and must await access to services depending on funding availability.

How has the current economic crisis affected child care financial assistance?

Even before the current economic crisis unfolded, state support for child care subsidies had been declining since the start of the decade. After adjusting for inflation, state funding for these programs has decreased overall by 18 percent between FY 2001 and FY 2010 (See Figure 1) and never fully recovered from the cuts in the previous recession.¹⁷

Figure 1. 18 % Decline in Funding for Early Education & Child Care

Inflation adjusted spending on Early Education & Child Care (millions)



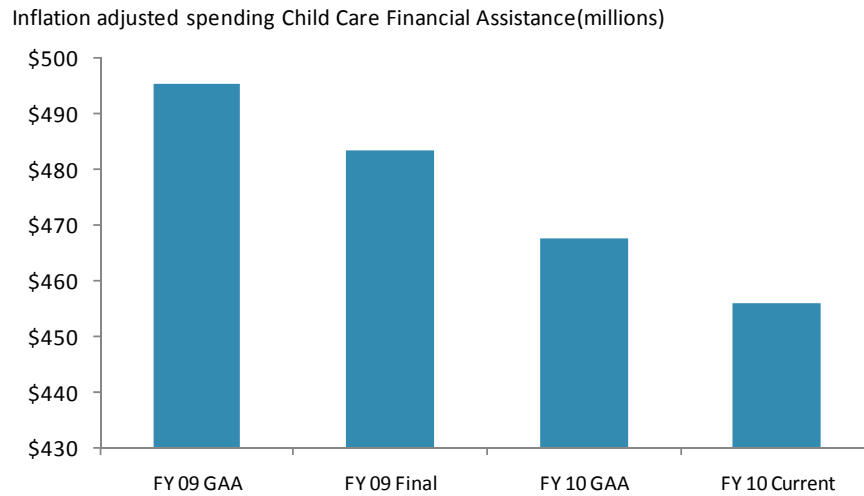
Inflation Adjusted Child Care Funding (millions)	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
	\$559	\$525	\$486	\$445	\$430	\$437	\$455	\$476	\$488	\$456

The current economic crisis has had a further negative affect on child care financial assistance. Since the passage of the FY 2009 GAA, as falling revenues have dramatically restricted the budget, FY 2010 spending on child care financial assistance is down 8 percent. Although the FY 2009 GAA provided \$495.4 million for child care financial assistance, \$8.9 million in mid year 9C cuts decreased actual FY 2009 funding for child care financial assistance to \$487 million.¹⁸ Then, the FY 2010 GAA appropriated \$467.6 million in funding to child care financial assistance, \$27.8 million below the original FY 2009 GAA level. As a result of the continued state revenue shortfall, the FY 2010 appropriation for subsidies has already been decreased by an additional \$11.6 million through 9C cuts introduced in late October. To date, child care financial assistance has been cut by \$39.4 million since the passage of the FY 2009 GAA alone (See Figure 2).

¹⁷ FY2001 marked the peak of the state’s economic cycle prior to the last economy. These figures provide an approximation of state spending on child care subsidies since 2001. Some preschool child care subsidies provided through the Community Partnership for Children Program (CPC) were embedded in the principal ELS line item from FY 2001 to FY 2004 and EEC’s CPC line item through FY 2007, which at the times funded additional early learning activities such as professional development, accreditation support, and some local subsidy administration. As such, we note that this budget analysis includes funding for subsidies and other related services.

¹⁸ The term ‘9C cuts’ refers to Section 9C of Chapter 29 of the Massachusetts General Laws, which requires that when projected revenue is less than projected spending, the Governor must act to ensure that the budget is brought into balance. Meaning, the Governor can cut funding for programs as necessary to bring the budget back into balance.

Figure 2. Child Care Funding Cut by \$39.4 Million Since FY 2009 GAA



The federal recovery act (ARRA) provides a total of \$23.9 million in temporary funding for child care financial assistance through the Child Care Development Block Grant (CCDBG) for use between February 2009 and September 2011. However, not all of the state's ARRA award may be used to fund child care financial assistance. At a minimum, the Commonwealth is required to allocate a little over \$3 million for targeted quality expansion activities, \$1.1 million of which must be targeted for activities to improve infant and toddler care specifically. This leaves approximately \$20 million remaining to provide access to child care financial assistance for low-income families. Unfortunately, even though the \$20 million available in ARRA funds is meant to bolster funding over several fiscal years, it will cover just over half of the cuts incurred in FY 2010 alone.

In response to budgetary pressure spurred by cuts, EEC has all but closed access for any new income eligible families (not authorized by DTA or DCF)¹⁹ currently on the EEC centralized waiting list.²⁰ Currently, new income-eligible families may only access child care vouchers if additional funding becomes available through either the state budget process or if there is higher than anticipated attrition (families who leave the program), which may free up funds and that could allow EEC to re-open access.²¹

Overall, families will be waiting longer for access to child care financial assistance. Since demand for services remains high, the lack of available subsidies will likely pose challenges for low-income working families.²² In fact, the demand for child care financial assistance has long exceeded the number of slots supported by state funding. As of May 2009, 20,175 children had been placed on the EEC's centralized waiting list for child care

¹⁹ EEC is federally mandated to support families authorized through the TAFDC program and required by state mandate to support children with open DCF cases. Please see Massachusetts Department of Early Education and Care, *EMB FY 2010-01: Urgent Update on Access to EEC Child Care Financial Assistance*: http://www.eec.state.ma.us/docs/EMB_FY2010_01UrgentUpdateAccess2EECChildCareFinancialAssistance.pdf

²⁰ See Massachusetts Department of Early Education and Care, *EMB FY 2010-01: Urgent Update on Access to EEC Child Care Financial Assistance* http://www.eec.state.ma.us/docs/EMB_FY2010_01UrgentUpdateAccess2EECChildCareFinancialAssistance.pdf.

²¹ According to *EMB FY 2010-01: Urgent Update on Access to EEC Child Care Financial*, child care providers who currently hold income eligible subsidy contracts with EEC may serve new income eligible families from the waiting list on a first come, first serve basis by priority status, if they have unfilled contracted slots and no subsidy families in their EEC funded flex pool slots.

²² See Department of Early Education and Care: FY 2009 Annual Legislative Report: http://www.mass.gov/Eeoe/docs/EEC/research_planning/state_planning/legislative_rpt_09.pdf.

financial assistance and, thus, were awaiting access to subsidized child care services.²³ This shows a marked increase from the 14,407 children reported on the EEC waiting list in June 2005.²⁴ This increase in waiting list figures coincides with the beginning of the economic downturn. More families are being placed on the waiting list, but few to no families are being moved from the waiting list into active child care subsidized slots. Furthermore, waiting list figures often underestimate the true demand for these important services, largely because many families may not know that they are indeed eligible for this program, particularly as families who traditionally were ineligible for such services become eligible because of wage cuts or job reductions.

Further compounding the effect of cuts to low-income children and families are budget cuts to programs which provide outreach and education to parents about child care financial assistance, eligibility and how to choose quality child care programs. This line item was cut by \$4.4 million through 9C cuts introduced in late October, which represents a decrease of nearly 45 percent.²⁵

What are the implications of these cuts on the economic well-being of women and children?

As a result of the freeze in enrollment for income eligible families on the EEC waiting list, more and more low-income women will struggle to afford safe and reliable child care. The \$39.4 million cut to child care financial assistance since 2009 likely translates into as many as 4,250 fewer children accessing subsidized care.²⁶ This affect could be mitigated, albeit in the short term, if ARRA funds are used to open or maintain access to child care financial assistance for children at risk of losing their slot or children currently on the waiting list. For many, the lack of access to child care financial assistance may mean placing their children in less costly unregulated child care arrangements because the private market is unaffordable without assistance. Informal child care arrangements are often unreliable, placing a burden on low-income mothers, whose jobs generally lack the flexibility and leave time needed to respond to unforeseen gaps in care. These arrangements may lead to families scrambling for care so they can keep their jobs, and potentially losing their jobs if they miss work to care for their children. Also, some low-income mothers may have to turn down jobs because they simply cannot find safe and affordable child care.

The lack of access to child care financial assistance also directly affects children. Because informal child care arrangements are unregulated, unlicensed and often unreliable, health and safety standards and high quality learning environments cannot be enforced. In these situations, children may not be able to access the numerous developmental benefits of regularly attending licensed, quality early education and care programs.

Access also impacts providers and those they employ. When access to child care financial assistance is restricted, child care providers also see a negative impact on their bottom line, which could result in layoffs to many low-income women who work in child care.²⁷ For child care programs whose clients are largely recipients of child care financial assistance and otherwise not able to afford child care, a cut in funding for child care subsidies may mean that a number of their child care slots go unfilled, also leading to layoffs and job reductions.

²³ See Massachusetts Department of Early Education and Care, *The Capacity of the Early Care and Education System*, September 2009: <http://www.eec.state.ma.us/docs/LegislativeSystemCapacityReportSept2009.pdf>.

²⁴ See Massachusetts Department of Early Education and Care, *Waiting for Subsidized Child Care in Massachusetts 14,407 Children as of June 2005*: <http://www.eec.state.ma.us/docs/REChildrenWaitMA200506.pdf>.

²⁵ See Massachusetts FY 2010 Budget Tracking at http://www.mass.gov/bb/gaa/fy2010/app_10/dpt_10/heec.htm

²⁶ Since detailed caseload and billing data is unavailable, this estimate was calculated using FY 2010 Reimbursement Rate data available at <http://www.eec.state.ma.us/> and approximating state annual cost for one child by using maximum full day reimbursement rate for center-based preschool child care on a full year calendar. This estimate may be conservative because many children, including a large number of school age children, access care at a lower state cost because of the part time nature of their schedule.

²⁷ U.S. Bureau of Labor Statistics, *Current Population Survey: Women in the Labor Force: A Databook (2009 Edition)*: <http://www.bls.gov/cps/wlftable11.htm>.

Public Higher Education

Women receive more than 60 percent of the degrees conferred by the state public higher education system.²⁸ Each year, these degree and certificate programs enable thousands of women to find new jobs and improve career opportunities. As discussed below, the financial crisis has placed strains on the public higher education system, with demand increasing as resources decline.

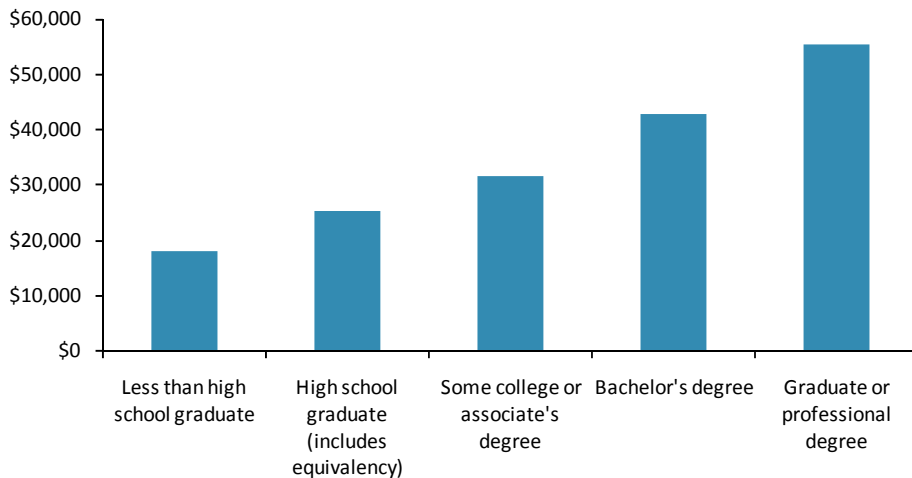
Why is public higher education important?

Each year between 15,000 and 20,000 women in Massachusetts receive degrees or certificates from public postsecondary institutions.²⁹ Postsecondary education leads to improved wages and career opportunities. By offering programs that cover the spectrum from professional certificates to PhD's, public higher education's diverse range of opportunities means that it can benefit students with a wide range of professional aspirations.

As shown below in Figure 3, recent census data indicates the substantial wage effect of a post secondary education brings to women in Massachusetts.³⁰

Figure 3. Post Secondary Degrees Bring Substantial Wage Benefits

Inflation Adjusted Median Earnings for Women by Education Level



Each higher education degree earned brings with it, on average, substantially increased wages. In Massachusetts the salary benefits of advanced degrees (both public and private) average between 25 and 35 percent higher than the preceding degree categories. For example, women who have a bachelor's degree earn, on average, \$42,681 compared to average earnings of \$25,270 for women with a high school degree or its equivalent. This percentage wage increase of 69 percent is larger than the equivalent wage increase for men going from a high school degree to a bachelor's degree (60 percent). Thus, while a college degree is increasingly important for both men and women seeking to earn a middle-class income, the wage differential for such a degree remains significantly greater for women.

Not only do degrees and other postsecondary programs bring higher wages, they are also more and more often prerequisites for getting many jobs in the state's economy. Of the 30 fastest growing occupations in Massachusetts, 23 require at least an associate's degree.³¹ In addition, a postsecondary education provides

²⁸ MA Department of Higher Education. "Degrees Conferred at Massachusetts Institutions of Higher Education." June 2009. <http://www.mass.edu/library/Reports/DegreesConferredFY2008.pdf>.

²⁹ Ibid.

³⁰ Wage differential calculated using U.S. Census 2006-2008 American Community Survey 3-Year Estimates.

³¹ http://lmi2.detma.org/lmi/pdf/profiles/Massachusetts_Regional_Profile.pdf (page 6).

some level of insurance against layoffs. While 44 percent of the Massachusetts workforce has at least a bachelor's degree, only 25 percent of unemployed workers have a bachelor's degree or more.³² In fact, almost half of all unemployed workers in Massachusetts have no postsecondary degree of any kind.

How is public higher education funded in the state budget?

The annual budget includes a separate appropriation for each of the state's 25 public higher education institutions as well as funding for scholarships.

Traditionally, state funding covers approximately 30 percent of the cost of operating a public higher education institution.³³ In FY 2007, state funding of \$1.1 billion provided about \$8,000 per student. The budget appropriation for each higher education campus is based on a formula that weighs instruction, support and physical plant expenses. However, while the formula is used to inform funding decisions, the actual levels of state support for state college campuses fall below the level called for by the formula.

In addition to line items for each campus, the state budget also includes separate funding for scholarship programs (\$87.9 million in FY 2010), as well as for other smaller programs run through the state college system.

How has the current economic crisis affected public higher education?

In FY 2010, the state has used federal recovery money to ensure that each campus receives its FY 2009 GAA level of funding. This means that while the state has reduced its own appropriations to higher education campuses by \$230 million from the amount included in the original FY 2009 budget, an equal amount of ARRA money is being used in its place. While this use of federal recovery funds has allowed the state higher education system to operate without a cut in FY 2010, it is important to note that recovery funds may not be available in FY 2011, meaning that the state will have to increase its own higher education funding level by \$230 million to keep colleges at the same funding level they received in FY 2010. At the same time, cost growth due to inflation, as well as to additional requirements attached to federal funding³⁴, means that level funding from FY 2009 to FY 2010, will likely have some negative effects on programs and services.

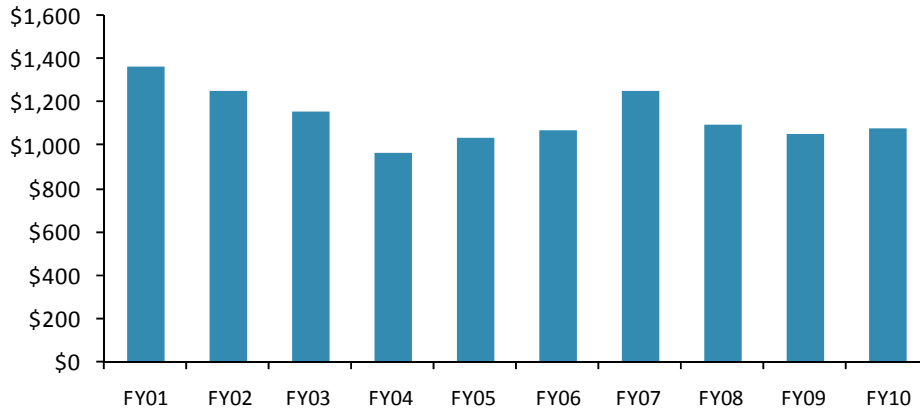
³² Unemployment & educational attainment calculated using U.S. Census 2006-2008 American Community Survey 3-Year Estimates.

³³ State support of public higher education as a percentage of total spending can be found in the Department of Higher Education's FY 2009 budget request available online at <http://www.mass.edu/forinstitutions/fiscal/documents/FY09BudgetSummary.pdf>.

³⁴ Unlike the state aid which it replaces, federal stimulus aid that is spent on personnel costs will require the campus to reimburse the state for attendant health insurance costs. Therefore, while federal aid will be a dollar for dollar replacement of state aid, each campus will be required to increase their health insurance reimbursement back to the state, meaning that states will actually see a cut in nominal dollars.

Figure 4. 22% Decline in Funding for Higher Education

Inflation Adjusted Spending on Higher Education (millions)



Inflation Adjusted Higher Education Funding (millions)	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
	\$1,359	\$1,252	\$1,159	\$968	\$1,034	\$1,069	\$1,248	\$1,092	\$1,047	\$1,076

While the use of recovery dollars reduced cuts to higher education campuses so far in FY 2010, state colleges have never recovered from the steep cuts made during the last economic downturn between FY 2002 and FY 2004. After increasing support for public higher education between FY 2005 and FY 2007, funding has decreased in the past three years and is now 21.9 percent below the FY 2001 spending level, even including ARRA funding in FY 2009 and FY 2010 (adjusted for inflation). (See Figure 4 above).

In addition, state funding for public higher education programs that did not receive federal recovery funds suffered substantial cuts in the FY 2010 GAA. Most notably, funding for state scholarship programs was cut by almost \$9 million, or 9 percent, between the FY 2009 and FY 2010 budgets.

What are the implications of these cuts on the economic well-being of women and children?

The current budget crisis has resulted in greater numbers of residents looking to the state’s postsecondary system to improve their career outlook, and the higher education system has made a priority of meeting that demand, particularly at the community college level. Community colleges have seen an 11 percent increase in student attendance between the 2008 and 2009 school years.³⁵ The ability to meet this demand is a result of the state making substantial ARRA funds available to public higher education campuses. By using federal recovery dollars to prevent cuts during the recession, colleges have been able to stretch resources to meet demand.

While the state higher education system has been able to accommodate increased numbers of students, this larger student population is competing for a smaller amount of state financial aid. As mentioned in the section above, the state’s scholarship support line item received a \$9 million cut in FY 2010. This cut has meant that MassGrant (the state’s primary scholarship tool) amounts have been cut in the current year. The state has been

³⁵ MA Department of Higher Education. “Degrees Conferred at Massachusetts Institutions of Higher Education.” June 2009. <http://www.mass.edu/library/Reports/DegreesConferredFY2008.pdf>.

able to consolidate scholarship programs to allow a larger number of MassGrant awards in the current year, but funding cuts and increased demands have meant that the amount of each award has been reduced.³⁶

In addition to reductions in financial aid, the financial crisis has also contributed fee increases at public higher education campuses. Between FY 2009 and FY 2010, mandatory fees at higher education campuses have increased from \$5,297 to \$6,056. These fees have risen steadily over the past decade – 128 percent since FY 2001 and 22 percent since FY 2005 after adjusting for inflation.

While ARRA funds were unable to prevent fee increases and scholarship reductions, the recovery funds have allowed the state to maintain pre-recession levels of support for public higher education campuses. Because of the aggressive use of ARRA funds in FY 2009 and FY 2010, little remains for FY 2011. When the ARRA funds run out, and when the maintenance of effort requirements expire, there will be danger of significant cuts to public higher education.

Adult Basic Education

The Adult Basic Education (ABE) system, run through the state's Department of Elementary and Secondary Education, provides many services such as literacy training, high school equivalency and instruction in English as a second language. Combined, ABE programs provide more than 20,000 residents annually with the skills they need to participate more fully in work, family, and civic life.³⁷ The program provides literacy and language training for those who have not completed high school or who have not achieved proficiency in English.

Why is Adult Basic Education important?

ABE is important because it is the state's primary delivery method for providing basic education and workplace skills to residents who are past school age. The program, therefore, acts as a stepping stone for thousands of people each year who use these literacy and language skills to find better jobs or move on to further education such as an apprenticeship, certificate program, or associates degree, which lead to even better job opportunities. ABE is an especially important program for many women in Massachusetts, who make up 61 percent of its total enrollment.³⁸

Basic language and literacy skills are essential for work and life. While the public education system works to ensure that all people entering adulthood have the skills and knowledge to meet life and work challenges, there remains a need to provide resources for the estimated 1.1 million adults in Massachusetts who do not have these skills.³⁹ ABE programs provide those resources.

As noted earlier in this report, average wages for those without a high school diploma or its equivalent fall far below the wages for those with at least a high school degree. The costs associated with not having a high school degree become more pronounced in a recession as these workers are most likely to be laid off. The state's ABE system provides important services to thousands of women in Massachusetts without a high school diploma to help them develop skills necessary for work and life.

³⁶ ARRA did provide a \$364 million increase for Pell Grants for Massachusetts; however these are, again, temporary funds.

³⁷ Figure obtained from the MA Department of Elementary and Secondary Education.

³⁸ Ibid.

³⁹ http://www.eric.ed.gov/ERICDocs/data/ericdocs2sql/content_storage_01/0000019b/80/29/d1/fe.pdf.

How does it work?

Each region of the state receives ABE funds based on population and need assessments and as a result of an open and competitive proposal process, which usually occurs every five years. Within each region, local schools, community based organizations, workplaces, union halls, houses of correction, libraries, and community colleges, or other approved adult education programs receive funds to offer ABE instruction in a classroom setting.⁴⁰ Instruction in literacy, English language skills or other subjects necessary to attain a high school equivalency is provided, usually for between 5 and 6 hours per week for an average of 21 weeks.

In addition to stand-alone education programs, the ABE system also links with the state’s workforce development network to help ABE participants find improved employment. Each of the state’s Workforce Investment Boards includes a representative from the local ABE community. The Adult and Community Learning Services division of the Department of Elementary and Secondary Education has a formal working relationship with the state’s One-Stop Career Center network to provide basic education skills to adults looking to reenter the workforce. While ABE programs provide adults with basic skills, One Stop Career Centers focus on more specific job training and can connect graduates with employers.

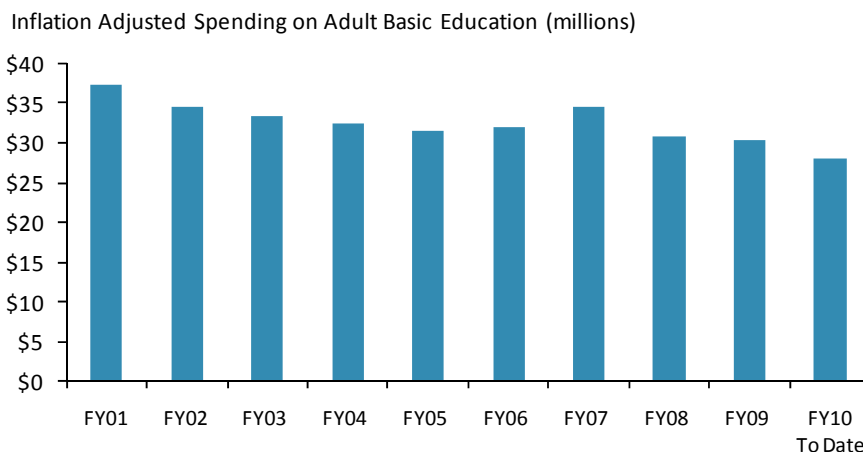
Who is eligible?

ABE programs are available to Massachusetts adults without a high school diploma or English language skills. There is, however, a substantial waiting list for ABE services. In the current year, ABE serves approximately 22,000 adults, with another 20,000 people on the waiting list.⁴¹

How is Adult Basic Education funded in the Budget?

ABE programs are funded through a line item in the state budget and through federal funding. Funding for this line item has remained essentially flat in nominal dollars over the past 10 years. In the FY 2001 budget, the state appropriated \$30.2 million for ABE programs. In FY 2010, ABE programs are being funded at \$28.1 million. When adjusted for inflation, however, ABE funding has actually decreased by 25 percent over the past decade, as seen below in Figure 5.

Figure 5. 25 % Decline in Funding for Adult Basic Education



⁴⁰ MA Department of Elementary and Secondary Education. <http://www.doe.mass.edu/acls/>.

⁴¹ Figure obtained from the MA Department of Elementary and Secondary Education.

Inflation Adjusted Adult Basic Ed. Funding (millions)	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
	\$37	\$35	\$33	\$32	\$31	\$32	\$34	\$31	\$30	\$28

How has the current economic crisis affected adult basic education?

ABE, like hundreds of other state programs, has experienced funding cuts in light of the budget crisis. When state revenues first began to decline in FY 2009, ABE funding was cut by \$1.8 million through the 9C process, to a funding level of \$30 million. It is estimated that each \$1,700 cut corresponds to the loss of one ABE slot. Therefore, the FY 2009 9C cuts reduced ABE slots by approximately 1,059.

In FY 2010, ABE funding was cut further to \$28.1 million, a reduction of approximately 10 percent from the FY 2009 GAA level, further reducing the number of people served through ABE by approximately 1,118.⁴²

What are the implications of these cuts on the economic well-being of women and children?

Cuts to the ABE system affect women in Massachusetts looking to improve their career opportunities. The 13,000 women taking ABE classes lack a high school education, or English literacy skills, making them at risk for unemployment. In addition, these women are often in need of other social supports, such as TAFDC, SNAP or child support subsidies. ABE helps these women to build the foundation necessary to participate more fully not just in the economy but in society. ABE also helps women’s families, helping mothers read to their children, participate more fully in their child’s education, and improve their understanding of health information. Research has also shown that the educational level of the mother impacts the education level of the child, making ABE is a crucial tool in breaking the cycle of poverty.⁴³ As mentioned earlier, the cuts already made to ABE result in 1,900 fewer people getting access to these important services.

Transitional Aid to Families with Dependent Children (TAFDC) Employment Services

The Employment Services Program (ESP) was created as a part of the 1995 welfare reform in an effort to provide job training and placement services to recipients of public assistance. The state’s Transitional Aid to families with Dependent Children (TAFDC) program provides cash assistance to families with children who have little to no income or assets. This section will examine state funding for ESP and the effect of funding reductions on women and children.

Why is this program important?

The Employment Services Program is designed to assist TAFDC clients in obtaining jobs by providing vital skills-building, education and training, and job placement services. According to the Department of Transitional Assistance (DTA), there were over 50,000 households receiving TAFDC assistance in October of 2009, which is about half as many cases as 1994.⁴⁴ However, due to the fiscal crisis, the number of families relying on TAFDC aid has increased recently. In the past year, the caseload has increased by 7 percent.⁴⁵ As the

⁴² Quality of instruction is also a concern as funding is reduced over the long term. Research has shown that limited resources and support has had negative impacts on instructors’ ability to provide quality instruction. For more information, see The Working Conditions of Adult Literacy Teachers: Preliminary Findings from the NCSALL Staff Development Study.” Focus on Basics Volume 4, Issue D, April 2001. <http://www.ncsall.net/?id=291>.

⁴³ Sticht, Tom. Toward a Multiple Life Cycles Education Policy: Investing in the Education of Adults to Improve the Educability of Children. Presented at the National Center for Family Literacy Annual Conference March 4, 2007. <http://www.nald.ca/library/research/sticht/06dec/06dec.pdf>.

⁴⁴ U.S. Department of Health and Human Services. http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm.

⁴⁵ Massachusetts Office of Health and Human Services.

http://www.mass.gov/?pageID=eohhs2modulechunk&L=4&L0=Home&L1=Government&L2=Departments+and+Divisions&L3=Department+of+Transitional+Assistance&sid=Eeohhs2&b=terminalcontent&f=dta_r_finassist_tafdc&csid=Eeohhs2.

number of recipients continues to increase, these training and job placement services could help recipients transition out of public assistance and build toward more long-term financial security.

ESP provides the following services to TAFDC recipients:

- Job search and placement services for those clients who are ‘job ready’ through employment service providers. These services are geared toward individuals who have work experience and who are returning to the labor market with no more than a two-year gap in employment;
- Short-term employment training and education through programs at Massachusetts Community Colleges, local workforce training centers; and GED testing;
- Employment ready and job placement services for non-English and non-Spanish speaking former refugees and/or immigrants, with instruction provided in the native language of the client;
- Employment supports and enhanced employment supports for workers facing significant barriers;
- Education and support programs for young parents, between the ages of 14 and 21, who do not have high school diplomas; and

In addition, there are also non-ESP funded activities that TAFDC clients can participate in to fulfill the work requirement with approval from the client’s case manager. For these activities, such as community service and post-secondary education programs, the client is responsible for providing funding. TAFDC clients are also referred to the state’s One-Stop Career Centers for further job search assistance.

How does this program work? Who is eligible?

Currently there are approximately 7,500 participants in ESP.⁴⁶ Most TAFDC clients who are not disabled or caring for a disabled family member are required to participate in ESP, are subject to a time limit of 24 months within a five-year period for TAFDC assistance, and must also enroll in the Work Program, which requires them to engage in activities deemed by DTA as work. Other TAFDC exemptions include teenage parents under the age of 20 who are working toward high a high school diploma or its equivalent, women in the last 4 months of pregnancy, and those receiving benefits for the care of a child and not for themselves.

For each client, the DTA is required to make an assessment of the recipient’s skills and interests in order to draft an Employment Development Plan (EDP), which contains the job, education, and training goals as well as an outline of the services needed for each individual participating in the ESP. The EDP is signed by both the individual and their DTA worker. Though the EDP should be customized for each ESP participant, it is unclear whether the specific interests and skills of the participants are being incorporated in the EDPs.

Currently there is enough funding for approximately 4,500 seats within ESP for the job ready, employment and training, employment support, and enhanced employment support programs. Most of these are provided for between four and twelve weeks of instruction. With a total TAFDC caseload of 50,000, this means only 11 percent of TAFDC clients are able to enroll in ESP programs funded by DTA. Many of the over 7,500 clients who are participating in ESP have simply been approved for the program, but DTA has not yet allocated funding for the activity. The short-term period for training and a limited number of seats is often not sufficient for providing clients with quality training needed to advance in the workplace.

⁴⁶ Figure was obtained from the Department of Transitional Assistance, November 20, 2009.

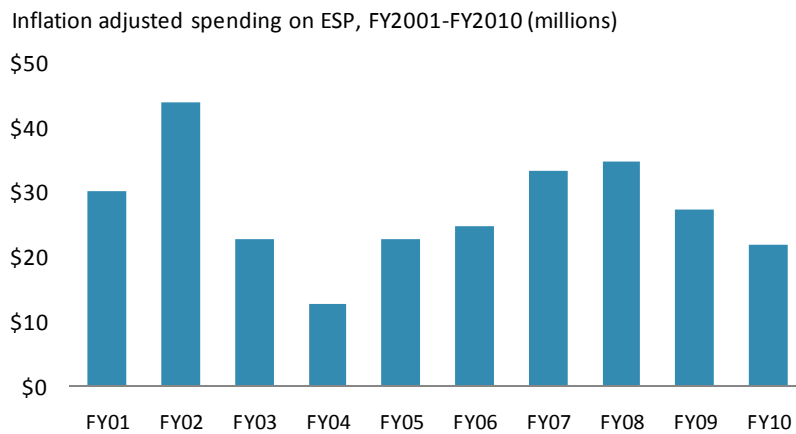
How is the Employment Services Program funded in the state budget?

Since 2001, ESP has been primarily funded through two budget line items. The first is a direct appropriation for the administration of ESP by the Department of Transitional Assistance, and the second is referred to as ‘retained revenue’ line item.

The ‘retained revenue’ line item consists of two funding streams. The first is revenues that DTA retains when other agencies, such as the Department of Developmental Services or the Massachusetts Rehabilitation Commission, provide employment and training programs for SNAP (food stamp) recipients. DTA receives a match of 50 percent of these revenues from the U.S. Department of Agriculture (USDA), and that amount is drawn into the retained revenue line item that funds ESP. The second funding stream for this line item consists of reimbursements to DTA from USDA for outreach and bonuses that USDA awards the state for timely processing of applications. These reimbursements are also drawn into the retained revenue line item and are used by DTA to fund ESP.

When the state budget is drafted for a particular year, the total amount of funds that DTA will receive for the retained revenue line item is unknown because it will be collected during the span of that coming year. To account for this, the state legislature includes a cap, or a maximum amount, for this line item in the state budget. This cap is an estimate of the total amount of money that could possibly be collected for this line item, in the form of reimbursements from other departments and from USDA, as explained in the paragraph above. Actual spending, however, is dependent on the actual amount of revenue and reimbursements that is received by DTA. Thus, the cap set by the legislature in the state budget can be much higher than the actual amount of funds spent. In this report, actual spending amounts for the ESP retained revenue line item were used for the analysis.⁴⁷

Figure 6. 27% Decline in Funding for Employment Services Program



Inflation Adjusted Employment Services Funding (millions)	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
	\$30	\$44	\$23	\$13	\$23	\$25	\$33	\$35	\$27	\$22

As seen above in Figure 6, overall, funding for ESP has decreased substantially since FY2001. A sharp decline between FY2002 and FY2004 resulted in a total decrease of \$31 million, in real terms, or 71 percent of funding.

⁴⁷ Actual spending amounts for the ESP retained revenue line item were used for all years except FY2010. For this year, the total budget appropriation amount was used, as spending amounts are unknown.

This was due in part to the Governor's 9C cuts in 2003 and then further cuts in budget appropriations for ESP in 2004. Though some of this funding was restored between FY2005 and FY2008, as ESP funding increased by 53 percent, it still had not reached back up to FY01 levels. Due to 9C cuts in both FY2009 and FY2010, funding for ESP was once again on the decline. Since then, budget appropriations for ESP have decreased by \$12 million, bringing total funding down to \$21.9 million.

This lack of sufficient funding, however, has been a long-standing problem with the functioning of ESP overall. Though the stated goals of the program, as outlined above, are to provide the training and support needed for TAFDC clients to obtain meaningful and gainful employment, it is unclear if the program has ever had the capacity to fulfill its goals. As funding has decreased over time, DTA and ESP service providers have been strained to provide these services without the necessary support and resources. The minimal number of slots available, short time period allotted for training, and increasing pressure on service providers to operate with fewer resources are all factors that affect whether ESP is able to deliver these services – particularly for those workers with the most severe barriers to employment. However, with increased and sustained funding, and a focus on workers' long-term stability, ESP could serve as an important vehicle for more effective training and job support for TAFDC clients.

How has the current economic crisis affected the Employment Services Program?

As mentioned above, ESP has been particularly vulnerable to economic downturns and has experienced significant reductions in funding over time, particularly with 9C cuts by the Governor. The past two years have been no exception. In FY2008, budget appropriations for ESP totaled \$38.5 million. In FY2009 and FY2010, funding for ESP has been reduced significantly, resulting in a total reduction of 43 percent, or \$17 million.

ESP funding was cut by \$3.6 million, or 13 percent, in the most recent FY2010 9C cuts.⁴⁸ The program to provide cars to ESP participants who cannot otherwise get to work has been eliminated, as well as transportation assistance provided by an outside contractor. Contracts with Career Centers have also been cut, due to insufficient funding. Though ESP participants are still referred to Career Centers, without a contract with DTA there is no particular guidance or programs for ESP clients. In addition, other employment service providers are not expected to spend the full amount of their contracts, which will also result in some savings.⁴⁹

At a time when an increasing number of individuals and families are facing economic hardships, these cuts will have significant impacts. In addition to losing the cash assistance, those individuals who have been hardest hit by the economic crisis will also no longer have access to the skills-building and job placement programs provided by ESP.

What are the implications of these cuts on the economic well being of women and children?

The continued reduction in ESP funding, and TAFDC aid overall, will have a disproportionate impact on women and children. As of October 2009, 93 percent of all ESP participants were women with dependent children. As funding is cut for these programs, women who already face difficulties in providing basic needs for their families and also face significant barriers to employment will find it even more difficult to achieve economic security for themselves and their children. In addition, if transportation assistance for those who cannot afford their own transportation or do not have access to public transportation will be eliminated or reduced, the most recent funding cuts will further prohibit these ESP participants from obtaining viable employment.

⁴⁸ Governor's Budget FY2010. Budget Reductions Listing. http://www.mass.gov/bb/gaa/fy2010/app_10/hredsummary.htm.

⁴⁹ Massachusetts Law Reform Institute. "Governor's FY2010 Budget Cuts: Preliminary Analysis of Selected Cash Assistance, Child Care, Child Welfare, Elder and Workforce Development Items." October 30, 2009.

If adequately funded, ESP could offer these women a chance to obtain quality training and employment to help build toward long-term financial stability. Without these opportunities, women and children who rely on TAFDC aid will not receive the necessary support to cycle out of this assistance. Even as the economy begins to recover, the scarcity of jobs will make it increasingly difficult for recipients to become and stay employed in jobs that can support their families. This means that education, training, and job placement assistance are crucial services in helping TAFDC recipients prepare for and obtain meaningful work.

CONCLUSION

Child care services, public higher education, and employment and training services are three key programs that help working families achieve economic security. However, analysis of state funding over the past decade, and in light of the current economic recession, shows that funding to sustain and expand these programs to meet the demand has been vulnerable to reductions over time. And the current economic crisis has resulted in even further cuts in state support.

As participation is in large part made up of women, these programs are especially vital in providing an avenue for many women to participate in the economy and support their families. Obtaining an education, accessing affordable child care, and participating in job training programs bring higher wages, increased job security, and the ability to seek and maintain work in the long-term.

.