

PROJECT THRIVE



Linking Policies for Child Health,
Early Learning, and Family Support

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Project THRIVE *Short Takes* highlight topics of interest and importance to state maternal and child health leaders and their partners building State Early Childhood Comprehensive Systems (ECCS). Each *Short Take* summarizes the issue, relevant research, and related resources. Project THRIVE is a public policy analysis and education initiative for infants and young children at the National Center for Children in Poverty (NCCP) funded through a cooperative agreement with the Maternal and Child Health Bureau, Health Resources and Services Administration, of the U.S. Department of Health and Human Services.

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SHORT TAKE NO. 3

Developing Fiscal Analyses and Children's Budgets to Support ECCS

The Issue

This Project THRIVE *Short Take* offers state Early Childhood Comprehensive System (ECCS) initiatives practical advice on conducting fiscal scans and creating early childhood budgets. Fiscal analysis and planning are essential for building a state or community fiscal infrastructure to support and sustain early childhood comprehensive system plans. Says one state ECCS coordinator, "ECCS initiatives must achieve a deep understanding of the budget in order to influence the policy decisions that impact young children. A cross-system plan without a cross-system budget is difficult to implement."¹

Using a "how to" approach, this document offers exemplary approaches, tables, and tools. It builds on program-by-program background information from NCCP's *Spending Smarter* report,² as well as information from a recent report published by the Forum for Youth Investment and the Finance Project.³ It also highlights state and local experience in fiscal analysis.

Why Fiscal Analyses and Children's Budgets Are Important

Policy decisions are more likely to have traction if they are informed by a clear understanding of the fiscal context. Fiscal analyses and children's budgets can help to answer important questions about early childhood systems: (1) What dollars are allocated to services and programs for young children and their families? (2) What is the source of these funds? (3) Is spending increasing or decreasing? (4) How might we blend and braid local, state, federal, and private funds to address unmet needs and promote the optimal development of our youngest children?

Fiscal analyses and early childhood budgets can provide information to:

- Foster informed decisions among policymakers.
- Understand the amount and purposes of current spending on young children and trends over time.⁴
- Identify gaps and unnecessary or duplicative spending.
- Nurture collaboration and/or partnerships among state entities pursuing similar goals or program objectives.

- Help identify opportunities to increase investments in prevention and early intervention, as well as to blend and braid funds.
- Guide private sector spending for child and family services and supports.
- Design results-based accountability projects that align strategic plans, fiscal analyses, and desired outcomes. (This is a widely used approach for increasing governmental and organizational accountability.)⁵

This *Short Take* describes three approaches to fiscal analysis that have been used by states and communities to examine spending on early childhood or child and family services: (1) Collect and share basic budget data by category or program. (2) Link fiscal information to promote more “systems thinking” and cross-system analysis. (3) Create and publish an early childhood or children’s budget that includes analysis.

Each level builds upon the other. A state might, however, choose to do only the first one or two levels of work, or reverse the order. For example, if a state already has a children’s budget, it might be used as a basis for an analysis of the ECCS priority components. The decision about how far to go with the fiscal analysis depends on the state’s goals, authority, and resources.

Experience from states and communities suggests that the following threshold questions can help planners decide how to begin.

- Is this budget analysis to be focused on young children or on all children?
- What categories of spending will be included? Who will decide?
- Under whose authority will the budget numbers be requested (for example, legislative mandate, governor’s office, cross-agency planning group, private-sector advocacy group)?
- Is this a government or public document? Will or should the information be published?
- Whose input is essential to getting the job done?
- Who will do the work?
- How can collaborative action—such as that provided through the ECCS process—support the fiscal analysis process?

Approach 1: Gather Basic Budget Data

One approach is to gather basic budget data for a small number of key programs. Basic budget data refers to the type of information readily available in agency budgets. It typically includes program line items shown in the operating budgets of government agencies, such as the total budgeted or spent for child care subsidies, early intervention services, or Medicaid health coverage for children under age 6. Table 1 gives an example of how one state collected and structured this type of data. By using existing data, this approach avoids more time-consuming data collection steps. It does not, however, offer much detail in terms of programmatic activity.

 **TIP:** Start where you are. If your state has never done an analysis of early childhood spending, a basic chart is an excellent place to begin. Just assembling the data for such a chart may take months.

Approach 2: Analyze Spending Across Early Childhood System Components

At the next level of detail, fiscal analyses provide pictures of spending by function across department and funding boundaries. With this information, decisionmakers can begin to see spending by types of services for families and children. For example, such information would tell planners not just how much was spent on child care subsidies or state prekindergarten programs, but how much was spent on early care and learning across agencies.

Below are two examples of how states have approached analyzing budget data by the core ECCS components—access to health care and medical homes, social-emotional development and mental health, early care and education, parenting education, and family support. These are examples of moving from basic budget data to a more detailed review of spending.

Budget Analysis in Louisiana

In Louisiana, ECCS leaders are building upon the state’s experience with a broader children’s budget. State ECCS coordinator Geoffrey Nagle has developed templates to better focus the analysis on the five core components of ECCS. Table 2 illustrates this cross-agency approach.

Table 1: Early childhood expenditures for children under age 6, by program*

Category of expenditures	FY 2001 (\$)	FY 2000 (\$)	Source of funds
Parent Child Centers	767,112	767,112	State
Early Childhood Mental Health	1,364,426	1,332,759	Federal
Family Resource Program	208,848	226,792	Federal
Children's Trust Fund	312,256	233,190	State/federal/private
EPSDT	1,405,825	1,342,675	State/federal
Early Education Pre-K Initiative	1,360,727	1,418,354	State
Essential Early Education	3,816,812	3,816,812	State/federal
IDEA, Part B Preschool Special Education	650,428	612,550	State/federal
IDEA, Part C Early Intervention	1,525,753	1,378,205	Federal
Even Start	693,418	635,159	Federal
Head Start	10,417,699	6,650,469	Federal
Home Visiting Project	(carry over)	900,000	State/federal through Medicaid
Child Care Subsidies	11,804,472	11,804,472	State/federal

* Note that this is one example of a state approach.

Table 2: ECCS budget template, Louisiana*

Program/Project	Agency	Funding sources (\$)			Spending level (\$)
		Federal	State general fund	Interagency transfers	
<i>Parenting Education and Family Support</i>					
Even Start	Education	xxx	xxx		
Title V	Health	xx	xx	x	xxxx
Head Start	* local authority	xxx	xx	xx	xxxx
Title IV-E	Social Services	xxx	xx		xxxx
<i>Access to Health Care and Medical Home</i>					
Medicaid	Social Services	xxx			xxx
SCHIP	Insurance	xxx	xx	xx	xxxx
Title V CSHCN	Health	xxx	xx		xxxx
Medical home	* private grant	xx	xx		xx

* Note that this is a "starter list" of examples, not a comprehensive listing.

Source: Adapted from Geoffrey Nagle, Louisiana state Early Childhood Comprehensive Systems (ECCS) coordinator.

Budget Analysis in Connecticut

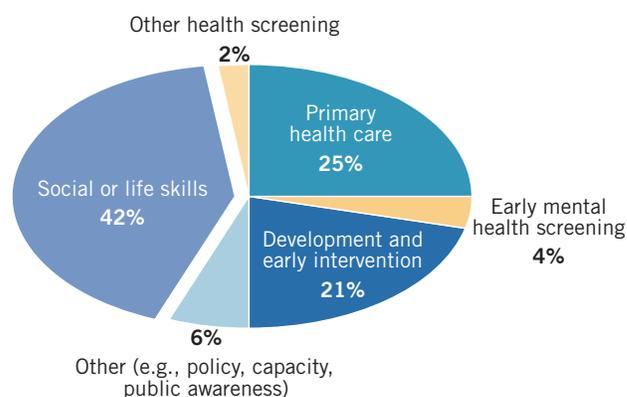
The Connecticut ECCS initiative, entitled the Early Childhood Partnership (ECP), included a review of early childhood financing in its environmental scan. This process identified a total of \$490 million in state, federal, and other dollars dedicated to early childhood services in the state (excluding most private sector funds, as well as public spending on child protective services and other smaller programs). The fiscal component of ECP's scan shows spending by agency and/or domain (see Table 3). For example, Connecticut's Department of Social Services programs include health coverage and early care and education (such as, SCHIP and Healthy Child Care); the Department of Public Health programs include newborn screening, immunization, community health centers, Food Stamps, and the WIC nutrition program; and the Department of Education programs include special education, Even Start, family resource centers, and others. Birth to Three Part C Early Intervention is funded through the Department of Mental Retardation.

Trend data on spending for early childhood shows that funding for several early childhood programs decreased between FY 2002 and FY 2004 in Connecticut. In particular, funding for child care subsidies, Head Start, family resource centers, and preschool quality enhance-

ment for school readiness dropped substantially during the 2-year period under review.

The Connecticut ECCS fiscal analysis builds on a prior state Early Care and Education (ECE) finance project that examined preventive investments by age (in relationship to the pace of brain development), as well as by program and department. Figure 1 shows the distribution of prevention spending by type of prevention strategy. Together, these data provide a basis for planning and implementation of new system strategies in the state.

Figure 1: Prevention programs, by strategy, Connecticut, FY 2002



Source: Adapted from: State Prevention Council. (2002). *Preventional services funding, July 2002 actual funded for fiscal year July 1, 2001 - June 30, 2002: Executive summary*. Hartford, CT: Office of Policy and Management, State of Connecticut <www.opm.state.ct.us/pdpd4/prevention/2002FUND_SUM.htm>. Accessed Sept. 15, 2006.

Table 3: Early childhood investments, by department and domain, Connecticut, FY 2002-2003 (in millions of dollars)

Agency/Domain	Early care and education	Health	Family support	Parent education	Social-emotional	Infra-structure	Total spending
Social Services	\$ 126.1	\$ 131.3	\$ 0.2	\$ 0.6	\$ —	\$ 2.7	\$ 260.8
Public Health	3.5	19.3	42.0	—	2.1	0.4	67.3
Education	47.7	—	9.9	—	—	—	57.6
Head Start	50.6	—	—	—	—	—	50.6
Mental Retardation	—	39.8	—	—	—	—	39.8
Children's Trust Fund	—	—	0.1	4.8	—	0.1	5.0
Children and Families	—	—	0.5	1.2	2.6	—	4.2
Mental Health and Addiction Services	0.1	—	—	0.1	—	—	0.2
Total spending	\$ 227.9	\$ 190.4	\$ 52.6	\$ 6.8	\$ 4.6	\$ 3.2	\$ 485.5
% of total	47%	39%	11%	1%	1%	1%	100%

Source: Connecticut Early Childhood Partners. (2004). *2004 financial scan* (ECP Fact Sheet No. 1). Hartford, CT: Connecticut Department of Public Health.

Classifying budget data across categories is a more complex task than simply collecting and reporting spending on a program-by-program basis. This process calls for input from the program budget staff (to understand and appropriately use the data), program management staff (to understand and accurately assign activities), and strategic planners (to understand the potential impact of spending changes). Creating a technical advisory committee or standing workgroup to make decisions and guide the preparation of such an analysis is strongly advised. In Iowa, for example, a subcommittee of the ECCS planning group has been convened to undertake this work.

 **TIP:** Even if your state already has completed the ECCS environmental scan or even the ECCS plan, it is not too late to do a fiscal analysis. Fiscal analysis and recommendations can be useful at any stage of the process and can help generate options for sustaining ECCS efforts.

Approach 3: Create an Early Childhood “Children’s Budget”

A “children’s budget” is a document that summarizes spending for children and their families for a nation, state, county, city, or community. It can be used as an analytic, policy, and political/advocacy tool to focus government strategies (program and fiscal) and to improve results for children and families. While children’s budgets have used different formats and served different purposes, they have some characteristics in common.

- 1) **A children’s budget is a supplement to—not a substitute for—existing official, government budget documents.** This is a tool that permits us to see budget allocations or spending across areas (up to and including all federal, state, local, and private sector spending) for children and families.
- 2) **Children’s budgets are typically cumulative efforts.** They often start as simple inventories of spending for family and children’s programs by one level of government, for 1 or 2 years. (See discussion below.) Over time, such budgets can grow to include spending from both public and private sectors, and from multiple levels of government, with trend data.
- 3) **It takes more than 1 year to develop a sophisticated decision-making tool.** Set realistic expectations for the timeline of a children’s budget process.

- 4) **To be useful to decisionmakers, a children’s budget must contain some analysis.** In other words, it should include narrative observations, not just a set of tables. The analyses might describe trends in spending, preventive investments, or opportunities for spending smarter.
- 5) **It is not an accounting tool.** It cannot and should not displace the detailed, down-to-the-last-penny budget documents used to appropriate public funds. Children’s budgets offer a “broad-brush” picture of investments and spending.⁶

Many state and local areas have developed children’s budgets over the past 15 years. For ECCS purposes, a children’s budget should focus on early childhood spending. New Mexico’s ECCS initiative has given priority to creating a children’s budget. The state ECCS plan calls for action steps related to an early childhood budget, including:

- Work with fiscal staff of each agency to refine templates developed for a prototype early childhood budget during the ECCS planning process and to develop an efficient mechanism for tracking investment and to identify opportunities for braiding and maximizing funding.
- Convene an “Investment Committee” and include public and private policy leaders and families to develop long-range investment and financing strategies.
- Use the Children’s Cabinet to review all policy and fiscal decisions that potentially could adversely impact current state early childhood system capacity.⁷

 **TIP:** Include fiscal staff from each agency in the planning process for your fiscal analysis. Such individuals are gatekeepers who can help you gain access to the best data sources and experts who can help you assure accuracy.

Decide What Counts

One of the first steps in conducting an analysis of spending on children is to define which dollars will count. This is a decision for key stakeholders in the process. Experts at the Finance Project remind us that: “These are not technical arguments about what we know... They are political arguments about the purposes and uses of family and children’s budgets.”⁸

Typically, a children's budget includes state and federal spending for sizable programs in major departments such as health and human services. Education spending is difficult to capture because it includes many more local tax dollars. Spending in programs such as local libraries and recreation departments may not be captured. A children's budget may or may not reflect any private funding for children's services. The process is also complex because some federal, state, and local programs serve only children directly and some serve adults and/or children as unique eligible individuals. Still other programs serve children and their parents/caregivers together. It can also be difficult to disaggregate spending by age for projects not just focused on young children. The following examples illustrate various approaches in use.

- The three main rules used by the Urban Institute to prepare a 13-state children's budget report were: (1) all spending on programs that explicitly assist children, (2) spending on adults in programs where adults receive services only because of the presence of a child (for example, TANF), and (3) spending on children in programs that serve both children and adults (for example, Medicaid).⁹
- Solano County, California's children's budget includes: (1) all spending on government programs designed to assist children (such as, school meals; child care; foster care; maternal, child, and adolescent health); (2) spending on adult programs where adults receive money or services only because of the presence of a child (for example, TANF, WIC); and (3) the children's portion of programs that serve children and adults as individuals (such as Medicaid). It does not include programs specific to adults even if they benefit children indirectly (job training), or spending on programs designed to benefit the general public even if it benefits children (parks and recreation, public safety).¹⁰
- The San Diego Children's Budget used a slightly different approach. The rules called for: (1) disaggregated spending on children whenever possible (for example, child-related cash assistance, children's mental health, Medicaid), and (2) spending on families that was intended to benefit children indirectly (such as Food Stamps, family support programs).¹¹

As with deciding what to count, deciding how to group the budget data is a decision to be made by the stakeholders in the process. Typical categories for a general

children's budget include: economic security, care and education, child protection/safety, health, mental health, and family support. For ECCS planning, states may choose to focus on the five core components.

In Contra Costa County, California, five community outcomes for children and families were developed by the Contra Costa Children and Families Policy Forum and adopted by the Board of Supervisors in 1997. They reflect a collective vision of what Contra Costa County desires for its children and families: (1) children ready for and succeeding in school, (2) children and youth healthy and preparing for a productive adulthood, (3) families that are economically self-sufficient, (4) families that are safe, stable, and nurturing, and (5) communities that are safe and provide a high quality of life. These outcomes are currently used to monitor results and organize the children's budget.¹²

 **TIP:** Using an advisory or key stakeholders group, decide at the start what to count and how to group the data. Reaching consensus at the beginning will streamline data collection and analysis.

Draw Conclusions

Producing fiscal analyses that are informative to the public and useful for program planning can be challenging. This section briefly touches on some of the particular challenges in analyzing and presenting the fiscal information in a children's budget.

Some data will be easy to present, for example, showing relative proportions of funding by agency function or overall goal (such as promotion, prevention, intervention). However, it is often difficult to prepare charts that offer the most useful information. It is important to consider the point and the message to be conveyed. Describing the context for charts is also helpful. For example, Medicaid spending may be the largest category of federal dollars, education the largest in terms of state funding, and juvenile justice the greatest proportion of county dollars.

Planners should also think about how to interpret budget cuts and/or reporting on trend data. For example, when trend data are available, it may be possible to show

the potential impact of budget cuts, but planners would need to decide whether to report the impact in terms of dollars, children, staff positions, or other component. It also is important to say where the cuts were initiated, who set the policy, as well as what set the cuts in motion: a larger federal budget cut, targeted program cut, economic downturn, state budget shortfall, or other event. Erosions in budgets relative to inflation are a related type of trend analysis.

 **TIP:** Don't count on one simple pie chart to accurately portray the situation. Spend time making charts and graphs meaningful and accurate. State the take-home messages clearly.

Analyses of unmet need can make powerful points of comparison. What is the number of children on waiting lists? How many families were eligible for services that were not available? For example, the Colorado Children's Campaign 2005 children's budget summary reported that:

“Funding for the Colorado Preschool Program has declined by nearly 15 percent since fiscal year 2003. An additional 6,336 children were deemed eligible for CPP by their school districts during the 2004 school year; however, the 3- and 4-year-olds were unable to participate in the program due to a lack of CPP slots.”¹³

The analysis is also a chance to identify opportunities to secure unmatched federal funding. For example, analysis of the Louisiana's children's budget highlighted a challenge in matching federal funds to secure the maximum available under the federal Child Care and Development Block Grant to states. Planners found that in FY2004, the state had failed to utilize approximately \$11 million in federal funding because it did not provide the necessary \$4.6 million match.¹⁴

Finally, while tempting, it is best to avoid making comparisons to other jurisdictions (such as, “our county spends less than a neighboring county”). Even where other children's budgets exist, it is unlikely that the assumptions about what to count and about how to classify the data will permit accurate comparisons. However, comparing trends is both appropriate and more reliable.

Resources

The following web site links will lead you to sample children's budgets.

Colorado Children's Campaign
www.coloradokids.org/facts/publications.html

Contra Costa County [California], County Administrator's Office
www.co.contra-costa.ca.us/depart/cao/reportcard/aboutCFSB.html

Louisiana Governor's Children's Cabinet
www.gov.state.la.us/ldbc/childrenscabinet/childrensbudgetreports.asp

San Diego [California] Children's Initiative
www.thechildrensinitiative.org/PDFs/Budget.pdf

Solano County [California] Children's Network
www.childnet.org/publications/pdf/2003BudgetEmbargoWeb.pdf

Endnotes

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