



CYFD Needs \$34 million in New Funding to Avoid Child Care Cuts

As CYFD Implements Federally-Required 12-Month Contracts, Spending per Child will Grow Appropriately

Year after year, New Mexico is ranked last in child wellbeing and among the states with the highest levels of unemployment and poverty. Numerous studies show that access to early education, as well as increased wages for early educators, can have an immediate positive impact on the economy as well as family budgets.

Seventeen thousand¹ children in New Mexico benefit from an early education and child care subsidized by CYFD. Currently, CYFD spends \$96.6 million in federal and state funds on these child-care contracts. Based on CYFD's most recent market rate survey, the average reimbursement rate that CYFD pays for each contract is \$631.49 per month.²

This means that, on average, a child enrolled in a CYFD contract receives 8.8 months of subsidized care per year.³

This fall, new federal regulations state that 12 month contracts are required to insure uninterrupted care is provided.

This fall, however, new federal regulations take effect that insure state agencies are providing higher-quality early education by giving children 12 months of uninterrupted care so that a child's education is not disrupted.

Previously, CYFD could only issue contracts that were a maximum of 6-months in length.

At the end of 6 months, parents would have to re-certify that they qualified for the program. In practice, however, CYFD often issued contracts of 3-months or less, meaning that parents had to take time off from work more frequently to re-certify. Many of them failed to do so successfully. They complained that the recertification process is extremely time-consuming and so difficult that they often lost their contracts even though they attempted to re-certify. This, of course, disrupted their child's learning, but it also saved CYFD money.

Twelve-month contracts will insure New Mexico's children are receiving a higher-quality education, but it will cost the state much more money. If we assume that all children currently enrolled at CYFD would receive 12-month contracts, CYFD's child-care budget would need to be \$131 million⁴, an increase of \$34.6 million over its current child-care budget of \$96.6 million.

CYFD's child-care budget would need to increase by \$34.6 million.

1 17,321 children were enrolled in CYFD contracts in August.

2 https://cyfd.org/docs/cyfd_fy15_annual_report_4v4.pdf

3 $(\$96,600,00 / 17,321 \text{ kids}) / \$631.49 = 8.8 \text{ months}$

4 $17,321 \times \$631.49 \times 12 = \$135,256,459$

Conversely, if the State Legislature leaves the CYFD child care budget at \$96.6 million, as many as 4,700 children currently enrolled in child-care contracts could lose them. Current funding levels, stretched over 12 months instead of 8.8 months, would provide for only 12,747 contracts at the average reimbursement rate.⁵ Whether CYFD would lower enrollment by lowering income eligibility levels back down to 100% FPL or by creating new bureaucratic hurdles that disenfranchise parents who try to qualify for CYFD contracts is hard to say.

If CYFD's child care budget stays at \$96.6 million

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The consequences of lower enrollment, however, would be severe.

A 26% cut in enrollment would be disastrous for early learning centers. Some of the preschools who primarily serve families with CYFD contracts would certainly be forced to close, resulting in hundreds of lay-offs. The last time CYFD saw a similar drop in the number of children it was serving, New Mexico experienced a rash of early learning center closures that devastated the early learning infrastructure. That drop in enrollment began in 2010, when CYFD cut eligibility from 200% to 100% FPL. Over the next two years, enrollment plunged by over 8,000 children, from a peak enrollment of over 25,000 kids in 2009.

The impact on New Mexico if CYFD's child care budget is not increased will be immediate and long-lasting. Thousands of young children will miss out on an early education that prepares them to learn when they enter Kindergarten. Some of them will never catch up in their learning. Hundreds of early learning professionals would be out of work, insuring that the state's unemployment rate remains one of the worst in the nation.

People for the Kids, the Partnership for Community Action, and SWOP recommend that the Legislative Finance Committee increase funding for CYFD's child care budget for the coming fiscal year by \$34.6 million and identify new, permanent sources of revenue that can continue to grow the CYFD budget to increase enrollment and the quality of early education. New funding is needed not just for 12-month contracts but also for more extensive professional development, living wages and benefits for early educators so that preschools can prevent the rapid teacher-turnover that plagues the industry now.

Funding can come from the Early Education Constitutional Amendment, of course, as well as from an array of new funding options that have been identified by the Fairness Project and others.

For more information about this report, please contact OLÉ at organize@olenm.org.

5 $\$96,600,000 / (12 \times \$631.49) = 12,747$