

After the Fiscal Cliff, What's Next for Early Childhood?

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Helen Blank:

Hello. This is Helen Blank from the National Women's Law Center. I am pleased to be joined today by Hannah Matthews at CLASP and Adele Robinson at NAEYC.

Welcome to our call, "*After the Fiscal Cliff, What's Next for Early Childhood.*" Due to the large number of registered participants, callers' telephone lines will be muted during the conference. A written transcript of this call will be on all of our websites www.clasp.org, www.nwlc.org, and www.naeyc.org.

We'll discuss what happened with the fiscal cliff and the next series of budget battles we're preparing for: the upcoming debt limit vote, the potential for sequestration again, the ongoing appropriations battle – where we are with fiscal year 2013 and the fiscal year 2014 budget process, and then actions we need to take to protect early childhood funding. We'll cover some key changes in Congress that will impact our policy area.

Unfortunately, as you well know the deal that finalized on January 1 was not the end of the fiscal crisis. As the Tax Policy Center has said, this is a fiscal bungee cord. The time between now and March 1 is even more critical and the potential for big cuts remains very serious.

As you also know, Congress and the President negotiated down to the wire on the fiscal cliff of January 1. We want to thank you for all of your calls and emails and visits to eliminate the sequestration, keep entitlement programs for low and moderate income children and women secure, and to raise new revenue in a fair way.

I will talk about the highlights of the fiscal cliff, Hannah will discuss the debt limit and the next decisions regarding sequestration, and Adele will describe the appropriations situation.

Helen Blank:

Congress and the White House enacted the Budget Control Act in August 2011 to deal with deficit reduction. Because they couldn't come to an agreement on \$1.2 trillion in deficit reduction over the next decade, they agreed on cuts in discretionary defense and domestic discretionary programs but did not cut entitlements like Food Stamps, Social Security, Medicare and Medicaid. They committed to \$1.5 trillion in discretionary spending cuts over ten years. In addition, they agreed to cuts that you are very familiar with – called sequestration – which were scheduled to begin on January 2, 2013. In the first year, there would be automatic, across-the-board cuts of every discretionary program by approximately 8%. At the same time, the tax cuts of the Bush Administration for all income levels were set to end December 31, 2012. These cuts, which favored very wealthy taxpayers, were a large reason for our deficit. Also set to expire were improvements made to the EITC and Child Tax Credit under ARRA, two very important tax credits that reduce poverty for low-income working families as well as federal

unemployment insurance. The combination of expiring tax cuts and UI and pending across the board spending cuts made up what was called the Fiscal Cliff.

So as the clock ticked down to January 1, Congress and the President agreed to a plan with some pluses and several negatives. First, Congress would only end the Bush era tax cuts for those earning over \$400,000 a year. This means less revenue going to the Treasury than President Obama had wanted, which is very significant for the budget battles going forward. With less revenue, it is more difficult to avoid spending cuts unless Congress agrees to discuss other approaches to increasing revenue. The deal extended tax credits such as EITC, the child tax credit, and others as well, but only for another five years when they will have to be debated again. Fortunately, unemployment insurance benefits were extended for another year.

Congressional leaders and the Administration could not come to agreement on sequestration, so they simply avoided the automatic cuts for 2 months. But the two month deadline coincides with a really serious moment for Congress and the President, known as the debt limit.

Hannah, can you talk about the debt limit, what it means and why it's timing with the sequestration date is so important for advocates.

Hannah Matthews:

As you well remember, the debt ceiling negotiations in 2011 were the catalyst for setting in motion the series of decisions that brought us to the fiscal cliff. The debt ceiling is essentially the point at which the United States has no more money left to pay its bills and so the Treasury would essentially have to decide what bills to pay: there wouldn't be enough money to pay everything from Social Security payments, federal and military active pay, interest on the debt and spending on a range of programs from Medicare and Medicaid payments to food stamps and unemployment.

Current estimates are that we'll hit the debt ceiling sometime between Feb 15 and March 1. Congress has voted to raise the debt limit 78 times. It is a critical vote for the American economy and has international repercussions as well. Until the last time they had this vote in August 2011, it had not been a contentious, partisan vote.

Republicans leaders are insisting that they will not raise the debt limit unless it is accompanied by massive spending cuts. Right now, leaders are claiming that any increase in the debt limit would require a dollar for dollar increase in spending cuts – so raise the debt ceiling by \$1 trillion, only if spending is cut by \$1 trillion. The President meanwhile rejects this condition for raising the debt limit. We can pretty much guarantee that the two sides will again be negotiating down to the wire.

Meanwhile because sequestration was only delayed until March 1, the timing of the debt ceiling and the new sequestration deadline are closely aligned. Even with the revenue raised by the fiscal cliff agreement, there still needs to be \$1.2 trillion raised or cut to stabilize the federal debt over the next decade. While both sides seemingly want to avoid the sequester, Republicans want to replace the across the board cuts with dollar for dollar spending cuts, while President Obama is calling for an equal mix of

spending cuts and revenue increases. Remember that the sequester would result in 80,000 children losing child care assistance and nearly 100,000 children losing Head Start.

It is still an open question in any of the negotiations about what programs would ultimately be cut or if congressional leaders just back down and agree to extend the debt without cuts. Senator Mitch McConnell, the Republican leader of the Senate, has said that he will not entertain any further discussion on raising revenues. That leaves only entitlement programs like Medicaid, Medicare, and Social Security on the table and the sequestration or some form of discretionary program cuts. It's a question as to whether either side would allow cuts to Medicare and Social Security but we can look at past budget proposals to know that congressional Republicans leaders have been opposed to new revenues and appear willing to make deep cuts in other programs that largely hurt low- and moderate-income families, including Medicaid, SNAP or food stamps, or additional discretionary program cuts.

It's true that to date the deficit reduction savings that have been heavily weighted towards spending cuts, with only a small portion of savings coming from revenue increases.

Going forward, a balance of spending cuts and revenues will be critical to maintaining a social safety net for low income families. If raising further revenue is off the table, that only leaves cuts to benefits under entitlement programs and cuts to discretionary programs such as Head Start and the discretionary portion of the child care funds.

Adele Robinson:

So what about FY 2013 which started in October? Right now the government is operating under a continuing resolution or CR for FY 2013 that started in September. The CR funds child care and Head Start at essentially their existing funding levels until March 27. It also includes an extension of the TANF program, which will continue our mandatory child care funding at current levels.

You may remember our email updates that the Senate and House previously marked up or wrote appropriations bills. The Senate Included a \$160 million increase for CCDBG, \$90 million of which would go towards workforce training and professional development, with the remaining \$70 million targeted to increase the number of families served and improve rates. They also approved a \$70 million increase to Head Start and a \$51 million increase for Race to the Top— a significant portion of which is to be targeted for early learning challenge grants, and a slight increase in funding for Part C. The House, in a very controversial bill, included a \$25 million increase for CCDBG and a \$45 million increase for Head Start.

So the question is how does the March 1st deadline for sequestration debt limit impact what could happen on March 27th?

Well, that's really hard to say. There's no crystal ball. But one option is they could make further cuts in the CR. They could make cuts for the remainder of the fiscal year, or to a debt ceiling agreement. They could make cuts, or they could decide not to have a sequester and make cuts, or not make cuts, at that time. They could also decide that they can't come to agreement between the House and Senate, not

send a final bill after March 27th to the President, and then that would shut down the government until they can come to agreement.

It's also important to remember that the federal government is operating under discretionary caps—that is maximum of spending possible. As part of the deal to avert the fiscal cliff, those caps were lowered yet again for both 2013 and 2014. So Congress has even less total money to work with than when it initially wrote the CR that passed on October 1st.

Meanwhile, the Obama administration is preparing its budget request for 2014 as it does for every year. While the President's budget typically comes out in early February, it likely will be delayed until March. President Obama has said publically many times, that early childhood is a priority for him. And thank you for all the work you do to support that. In the past, even in very tight fiscal times, the President's budget has asked for increases in Child Care and Head Start in the Department of Health and Human Services, and other education increases.

We've also heard Secretary Duncan talk about early childhood. We're not sure what exactly this will mean for another round of Early Learning Challenge grants, or possibly other options in the budget for initiatives. We are sure you all know that there was no CCDBG or ESEA reauthorization during the last Congress. Everything is up in the air as Congress negotiates these enormous budget challenges, as well as any policy program changes that could be made in reauthorization.

We will continue to keep you posted on those developments as well. Helen, if I can turn to you.

Helen Blank:

So, as the 113th Congress starts, one of your jobs as advocates for children, low-income women and families, to continue as you've done to make sure that members of Congress know how important child care and early learning programs are to helping children to succeed, and helping their parents work and support their family.

Tell them about the devastating impacts that sequestration would have on child care and early education programs in your communities and to the families you work with. Remind them about the importance of a balanced approach to deficit reduction that cannot depend on spending cuts that affect the most vulnerable families, and it must include additional revenues. Encourage them in the context of a deficit-reduction plan, to include increased investments in CCDBG, Head Start, and Early Head Start to improve our current and future economic prospects.

Governor Deval Patrick of Massachusetts yesterday came out with a budget plan that eliminated the state's waiting lists, invested in the state's quality rating improvement system, added significant increases in funding for pre-K, through the school funding formula, and his message was that he was improving the economy. At a time when 1 in 5 children live in poverty, we have to be vigilant that deficit reduction does not increase poverty or income inequality. We will have to be cautious about proposals that include cuts to programs that help vulnerable children, even if Child Care and Head Start are protected. The surest way to keep children in low-income families from feeling the greatest impact

of deficit reduction is making sure that increased revenue is on the table so that cuts will not be so deep. This is so important to this upcoming debate.

There are several new members of Congress we need to get to know, specifically Georgia advocates will need to convince Representative Kingston, the new Republican Chair of the House, Labor, Health and Human Services, and Education Appropriations Subcommittee, and a fiscal conservative, to invest in early childhood and not cut Child Care, Head Start, and other education programs.

Washington State now has Senator Patty Murray as Chair of the Senate Budget Committee. Senator Mikulski of Maryland is the Chair of the Senate Appropriations Committee. Two powerful women now hold two key finance jobs in the Senate.

Representative Nita Lowey of New York is now the ranking member, or most senior member, of the House Appropriations Committee. And of course know that any deal involves Speaker Boehner of Ohio, Nancy Pelosi of California, a real champion of early childhood and Child Care, Harry Reid of Nevada, and Mitch McConnell of Kentucky.

Finally, encourage your Senators and Representatives to reject any proposals to exempt defense programs from budget cuts, which would make the cuts to non-defense programs even greater. Each of our organizations has resources on our website with information about the fiscal cliff, and the budget. We encourage you to start now, as soon as you hang up from this call. Make a call or send an email or a tweet, letting your representatives know how important it is to protect childcare and early learning programs, and that deficit reduction should not be done by automatic spending cuts, and must include increased revenue.

Encourage members of Congress, as well as the media to visit early childhood and after school programs to see the impact they're having, and the impact of possible budget cuts as well. Please let us know how we can help. NWLC has a blueprint of the current budget road map on its website, CLASP has a fact sheet explaining how the sequestration cuts would impact early care and education programs and NAEYC has a glossary of the fiscal terms and other materials.

We know that we've been asking you to send this message out for a very long time, and it just seems to look like nothing ever changes. But we also know that the group who is interested in only spending cuts and deep ones, and would not be concerned about cutting programs that affect low-income children and families, and is not interested in new revenue, is very dug-in and very determined. So we have to show members of Congress that we—all of us who care for children and families—are just as dug-in and just as determined, and they need to know there's someone out there looking at them and watching them. So, it's up to you. It's a long hard slog, but we've got to be in there for the fight.

So, we have some questions. One question is what potential impact will the sequestration have on child care and development programs? Hannah?

Hannah Matthews:

You all may remember, that when we've talked about sequester in the past, we've given—we've said that most programs would be cut by approximately eight percent. There may be some tweaks to that percentage now because of changes that happened in the deal around the fiscal cliff. So, we're hoping that the numbers that we have now for estimates on how early learning programs would be impacted are the worst case scenario, and that maybe there would be fewer cuts.

But what we've talked about in the past is that approximately 80,000 fewer children would have access to child care subsidies. Almost 100,000 fewer children would have Early Head Start—excuse me, Head Start services, including both Early Head Start and Head Start. Programs like Title 1 of ESEA, Title 5 Maternal and Child Health Services, 21st Century Community Schools, IDEA Part B, Part C—all of these are discretionary programs that would be cut.

Helen Blank:

We have a question about—and we think this is related to California, about the Department of Social Services convening a stakeholder working group to assess potential improvements on the subsidized child care system. Do you know when it will take place? And how one can participate in the workgroup?

I suggest you talk to your early childhood leaders in California. We know that the governor has proposed some small cuts—some continued cuts to child care, and is still interested in California, in moving the operations of the child care subsidy program to counties. So, I think you all have, in California, a lot to be concerned about.

We have another question about what is the relationship—and Adele talked some about this— between the sequester and the continuing resolution, or the CR?

We know this is pretty confusing.

Adele Robinson:

Yes. So, I do want to alert you to a glossary we've done on the NAEYC website, because these terms are so confusing. If you go to our policy page, at look at the primers on the fiscal cliff, there's a glossary. So, a sequester means a cut. That's all it means. And in this case, it was an agreement to cut, over ten years, both domestic discretionary and defense discretionary. The first year of the ten would be an automatic eight percent across the board cut.

That's different than the CR. The CR is the continuing resolution, whose date is irrespective of what they decide on the sequester. As a matter of law, they enacted a continuing appropriation with a deadline of March 27th to renew what would be the funding for the remainder of the year that is going through September 30th of 2013. Regardless of what happens with or without a sequester at the end of March, they will still have to visit the CR. They can do it at the same time as their sequester deliberations, but they know that their deadline is March 27th.

The sequester does not shut down the government. The debt limit does not shut down the government, but failure to make appropriations does shut down that portion of the government for which there is neither an appropriation bill enacted or a continuance of the continuing resolution. So this is just something we'll have to watch. It's another point in time, and another opportunity for both possible cuts or increases.

Helen Blank:

We have a question about the likelihood of the reauthorizations of ESEA and CCDBG this year, in this Congress. Have NWLC CLASP for NAEYC developed proposals for these reauthorizations? And if so, are they available?

Well, as we've said, everything is really up in the air in this Congress. They are very, as you know, preoccupied with all these fiscal decisions, and there are going to be continuing cliffs all the way into April, and we don't even know how much longer. We also know that there is great interest in immigration reform, and in gun control, which are two big issues that will take over the Congress. We know that there's been a lot of work done in the HELP committee on CCDBG, and there was an ESEA bill that was reported out last year, but it is very difficult in this environment to get anything to the floor of either House, and if you noticed, getting anyone to agree on anything as a common strategy.

There are new members on the HELP Committee, which will impact how ESEA and CCDBG move forward. The ranking minority of the Health Committee in the Senate is now Senator Alexander from Tennessee. He may have a different view about the role of federal legislation than Senator Enzi who was his predecessor. There are three members who have joined the Health Committee, who have expressed interest in early learning; Senator Baldwin, Senator Murray, and Senator Murphy, but the Chairs and the ranking minority will still have a great deal to do with what moves forward.

In the House, they actually didn't get very far on ESEA. They were certainly not interested in new requirements or new direction to states or local school districts. The Senate did hold hearings on CCDBG during the last Congress, but the House did not. We had worked with the Coalition to come up with a modified plan for the CCDBG reauthorization that was based on the vision for affordable, high-quality child care, but things are changing on key Committees, and so we do feel that it's going to be important to revisit that plan. We also know that the Committee had been working on a plan, and we don't know the status of that plan. We've all had suggestions for the reauthorization of ESEA. And similarly, as we get into a new Congress, we think it's important and we'll be doing this as a coalition, that we revisit recommendations for both of these—for both of these reauthorizations.

Somebody asked when the transcript will be available, because of all our beeps, and we will get that. We usually have the audio transcript up almost immediately, but that will be challenging. We'll get the written transcript up, we hope, within the next week, for you all.

Helen Blank:

We had also given you our websites at the beginning of the call, and we know there were a lot of beeps. www.clasp.org, www.naeyc.org, and www.nwlc.org.

We were asked to repeat the numbers we mentioned during the beeps.

The numbers we mentioned, at the very beginning were that we are still facing a possibility of an approximately eight percent cut on discretionary programs that would include Head Start and some of the Child Care funding. The other numbers will be on our website, and you can check there in terms of where the tax cuts came down and things like that.

We have another question which is, if we avert the sequester with cuts to other programs, what would it mean for early learning programs?

Hannah Matthews:

I think this is a time when we have to just be really cautious and just watch a lot of the proposals that come out and keep in mind that all of the needs of low-income families and women and their children. We certainly don't want to see early learning programs protected at the cost of other vital programs that really support the needs of low-income families, so we all—we need to just be very cognizant of the proposals out there.

This is a really difficult time, and we know that some of the deep cuts that have been suggested aren't necessarily relevant to the child care and early education programs that we're talking about in this call, but would have equally devastating effects for both programs as well as families. So we're very concerned about any number of spending cuts that might be proposed, which is one of the reasons that a balanced approach is so important. We need to make sure that in addition to proposals to cut spending, that there are increased revenues put on the table as well.

Let's not forget that even if they decide to not go forward with sequester, we have the March 27th Appropriations deadline, and so while they could decide to do something other than cuts to discretionary at March 1st, we have another deadline, hence the bungee cord, a moment in time on March 27th.

Helen Blank:

And as Adele talked about, that continuing resolution has some very modest increases on the Senate—on both sides—more on the Senate than in the House, for Child Care and Head Start. However, she also mentioned that the deal to avoid the sequester for two months resulted in a tighter cap, so there's less money in the whole pot for Appropriations for Fiscal 13 than they had when they wrote that Continuing Resolution. And remember, as she said too, that's another chance for people who don't mind shutting down the government to demand more cuts. So we have to really keep up the message about early care and education and pay attention to the CR, because nothing is—absolutely nothing is certain, and

there are so many opportunities where the floor could just be taken out from under children and families.

Someone asked if we know how the cuts to NDD, that already happened in HR8 to delay the sequester will impact early learning? I think she means the caps, Adele.

Adele Robinson:

I think you mean the caps, because essentially it was a mini-Continuing Resolution for the sequester to be implemented. They backfilled the cost of non-sequestration for those two months with some of the revenue raised. So that essentially it could be smaller, but again this is all open. Could be smaller, could be bigger.

Helen Blank:

When they negotiate the CR, just as you—if you've followed these in years past, sometimes there's a push to do more about early learning, or at least to maintain the early learning increases we have. So you're going to be probably getting many alerts from all of us. So, stay tuned. And those alerts may be some of the same things that other alerts have said, and they may be more specific to Child Care and Head Start, when we get close to the CR.

Someone asked what we thought the impact of the FY14 Administration's Budget would be?

Adele Robinson:

We have to hope that we have dealt with the Continuing Resolution. There is a process of what they call a Budget Resolution. There is no requirement however, that Congress actually enact it. It actually never goes to the President for signature. It's different. We've had a couple of years now where no budget resolutions actually passed, and we just move on to the next appropriations cycle.

So, as we said before, we know that the President has spoken many times about his support for early childhood education, and even an increase to go forward. Now that said, you may not see the specifics you're looking for because it is a macro blueprint of what the President puts out. But we know that the Administration is highly supportive of this issue area, and we expect to see a positive message come out. But where we are in the actual process is a long way away from whether the President will be get all that he desires.

Helen Blank:

The budget usually is done to reflect the administration's priorities, and it usually comes out in February. So it will be very, very late, and it will, as Adele said, come in the midst of all this other budgetary chaos. But again, it will be important to look, because it will—look at it, because it will signal some of the Administration's priorities.

Someone asked, and Adele, you can answer this one, our local AEYC affiliate is meeting tomorrow. What one specific action could we take immediately? Our public policy committee will provide writing materials.

Adele Robinson:

You go to www.naeyc.org/policy. You'll see a drawdown called Take Action. Knowing only your zip code, you can email members of Congress. We give you sample messages on our fiscal cliff primer page, to talk about the importance of investing in early childhood, and not to do deficit reduction on the backs of young children and families, but in fact that would be counterproductive not only for their well-being, but for the nation's economic well-being. You can email me at arobinson@naeyc.org if you're having difficulty finding those pages, but the more that people can call and email their members of Congress now, is important. And feel free—those are public documents to share with any of your coalition partners.

Helen Blank:

We just got a question that says, the two months' deferral of sequestration was accompanied by some paid-for budget cuts, and those were really the—that was a tightening amount—the amount of money that will be in the pool of money for appropriations. Does that mean that while future sequestration would be 8.2 percent, it would be for fewer months, unless the total dollar cut would be smaller? Is that likely to mean that fewer slots would be cut in two months that would have been cut on January 1st?

Adele Robinson:

Well, for one thing, I think they could actually change, if they wanted to, the sequestration deal. So the options are to keep the same deal of the equal split between defense and discretionary, which equals as we all calculated, as the eight percent, and you could do it around the remaining period of the year. Or they could decide to pass something with sequestration on different terms. Obviously, a lot of the defense department's beneficiaries have been plugging away for months about how you can't reduce money for their side, which would mean an increase in the amount you would take out of the non-defense domestic discretionary. Or they could decide to not do any sequestration and just do the regular appropriations process.

Hannah Matthews:

Right. I mean, really, there are a lot of technical details here, and it is true that the two-month delay in the sequester was paid for with these additional cuts, but because the end result of sequester is so uncertain, as Adele is explaining, and because we don't know what Congress will decide to do with those final 2013 numbers, as well as with the across-the-board cuts, or other cuts, it's really too early to know whether any of those minor tweaks that happened in the budget deal, what kind of impact they would have.

Helen Blank:

But we do know now, if you follow the news, that anything is possible. And so you can't be certain about anything, whether—there used to be very strong feelings that sequester would never happen. And with everybody up in arms, and extremely stubborn, you're going to have to keep telling Congress what the impact of that sequester would be. And I wouldn't worry so much about the 80,000 and the 100,000 numbers, because as Adele and Hannah said, you just don't know how it would work out, and it's perfectly fine to use that number for now.

Adele Robinson:

As you do your emails and calls to Congress, I think it's really important that you be careful to say, not just sequestration. Don't cut in sequestration, but say don't cut, regardless of the mechanism, whether it's sequestration or the remainder of the appropriations year or next year's appropriations, these programs are vital to children's well-being and the nation's economic well-being. They should not be on the table for anything but investment, and so you really need to be clear in your message not to suggest only one place they can't cut, but to actually have the broader message of not cut.

Because there is increasing fear—I mean, no one wants to see Social Security or Medicare cut either. There's a nervous feeling that programs like Medicaid and other programs that affect low-income children, could be more of the target as people get more anxious about cutting the programs that affect more people and more middle income people. We have no idea, but we can't assume anything is safe from cuts.

Hannah Matthews:

And as a reminder, all three of our organizations are pushing a message in addition to don't make these cuts, and how important these investments are, that we really need to have increased revenue as well brought to the table, because there's just no way that we can go forward with spending for these programs unless there is more money coming in. So, we encourage you all to carry that message forward as well.

Helen Blank:

We know that many of you, as some of the questions have pointed out, missed the first part of the call. The details will—are on our website on that budget website for NWLC, and CLASP and NAEYC will also have that information available. And again, we'll be sending out and making available the transcript, and we really apologize for that snafu. I think the most important thing we said is as we keep repeating; this is a fiscal bungee cord. This is a very serious time, both between now and March 1st, when we get to the fight about the debt ceiling and then between March 1st and March 27th when we get to the Continuing Resolution, and then who knows what will be left open after that.

We thank all of you for joining us today in the midst of all those beeps. If you have additional questions, please feel free to send them to us and we'll answer them to the best of our ability. And remember, as we've all kept saying, that we need to keep talking about the importance of child care and early

education. We know when the President talks about his priorities for his next term, he talks about the importance of early childhood. When you read columnists all around the country about where this country should be headed, and what our good investments we should be making, they talk about investments in early childhood. So you are doing something right.

So now it's important to continue to talk about early childhood and what it can do, and also send a message to Congress that they must find a balanced approach to deficit reduction that includes increased revenue and thoughtful spending cuts, because without that increased revenue, no matter how much they care about early childhood, and recognize what a great investment it is, it will be very hard to move forward. And we will all keep you posted as actions happen in the House and Senate and the White House. Keep up your good work, and keep up your good work with your governors and your state legislatures. Thank you so much.

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