

## PORTRAIT OF NEW MEXICO'S CURRENT INVESTMENT IN YOUNG CHILDREN

October 2010

A child's educational future is more or less determined by the time they reach the 4<sup>th</sup> grade. Because this is the year that children transition from "learning to read" to "reading to learn," reading proficiency is critical to further success. In New Mexico, however, 80 percent of 4<sup>th</sup> graders—that's four out of every five children—cannot read proficiently.

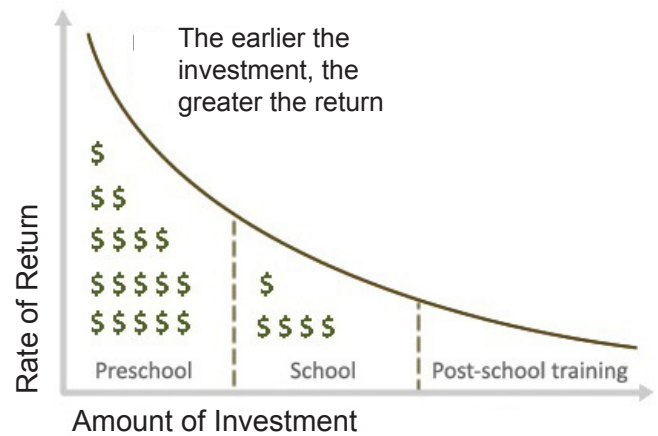
Formal literacy instruction begins in kindergarten, but a child's foundation for learning must be built long before then. Studies show that children who enter school without this foundation rarely catch up. Various high-quality early childhood care and education (ECE) programs help build a child's foundation for learning, giving them a significantly better chance of reaching their full potential. Unless New Mexico's children reach their potential (which includes going to college for many of them), we will not have the kind of workforce that can attract the jobs of the 21st century.

While New Mexico has several quality ECE programs, they do not currently have a stable, dedicated funding source. As a result, deep funding cuts have been made to the programs that help New Mexico's children get the best start in life. New Mexico's early childhood programs have primarily been funded by federal sources. This coming fiscal year (FY12), New Mexico is faced with losing \$36.4 million in funds that were supporting child care assistance, NM Pre-K, and home visiting. These funds were transferred from non-early childhood sources such as the Temporary Assistance for Needy Families (TANF) and the American Recovery and Reinvestment Act (ARRA).

### EARLY CARE AND EDUCATION: AN INVESTMENT THAT PAYS BACK

Society as a whole benefits when children start school ready to learn. Numerous studies have demonstrated that early childhood interventions provide economic returns to the whole community as well as personal benefits for the child. Positive net benefits were found for programs with both

### Rate of Return on Investment in Human Capital

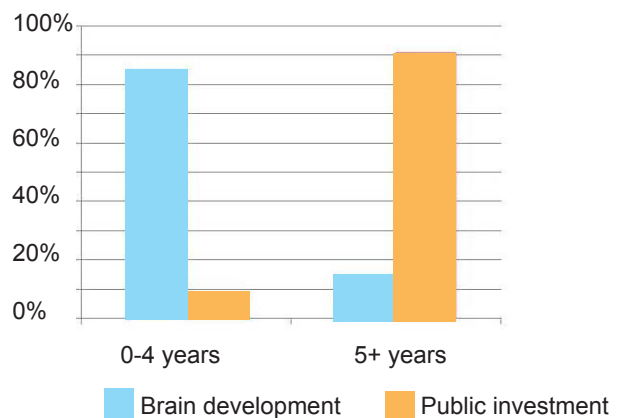


Source: Based on Return on Investment: Cost vs. Benefits, James J. Heckman, University of Chicago, 2008

large and small costs per child,<sup>1</sup> and yielded a conservative estimated return of \$10 for each dollar invested.<sup>2</sup>

Though the return on investment in ECE is better the earlier we invest, less than one-tenth of the nation's investment in education and child development is focused on children before they enter school. While 85 percent of the brain de-

### As a nation, we are investing inversely



velopment (size, growth, language, sensory and cognitive function) takes place by the time a child is age four, the vast majority of public investment in education and child development does not begin until age five.<sup>3</sup>

Overall, New Mexico's youngest children lost nearly \$25 million in state and federal funding this past year. A 19 percent reduction in one year.

Although learning begins at birth, our nation's "educational system" prior to age five is a patchwork of programs. An early care and education system that aligns, integrates, and coordinates what happens from birth all the way through 3<sup>rd</sup> grade is the best way to help children—particularly those from disadvantaged backgrounds—succeed in school.<sup>4</sup>

New Mexico is no exception to this inverse funding rule. Taken together, state funds for home visiting, NM Pre-K, child care assistance, and all other early childhood programs amount to \$35.5 million, which is less than 1 percent of the state's General Fund budget (\$5.3 billion).

**ECE PROGRAMS LACK STABLE, DEDICATED FUNDING SOURCES**

For many years New Mexico has relied heavily on federal funds for the bulk of its ECE programs, but even these funds are not dedicated to key programs. Surplus TANF funds supported child care assistance, NM Pre-K and home visiting. As the economy worsened over the last few years and TANF demand increased, these funds were stretched even thinner.

The recession has also been hard on the state's General Fund budget. In FY09, the General Fund was \$5.95 billion. In FY10, it decreased to \$5.45 billion (an 8 percent reduction), and then to \$5.2 billion in FY11 (another 5 percent reduction from the previous year).<sup>5</sup> As revenue levels have fallen, the focus has been on reducing spending, which included a mandatory 3.2 percent reduction by all state agencies in FY11.

Unfortunately, early childhood programs have suffered a disproportionate level of

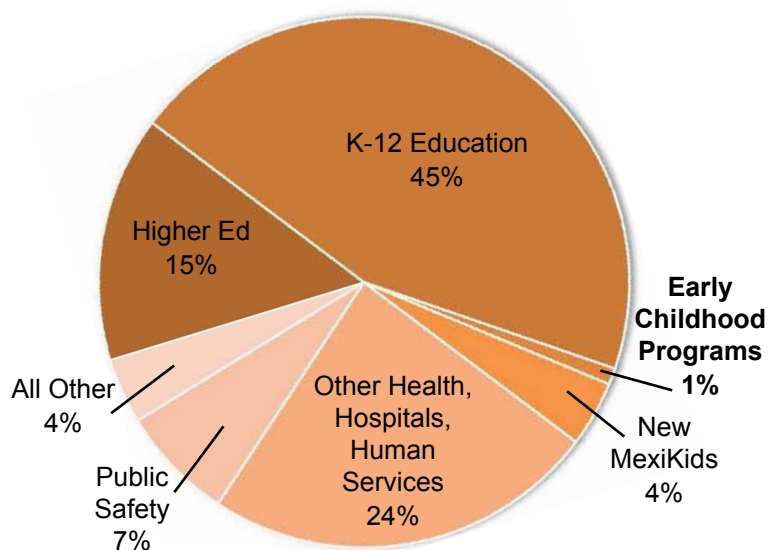
cuts. Although they receive less than 1 percent of the state's budget, ECE programs have seen a 16 percent reduction of state funds. This past year child care assistance lost 18 percent of its funding, NM Pre-K lost 23 percent, and a variety of early childhood programs were completely eliminated.

The federal stimulus of 2009 (ARRA) did support early childhood programs with a temporary infusion of \$10.6 million in FY10 and \$9.9 million in FY11. The child care assistance program benefitted from \$19.8 million (including \$234,000 for homeless child care programs) and home visiting programs received \$500,000 to replace the shortfall in TANF funds. The temporary infusion of federal stimulus funds have so far staved off a funding crisis, but in FY12, programs serving New Mexico's young children will face devastating cuts unless we find some \$30 million in new revenue.

In addition to the expiration of ARRA funds, the state is facing a \$28 million shortfall in TANF funds, some of which had been directed to child care assistance, NM Pre-K, and domestic violence programs.

The recent shortfall of \$12 million in TANF funds that were slated for child care assistance brought attention to how much we rely on these funds. The solution negotiated (a

**New Mexico's \$5.3 Billion General Fund Budget (FY10)**  
Less than 1 percent goes to all ECE programs combined\*



\*Includes: home visits, child care assistance, NM Pre-K, state's portion of Head Start, and training for educators

Source: Legislative Finance Committee, Post Session Review, 2010

temporary reduction of 4 percent to child care reimbursement rates plus \$2 million in other ARRA funds) will last until the legislative session in January 2011. Given the lack of improvement in the revenue picture, children and parents will again be in jeopardy of losing the sliding-fee child care assistance that makes it possible for low-income parents to work or attend school to improve their employability and income potential.

If policy makers do not find a way to make up this loss before July 1, 2011, an estimated 8,000 children will be disenrolled from the child care assistance program.<sup>6</sup> This will also put many small businesses in danger of closing.<sup>7</sup> Another 4,000 children are already on a waiting list.

## NEW MEXICO PROGRAMS CANNOT MEET CURRENT DEMAND

- Just 2 percent of New Mexico's newborn babies receive state home visiting services. (951 young children received a home visit through CYFD programs. About half of these visits were to newborns.)<sup>8</sup>
- Nearly 5,000 of New Mexico's 4-year-olds currently have access to NM Pre-K. Other programs, such as Head Start and special education services, also provide pre-K, but it's estimated that 33 percent of 4-year-olds still need access to a pre-K program.<sup>9</sup>
- Currently, 21,828 children are enrolled in child care assistance<sup>10</sup>—a 12 percent drop from last year, and the impending funding crisis, could result in a dis-enrollment of another 37 percent while another 4,000 (14 percent of the current case load) remain on the waiting list.<sup>11</sup> Thousands of children are at risk of losing access to high-quality child care.

### State and Federal ECE Funding (FY10-11)

Program Type	FY10 ECE Budget	FY11 ADJUSTED ECE Budget	Percent Reduction
<b>Child Care Assistance</b>			
Federal Funds	\$69,501,000	\$55,112,200	
ARRA	\$10,577,341	\$9,239,193	
State Funds	\$19,871,100	\$17,645,100	
Sub-Total	\$99,949,441	\$81,996,493	-18%
<b>NM Pre-K</b>			
Federal Funds	\$3,000,000	\$1,041,700	
ARRA	\$0	\$150,000	
State Funds	\$16,842,400	\$14,139,680	
Sub-Total	\$19,842,400	\$15,331,380	-23%
<b>Home Visiting</b>			
Federal Funds	\$500,000	\$0	
ARRA	\$0	\$500,000	
State Funds	\$2,176,800	\$2,176,800	
Sub-Total	\$2,676,800	\$2,676,800	
<b>Other Early Childhood</b>			
Federal Funds	\$2,200,000	\$2,280,000	
ARRA	\$0	\$0	
State Funds	\$3,579,400	\$1,550,300	
Sub-Total	\$5,779,400	\$3,830,300	-34%
Sub-Total Federal Funding	\$75,201,000	\$58,433,900	-22%
Sub-Total ARRA Funding	\$10,577,341	\$9,889,193	-7%
Sub-Total State Funding	\$42,469,700	\$35,511,880	-16%
<b>Overall Total</b>	<b>\$128,248,041</b>	<b>\$103,834,973</b>	<b>-19%</b>

So we don't lose more ground, in the short term (this legislative session), New Mexico's children need:

- \$30 million to prevent some 6,000 families from being cut off child care assistance.
- \$5.7 million to maintain NM Pre-K enrollment.
- \$1 million to maintain home visiting programs, which serve less than 2 percent of newborns as it is.

Investing in early childhood is the best way to improve our children's chances for success—and the state's future economic stability. There are short-term and long-term investments needed for early childhood programs and services. Short-term funding investments will keep us from losing ground. The best way to ensure that all children have the opportunity to succeed is for New Mexico to establish a stable, dedicated long term source of funding.

Source: LFC Post Session Review and CYFD Staff. October, 2010

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## ENDNOTES

- 1 Early Childhood Interventions: Proven, Results, Future Promise, by Lynn A. Karoly, M. Rebecca Kilburn, Jill S. Cannon, 2005, Rand [http://www.rand.org/pubs/monographs/2005/RAND\\_MG341.pdf](http://www.rand.org/pubs/monographs/2005/RAND_MG341.pdf)
- 2 Program Evaluation: Investments in Early Childhood, Legislative Finance Committee, May 11, 2009, Report #08-03 <http://www.nmlegis.gov/lcs/lfc/lfc-docs/perfaudit/LFC%20Program%20Evaluation%20-%20Investments%20in%20Early%20Childhood%20May%2011.09.pdf>
- 3 Purves, D. (1994). Neural activity and the growth of the brain. New York, NY: Cambridge University Press; and Karoly et. al., (1998).
- 4 Annie E. Casey Foundation. (2010). Early Warning! Why Reading by the End of Third Grade Matters: A KIDS COUNT Special Report. Baltimore, MD: The Annie E. Casey Foundation. page 26
- 5 Legislative Finance Committee, General Fund Revenue Update, Presentation to the Government Restructuring Task Force, July 30, 2010
- 6 CYFD staff September 24, 2010
- 7 LFC Testimony by Child Care Educator's Association, September 30, 2010
- 8 Home Visiting data provided by the University of New Mexico Continuing Education, Births in NM Data is from the Bureau of Vital Records and Health Statistics, NM Department of Health October 7, 2010
- 9 Based on American Community Survey Data and current enrollment in Head Start, Special Education, Title I, and NM Pre-K assuming a 70% uptake rate
- 10 CYFD enrollment and waiting list figures, email correspondence, October, 2010
- 11 CYFD chart summarizing Child Care Assistance Families reports July 2008-September 2009