

# Cuts, Challenges, and Deals: What Did You Do with Your Summer?

by Eric Karolak

As a new school year begins across the country, many are looking back on a long, hot summer and wondering where did all that time go? For early childhood public policy, three developments over the summer are likely to shape our field for quite some time.

By July, many states had wound up their budgets for the coming year (or two — some states have biennial budgets). From Florida to California, child care and early learning funding got caught



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learning programs. ECEC members operate more than 7,500 centers enrolling nearly 1 million children in all 50 states. Dr. Karolak previously led the National Child Care Information Center, the largest Federal clearinghouse focused on child care and early education for low-income families. He has worked closely with states developing the technical aspects of child care assistance programs, quality rating systems, and partnerships across early childhood programs. He has conducted policy research and fiscal analysis in the areas of child welfare, child care, women's labor force participation, and public housing, and has testified before several state legislatures and the U.S. Congress. Dr. Karolak also has served as an advisor to a national quality initiative, a non-profit child care center, a local government commission, and a metropolitan United Way.

up in the intense fiscal whirlwind sweeping states this year. For example:

- California reduced overall subsidy funding by 11 percent across the board, and if revenues do not come in as projected, the budget spells out triggers that will include an additional \$23 million-across-the-board cut in 2012.
- As Arizona continues to cut child care, 21,000 fewer children will receive child care assistance — a 40 percent drop over three years.
- In Ohio, eligibility was pulled back from 150 percent of federal poverty level to 125 percent *and* rates were reduced to the 20th percentile of the 2010 market rate survey.
- Florida cut its child care budget, including TANF funds, by \$68 million, a move that will deny access to care for more than 14,000 children who had been enrolled in programs throughout the state.

In addition to cuts to subsidy funding, many states reduced their investments in child care quality or cut access to state-funded prekindergarten programs. In Pennsylvania, for example,

the T.E.A.C.H.<sup>®</sup> Early Childhood Program, which provides educational scholarships to child care teachers to attain higher credentials and reduce turnover, was all but eliminated for the coming year. And North Carolina cut its flagship early childhood program, Smart Start, by 20 percent.

Your advocacy meant that these state cuts weren't the story everywhere. But almost everywhere, the pressure on state budgets mirrors the pressures on family budgets that began to affect child care demand as early as 2008. And it's what parents and public funders are willing and able to afford that largely determines what you're able to accomplish in your program.

## Early Learning Challenge

In Washington, the Obama Administration launched a high-priority initiative, the Race to the Top – Early Learning Challenge (RTT-ELC), the second significant development of the summer. The Early Learning Challenge is the culmination of nearly two years of effort on the part of the Administration and allies in Congress. In July, the federal Departments of Education (ED) and Health and Human Services (HHS) released draft application criteria for the \$500

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million RTT-ELC state grant program. Funding for this was allocated in the final FY2011 Appropriations bill.

The goal of RTT-ELC is to help states increase the number of children from birth through age five from low-income families with access to high-quality early learning and development programs. The focus of the competition will be on aligning early childhood resources and systems, improving early learning and development standards and assessments, program standards, tiered rating and improvement systems, and early childhood educators.

States have the option to apply in this competitive process, and grant award amounts will be based on the number of children birth through age five in that state who are in low-income families. For the largest states (California, Florida, New York, and Texas), the four-year grants could

bring as much as \$100 million to each state. For most states, the grant awards are capped at \$50 million over four years.

The final criteria and application announcement, expected in August, were not available as we went to press. Already many states are discussing how to approach this opportunity. It's not clear how many will apply nor how many will be successful in the end. Those states selected will receive their grant awards by the end of 2011 and the grant period will run through the end of 2015. For more information, visit [www.ed.gov/early-learning/elc-draft-summary](http://www.ed.gov/early-learning/elc-draft-summary).

The Early Learning Challenge is a bold statement of priorities — importantly placing an unmistakable emphasis on quality and school readiness — but how dramatic the impact will be is far from clear. ED officials call RTT-ELC “a powerful tool that will help highly commit-

ted States provide more children from birth to age five from low-income families — with access to high-quality Early Learning and Development Programs.” As program providers, you know better than anyone that quality counts *and* quality costs. Given tight state and federal budgets and the capped RTT-ELC grant awards, states will need to be creative and ultra-efficient if they're to succeed at increasing the number of low-income children in high-quality settings.

### Debt Ceiling Deal

Few *Exchange* readers missed the third development of the summer, the debt ceiling deal, but some may be wondering how it affects child care specifically. While early childhood was nowhere mentioned in the deal — in fact, no specific program cut is identified in it — the outlines of the agreement will cast a shadow over federal spending

that could affect early childhood education programs.

The debt ceiling deal was reached shortly before we went to press. While Democrats and Republicans agreed to raise the federal government's debt ceiling sufficiently to last through 2012, they also agreed to put into place a two-part reduction in the overall spending of the federal government over the next 10 years. Here's how the deficit reduction will work:

- First, the agreement caps discretionary spending — spending through Congress' annual appropriations bills on non-entitlement programs such as defense, education, medical research, and much more, including early childhood education — that will amount to a reduction in discretionary funding of nearly \$1 trillion over 10 years.
- Second, it creates a Joint Select Committee that must meet this fall and develop legislation to reduce projected annual deficits by an

additional \$1.2-1.5 trillion through 2021; its legislation will be fast-tracked so it can pass Congress before the end of the year.

If the Joint Select Committee — comprised of six Democrats and six Republicans — cannot agree on a legislative package, or if the House and Senate do not pass legislation the President can sign, by the end of 2011, then automatic, across-the-board budget cuts over the next 10 years will kick in. These cuts will be split evenly between defense cuts and non-defense cuts, but will exempt key entitlement programs such as Social Security, Medicaid, and child nutrition, among others.

So, while child care, Head Start, and other early childhood programs are not specified in the deal, the Joint Select Committee will be under enormous pressure to identify significant federal spending cuts anywhere it can in the budget. And if it isn't successful, then automatic, across-the-board spending cuts kick in.

Apart from that direct threat to resources for programs for children and families, many are concerned about a secondary effect through the deal's impact on states. As state officials decipher the debt ceiling deal, federal aid to states for certain programs appears likely to take a hit in the coming decade. With fewer resources available from Washington, states will be forced to find additional efficiencies and other ways to address their own budget shortfalls.

## Resources and Reform

These developments — powerful state fiscal pressures, the bold Early Learning Challenge competition, and the dramatic debt and deficit negotiations — put into relief the tension between reform and resources in the early childhood world. The challenge to do more with less can be healthy and promote new ways of thinking, but when it comes to programs for children, it carries risks.

Of course, in your programs you experience this tension constantly. Your ability to innovate depends in large part on what you know are your current and projected revenues. It's that essential truth that we need to be able to communicate in our advocacy: quality counts *and* quality costs.

All of this means that your advocacy — as program providers who know what it takes to run a center, to find the right people, to implement a quality curriculum and program — on behalf of the children and families you serve, has never been more critical.

## Zachary's Corner

