

## **Transcript: Post-Budget Update: What to Expect for Early Childhood in 2012** **February 22, 2012**

HELEN BLANK: Thank you. Hello everybody. I'm pleased to be joined today by Adele Robinson at NAEYC and Hannah Matthews at CLASP.

Welcome to our call, "Budget Update: What to expect for early childhood in calendar year 2012." Due to the large number of registered participants, callers' telephone lines will be muted during the conference. A written and audio transcript of this call will be on our Web site, [www.nwlc.org](http://www.nwlc.org), as well as our other participants' Web sites.

On Monday, Feb.13, as you know, the President released his FY 2013 budget proposal. It's important to keep remembering that this is the President's request to Congress and these numbers are just proposals at this time. Let's start with a reminder about the Budget Control Act agreed to last year that set caps on the total amount of discretionary spending for the next 10 years. So in a tight budget year, it is heartening to see proposed increases for early learning programs. Yet the budget offers an uneven picture.

First, let's talk about the administration's request for the Child Care and Development Block Grant (CCDBG).

The administration proposes a total increase of \$825 million for CCDBG, of which \$325 million is discretionary funding subject to the appropriations process and would have to be included in the FY 2013 appropriations bill. These funds do not require a state match. Five hundred million of the request is mandatory spending, which would require an authorization apart from the annual appropriations process, which we'll talk about more in a minute.

Of the \$325 million in discretionary funding, \$300 million is proposed for quality improvement grants to states. A portion of these funds – and the budget document does not say how much – would go through states through the CCDBG formula available to all states that submit a plan describing how they will be used. Another portion would be distributed through a competitive process. It's envisioned that the funds would support state efforts to build their quality infrastructures, waiting systems or other quality indicators to help parents identify high quality childcare and provide direct support to programs and teachers to improve quality. A third portion would be set aside for evaluation.

The remaining \$500 million increase would be in mandatory funds. These funds, as you may remember, require a state match and are not decided by the appropriations committee. They have to be authorized by the Senate Finance and House Ways and Means Committee to become a reality. This is something that is quite a challenge, as in the past mandatory funds have only been adjusted when those committees re-authorized the TANF block grant.

However, the extension of the payroll tax cut that was recently signed by the President includes an extension of TANF and the current mandatory child care funding until Sept. 30. This means that

for these committees which already have much on their plate – taxes, unemployment insurance, social security among other issues – it would be quite a lift to have them focus on child care this year. The mandatory increase that was in the budget for FY 2012 did not get any consideration from these committees.

While we will try on both fronts, we are not optimistic that mandatory funds will be increased this year. So you will see a lot of alerts on the discretionary side, because we know that Congress has to do something in appropriations committees each year.

It will be crucial to let your members of Congress know that an increase tied to improving the quality of child care is important. But it is equally important to ensure that children do not lose child care assistance. The budget says that, even with the \$825 million increase, 1.5 million children would receive child care assistance. That would be the smallest number of children served in CCDBG in over a decade. It is a drop from the 1.6 million previously served with CCDBG funds in 2009. And the latest data from 2010 showing 1.7 million children, but those include the children served with ARRA funds.

We are very concerned about trends that we see in the states. First, there was a \$700 million loss in TANF funds targeted for child care in 2010, the latest data available. Second, a number of states and counties that we're tracking continue to make or propose serious cuts in both access to child care and quality.

For middle class families, there is the Child and Dependent Care tax credit. The budget proposes restructuring the credit to provide more support to middle income families. Families earning \$75,000 would be eligible for a 55 percent credit of their expenses up to \$6,000 for two or more children. And the credit would phase down to 20 percent at \$103,000. Unfortunately, it does not ask Congress to make the credit refundable.

Now, let's talk about the President's proposal for Head Start funding.

The President's proposal would increase funding for Head Start by only \$85 million. Forty million of the increase would be targeted to supporting the new Head Start competition over a three-year period. These funds would support new providers and transition costs. Forty-five million would be for a cost of living increase.

This would unfortunately provide for no increase in the number of children receiving Head Start despite the growth in the eligible population with the increase in the number of young children living in poverty. To date, we're still only serving fewer than half of eligible preschoolers in Head Start and less than 4 percent of eligible infants and toddlers in early Head Start.

Funding for the 21st Century Community Learning Centers program, which supports after school services, would be frozen at last year's appropriated level. It would remain at \$1.125 billion. The proposal in the budget would allow a portion of these funds to be used to extend the school day, which could result in less money for core after-school programs and less hours covered for families. This is because extending the school day involves paying teacher salaries, and that is

more costly than simply funding after-school services. Adele, can you talk about the budget and the other education programs?

ADELE ROBINSON: Thank you, Helen. The administration does include a number of funding increases related to early learning in the Department of Education's budget. They proposed another round of Race to the Top for \$850 million, with a significant portion for an early learning challenge. However, their budget documents do not say what exact number that proportion would be.

Other education programs that support early learning would receive some modest increases. Part C early intervention for infants and toddlers would receive a \$20 million increase, if the President's budget is adopted. Promise neighborhoods would rise from \$60 million to \$100 million. On the other hand, some large programs are flat-funded – that is, no increase over last year in his proposal. Section 619 of the special education preschool grants would be frozen, as would Title I and the Campus Child Care program.

So many of you are probably still asking, “Well, what happened to the Fiscal Year 2012 Race to the Top of \$550 million? Isn't it time for a second set of grant awards?”

As you recall, there is also a significant amount of Race to the Top set aside for K-12 education. The administration is considering using the bulk of these Fiscal Year 2012 funds for a competition that would not be directed at states but directed to local school districts with a focus on K-12 and with the possibility of including criteria related to early childhood.

Many of us have been working hard with the administration and Congress to advocate that a portion of this \$550 million be set aside for a second round of state systems grants for the early learning challenge in the same way as the first round of grants. If this occurs, the Administration could do go down the list of applicants or do a new competitive process. We don't have any official word on this. In an interview, Secretary Duncan suggested it could be a competition with FY 2012 funds to local educational agencies. We have nothing official from the administration that specifies how they will go about the Fiscal Year 2012 competition for Race To The Top.

Several of you next in the lineup for the Early Learning Challenge grants have written to your members of Congress urging them to weigh in with the administration about the importance of a second round of a state competition. Recently, there was a session at the Department of Education where all of our three national organizations and others gave their input regarding the use of funds for 2012 and 2013 and argued strongly for another round of state competitions. Stay tuned.

For those working on literacy issues specifically, the administration would consolidate the “Striving Readers” and the “Ready to Learn” TV programs, essentially eliminating them as separate categorical programs and creating a new literacy program within ESEA. There are no details, so we have no idea what would be available of those funds for birth to five-year-olds and for children in the early grades. Again, this is only a part of the administration's ESEA re-authorization blueprint and budget request. And it does look unlikely that the ESEA re-authorization will all finish in this calendar year.

BLANK: Thank you, Adele. Hannah, can you talk about the status of reauthorizations and other issues affecting early childhood?

HANNAH MATTHEWS: Yes. Hi everyone.

On the reauthorization front, it does look as though we have lost the momentum both for reauthorization of CCDBG and the Elementary and Secondary Education Act (ESEA) Senator Mikulski, the Chair of the Senate Subcommittee on Children and Families, held two hearings focusing on early childhood and a potential reauthorization of CCDBG. We shared an outline of the coalition's priorities with staff, but it's unclear at this stage – particularly in an election year – whether a reauthorization will actually move forward.

ESEA is in a similar position. Senator Harkin's HELP committee has marked up a version of reauthorization. But there are no plans at this time to bring it to the Senate floor. As you may remember from our last call, we did successfully seed some early childhood language into that markup bill. The House is working on several bills focusing on ESEA and plans another markup at the end of the month.

There really isn't anything new for early childhood in the bills that the House Committee chairman has introduced. And the approach in the House is significantly different from that of the Senate. The House chairman has decided not to try for a bipartisan bill, unlike the Senate committee.

Senator Harkin, the chair of the HELP committee and the Labor Health and Human Services and Education Subcommittee, also plans to introduce a broad-based bill to help middle class families that would include an increase in funds for CCDBG. But this would be separate from any efforts to reauthorize the program.

As Helen mentioned, last week Congress passed an extension of the payroll tax cut and unemployment insurance. This also included an extension of TANF through the end of the fiscal year, Sept. 30. Although TANF is technically scheduled to be reauthorized, it now looks extremely unlikely that this will move forward. Despite the decline in TANF funds used for child care, child care is still the second largest use of TANF dollars after basic cash assistance and TANF is really important to child care programs.

On another front, the Department of Health and Human Services has announced that they plan to issue new regulations for the Child Care and Development Block Grant in the coming months. These regulations will track a number of areas that were included in the pre-print for CCDBG, the new state plan, and would include health and safety, improving quality, making the process for receiving childcare assistance more family friendly. We will be filling you in on the regulations when they are released and will also be providing a template for comments to the administration. That's really all the information that we have about the regulations at this time.

We are excited that the administration continues to prioritize investments in early learning. And as we monitor state developments around child care assistance and prekindergarten we do however have cause for concern that in many respects we are losing ground. We'll be setting up a

conference call to review what's happening on the ground in states and strategies that advocates are using to really stay the course in the coming months. So stay tuned for more information on that.

So what's next in DC?

Well, the House is expected to introduce the House budget, or the Ryan budget, in the next several weeks. We anticipate that this will look very similar to the one that was released last year which, you may remember, included significant cuts in discretionary dollars that fund early learning programs.

If you remember, last year the Senate did not pass its own budget resolution. Much of the action around the President's budget focused on the appropriations process. This year, the outlook for a constructive process also appears extremely bleak. It may be that the appropriations bills are not completed before the November election. That means that there will be a lot will be happening during the lame duck session of Congress.

This could involve not only decisions about funding levels for early childhood but also debates around the expiration of the Bush-era tax cuts. Those expire in Dec. 2012 as well as the continuation of improvements in important tax credits for children and families.

Congress may also address the pending sequester, which we talked about on the last call, which if not addressed will trigger significant cuts in programs like Head Start as well as a portion of child care funding in early in 2013.

At this stage, it's important that you keep talking to your members of Congress as well as candidates for office about the importance of early learning. Let them know that it helps children learn and helps parents earn. With the prospect of sequestration, we want to work especially hard this year on appropriations to make sure that we gain additional funding before any potential cuts in January.

National groups will also continue working hard to prevent these automatic cuts from taking place. We know that it will be difficult in this budget and in this political climate. But we have to do what we can for children and families.

NWLC will be sponsoring a conference call March 13 at 1 pm, Eastern about the dos and don'ts of advocating in an election year. We also urge you to continue to share with us developments that are happening in your communities.

Remember that in a very tight budget, the administration has continued to press for increases in funding for a myriad of programs that impact children and their families' early learning opportunities. So you are doing a great job.

It's important that we continue to keep this issue in front of policymakers. Please let your members of Congress know that you need to call and write and e-mail them to ask for significant increases in child care and Head Start. We'll also be asking for a substantial portion of Race to the Top funds to be used for early learning. Stay tuned for an e-mail following this call with specific numbers that

we'll be asking for in the appropriations process. We want to make sure that we ask for sufficient funds to keep child care whole and to ensure that Head Start has sufficient funds to sustain quality.

BLANK: Thank you, Hannah and Adele. We have a question about Race to the Top money. Is the Race to the Top money in the FY 2013 budget in addition to the money already allocated to the nine states over four years for the early learning challenge? Adele?

ROBINSON: Yes, it is. And you have to think about these as separate competitions. So the nine states have received their amount. And they can spend it over four years. And so now the question is if other states can participate if more money is available. So that it's more than a one-year grant competition.

BLANK: Can you explain the relationship of the President's budget for FY13 and the sequestration in 2013?

Well, the President's budget lays out amounts related to existing discretionary funds. Under sequestration, discretionary programs would – except for a very few – be subject to a 9.1 percent cut in 2013. And that cut would be to each program so that Congress won't have an opportunity the first year of the sequestration to decide between programs.

The discretionary part of CCDBG would be subject to the sequester and Head Start as well. The mandatory part of Child Care and Development Block Grant would not be subject to the sequester. But when you think about it just looking at last year's fiscal year funding levels, those would be pretty deep cuts. Head Start is just slightly over \$8 billion. If you took off 9 percent, you're talking about a very, very large cut.

So we're going to be doing some work to let Congress know that the sequestration would have dire effects for early learning programs. We don't know that a drive to protect one discretionary program or another is going to work. We think that we all have to work together. People who are working on different programs for children and families must give Congress the message that a sequestration would very much hurt early learning or after school or education so that we create a drumbeat against the possibility of a sequestration process. It can be turned around. But it is worrisome to have it out there.

Hannah, can you lay out a time line? Someone wanted to know when are they going to do appropriations and the budget?

MATTHEWS: Well, that's a great question. The House, as we said, is expected soon – perhaps next week – to release their budget. So we start with the budget resolution, which is what lays the framework for the appropriations process.

Typically, we will be meeting with members of the appropriations committee and working on appropriations in the spring. And we're going to be doing that. But the reality is that this year, as you might remember from last year, we do expect that this will be a lengthy process.

OPERATOR: You will now be disconnected by the leader.

BLANK: We're so sorry, everybody. This has never happened. We've lost you all. We hope some of you are back. Hannah was talking about the timing for all of this.

MATTHEWS: Hi. So as I was saying, the House will move forward with a budget relatively soon, which we anticipate will have some deep cuts again for discretionary programs. It's unlikely that appropriations will come to any final decisions in the near future. You may remember in past years we've had continuing resolutions. We anticipate that even though we will work hard in the appropriations and we need to continue getting the message out in the next few months and going forward about the importance of child care and Head Start, and we will – likely appropriations will be happening in the lame duck session after the election.

BLANK: We just got another question. Is there any hope of a continuation of any of the TANF one time funds – emergency, contingency, supplemental?

MATTHEWS: Not at this time. The extension of TANF that was just passed as part of the payroll extension bill funds TANF through Sept. 30 but did not include those supplemental grants that expired last year. Those grants are gone and other contingency funds have also not been continued. So at this point, we do not anticipate additional funds. Another reauthorization of TANF would be an opportunity to argue for some additional funding.

BLANK: We have a question about when will the administration make a decision on the next Race to the Top competition. Adele?

ROBINSON: I wish we knew. Clearly, they're gearing up because they asked us all to come in and talk about the Race to the Top. And we all basically said in the same voice provide more state grants, stay the course, don't destabilize at this point. But we do not have an inkling of what specific week the new process will be announced. I would assume it will be relatively soon. But that said, that doesn't necessarily mean this week or next week. So stay tuned.

BLANK: Another question about Race to the Top is if there is another state-focused competition with the FY13 dollars. Do we know what states will get the money? Whether there'll be another competition? Do we know that there's definitely a lineup of states that score higher after the first nine?

ROBINSON: So this is all conjecture on our part, because the administration hasn't said what it would do with the Fiscal Year 2012 or 2013 specifically. We do know that – remember that the Race to the Top money for K-12 originated with the ARRA funding. And when they had their second and third year of grants, they did go down the list based on reviewers' scores. So it is our supposition – and only a supposition – that they will do the same. They could decide, if they wanted to, to re-open up and ask each state to re-compete. So we're really not sure, but the precedent was set in K-12. And we think that is probably more effective and efficient for all considered.

BLANK: Someone just asked – and this is something we've been wrestling with in the last few days – is what is the specific ask for FY 2013 when we talk about appropriations?

MATTHEWS: We have been struggling with this question. We recognize that it was a tight budget. And we are really grateful that the administration put forward the proposal for an \$825 million increase for CCDBG and an \$85 million increase for Head Start.

That said, we want to be sure that our ask is really sufficient to keep child care whole. So that we maintain the children who we are currently serving as well as make quality improvements in the program. We also want to make sure that Head Start has sufficient funding to maintain the quality of the program as well.

So at this point, we're considering whether the proposals in the President's budget meet those criteria. And are doing some analysis on our own about what funding levels will be sufficient to meet those criteria.

So we will be sending out very soon figures for both of those programs and what the rationale is behind those numbers.

BLANK: OK. We mentioned regulations. And someone wants to know more about the regulations coming out of the Office of Child Care.

MATTHEWS: This is another area where we have to say, "We wish we knew more and stay tuned." At this point, we are very, very early in the process for these regulations. So what we said about it is really all that is on the OMB Web site right now. We do think that the regulations will track pretty closely with the types of ideas that the Office of Child Care has been putting forward through the new state plan. They're focused on being family-friendly. Any new regulations will have to go through a process here in Washington. And so the next step is that the regulations will come forward for comments. When that happens, we will be making sure that we share our recommendations for comments to submit. But right now, we don't have any more information on the actual content of those regulations.

BLANK: Is there anything that we can do about the drop in TANF funding for child care? We know that TANF funds a great deal of child care, and this seems to be a great concern.

MATTHEWS: TANF is difficult because, as you all know, it is a block grant. And the funding has been set for many years now. And TANF funds a large number of programs really important for low-income families. So it's always a struggle to get those dollars when they're needed in so many different places. Certainly, we are concerned about the drop both in TANF funds spent directly on child care and those transferred to CCDBG. These are state decisions. So the advocacy on TANF would have to be at the state level to try to ensure that those dollars continue to be directed to child care.

BLANK: So that's all the questions we have for today. We think we've lost some of you when we unfortunately had our call dropped off. And we apologize.

We started the call talking about the fact that in a tight budget year, early learning got some increases in the President's budget. I think it's so important given the support for early learning



from the administration, the huge gaps we have around the country despite the great recognition now of the early years, that we keep working on this issue both at the federal and the state level.

We know that many of you in a number of states are facing enormous battles around your early childhood or your child care system in your state budgets this year. And they're taking a lot of energy. And you may think, well this budget isn't even going to get wrapped up. They're not even going to do appropriations until after the election, possibly. Why should I write?

Because everybody else is writing to Congress about their particular issue and the bulk of money for early childhood comes out of Washington. The core services are still funded by child care and Head Start. And the funding won't stay the same, much less get increased, unless your member of Congress hears from you. We know everybody's busy and maybe not everyone can do a site visit to a program, which is important. But we would urge you to make sure that you have contact with your member of Congress. Whether you make a visit to the District office or drop in when you're in Washington. There are lots of recesses. Members of Congress should know that they have constituents who care about early learning and who know that Washington is responsible for the bulk of support that parents get and the bulk of support that help prepare our children for success.

Please pay attention to alerts. Please develop a relationship with your member of Congress or at a minimum with their staff. Let them know that you're out there, as a resource. One day, CCDBG will face a reauthorization. Appropriations decisions are going to get made and we need your help. So thank you for your hard work. Don't forget that the audio transcript and written transcript will be available on our Web sites. Thank you and have a great day.

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