

CENTER FOR LAW AND SOCIAL POLICY

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HELEN BLANK; NATIONAL WOMEN'S LAW CENTER; DIRECTOR OF CHILD CARE AND EARLY LEARNING: Hi, everybody. I'm Helen Blank from the National Women's Law Center and I'm pleased to be joined today by Hannah Matthews at CLASP and Adele Robinson at NAEYC. Welcome to our call, Federal Budget Roadmap -- Where We're Going And What We Need To Do.

Due to the large number of registered participant callers, telephone lines will be muted during the conference. A written and audio transcript of this call will be on all of our websites -- www.CLASP.org, www.NAEYC.org, www.NWLC.org. If you have any questions during the call, please email them to efirgens@CLASP.org.

This is the most critical time for current and future funding for children and families of any time. We want to make sure that you're prepared for the debates and decisions on federal budget and taxes that will start in earnest right after the November elections. They will decide the opportunities and challenges of more investment in the next decade.

Adele and I will be discussing the myriad of budget decision points that Congress will face, while Hannah will highlight developments around Senate efforts to develop a reauthorization bill for the Child Care and Development Block Grant (CCDBG).

Let's start with appropriations. As you likely know, fiscal year 2013 begins soon on October 1. Unlike past years where Congress debated funding or appropriation bills until the very last minute, leaders in Congress, anxious to get out of town, have already reached an agreement on appropriation levels for the first six months of FY2013. The continuing resolution, or CR, funds Child Care and Head Start at essentially their existing funding levels. It also includes an extension of the TANF program, which will continue our mandatory child care funding at current levels. The House has passed the CR and the Senate is expected to pass the CR by the weekend.

You may remember our email updates that we all keep sending you that the Senate and House previously marked up or wrote appropriation bills for the next fiscal year, FY2013. The Senate included \$160 million increase for CCDBG, \$90 million of which would go towards workforce training and professional development, the remaining \$70 million targeted to increase the number of families served in CCDBG 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.

Given that there is an election before the CR ends, we do not know if these become the starting point when the discussions resume again about the final appropriations bill. There is also the potential impact of sequestration and extension or expiration of some of the tax cuts.

Now, let's talk about sequestration, something you've heard a lot from all of us about, the cuts to programs that are scheduled to start January 1, 2013. As you might remember, the sequester was established a year ago August in response to demands from far right members of Congress who threatened to refuse to raise the national debt ceiling. In the name of deficit reduction, the Budget Control Act required about \$2 trillion in spending cuts with zero new revenues over 10 years. More than half of these cuts -- \$1.2 trillion -- will come from sequestration, or automatic spending cuts slated to begin January 1.

Right now, the cuts are to be divided between defense and non-defense discretionary programs, the term used to refer to spending on a wide range of domestic programs including education, health, human services and labor. These cuts will include cuts to Head Start and Child Care as well as 21st Century Community Learning Centers for after school, IDEA and Title I of ESEA, along with many other programs.

Child Care is unusual in that it is funded through both mandatory and discretionary funding streams, which is an advantage right now. Only the discretionary portion, about half the money, would be subject to the cuts. Next year, the cuts are slated to be applied across-the-board, which will, according to a report issued last week by the Office of Management and Budgets, result in an 8.2% cut to CCDBG, Head Start, and other discretionary programs.

This would lead to about 100,000 children losing Head Start and 80,000 children losing Child Care Services. The Title XX Social Services Block Grant would be cut by 7.6%. The sequestration will go on for another nine years; and after this year, will allow for program-by-program choices, not an across-the-board cut. That could be advantageous or disadvantageous to our programs. But realistically, with so many cuts on the board, it's hard to imagine that much progress could be made on individual programs.

We are working with the NDD Coalition, Non-Defense Discretionary, something that people outside Washington will sure have a hard time wrapping their arms around, a broad-based coalition made up of more than 3,000 organizations across the country fighting to avoid the cuts that sequester would impose.

There is a very strong push by the defense lobby to exempt defense programs from the cuts. If that happened, the cuts to discretionary programs like Child Care and Head Start would even be bigger. Remember that mandatory programs for low income families and individuals generally would be exempt for sequestration, including mandatory child care funds, TANF, SNAP or food stamps, the Child and Adult Care Food program, school lunch, and Medicaid/SCHIP.

Adele, why don't you talk about how the whole budget process might play out?

ADELE ROBINSON; NAEYC; DEPUTY EXECUTIVE DIRECTOR, POLICY AND PUBLIC AFFAIRS:
Thank you, Helen.

In addition to sequestration, a number of budget decisions will come together in a complex, inter-related set either in December or they could be put off until after January, depending on the outcome of the election. One of the decisions that needs to be made that has enormous impact is whether to extend some or all of the tax cuts from 2001 and 2003, sometimes referred to as the Bush Era Tax Cuts, as well as the tax cuts enacted as part of ARRA, also known as the stimulus.

While the 2001 and 2003 tax cuts benefited very high income taxpayers and some middle income families, the ARRA tax cuts targeted low and moderate income families. For example, in ARRA there was an extension of the EITC and, for families with lower incomes, eligibility for the tax credit. You know from our alerts this year that there is a serious debate on whether to allow tax cuts for those earning \$1 million or \$250,000 or more to expire. Those decisions will significantly impact revenue, which has a trickle-down effect on how much cuts will be made.

If we raise revenue, some that's applied directly to deficit reduction; it's not clear how much will be applied to bigger investments in programs. Revenues are the lowest they've been for at least five decades, yet the needs of children and poor and working families continue to be unmet. It's very important that these tax provisions be included in the budget negotiations. For fairness now and in the future, we have to deal with revenue and not reduce the deficit solely on the backs of cuts to these programs. Any attempt to reduce the long-term deficit without addressing the need to increase revenue will result in even more severe cuts to our programs and could even include a deal on SNAP, Medicaid, Social Security, and other mandatory programs that benefit low- and middle-income families. Advocates will need to address fair revenue raising and not just opposition to tax cuts.

In February and March of 2013, Congress will also need to raise the debt ceiling again, and that debate ensures that there will be considerable talk about how much can be spent when the CR expires. Hannah, could you talk a bit about the Senate HELP Committee and how it's been approaching the CCDBG reauthorization bill?

HANNAH MATTHEWS, CLASP, DIRECTOR OF CHILD CARE AND EARLY EDUCATION: Thanks, Adele. As you all know, we've talked a lot in the past year about efforts in the Senate to reauthorize CCDBG. Let me just say at the outset that we really think that now there is no possibility of CCDBG being reauthorized before the election, and given that the House has not expressed interest in moving a bill forward in that chamber, it remains very unlikely that we will see a reauthorization this Congress.

That said, the Senate HELP Committee has spent the last year working towards a CCDBG reauthorization bill. The chair of the subcommittee, Senator Barbara Mikulski from Maryland, continues to want to move forward a bipartisan reauthorization. The committee has held three hearings on the reauthorization of CCDBG beginning last summer. It was particularly noticeable that at the most recent hearing, witnesses were charged with discussing strategies for improving CCDBG without any new funding and to retain children who are currently receiving services without being harmed or dropped from the program.

That underscores what a difficult fiscal environment we are working in, and we need to be mindful of the tensions between improving the program and shifting additional costs to parents and providers. This is all very challenging to do without significant federal resources.

In addition to the public hearings, the committee arranged a series of briefings about different child care issues for the committee staff. Members have expressed interest in particular issues within child care, such as comprehensive background checks, improving care for infants and toddlers, improving the administration of the subsidy program so it's more accessible to parents and works better for providers, helping more homeless children access child care and workforce issues as well. There is not yet a public draft of the committee's proposal, so we don't know exactly which of these issues or policies are being considered for a bill.

The Coalition for Child Care and Early Learning has worked with committee staff and provided a document that recommended improvements to CCDBG based on some of the concepts that were included in the original agenda that we all worked on many years ago. Some of you might know it as the Child Care Vision. This round we came together to come up with a more modest blueprint, given the fiscal situation we're in. While it was a modest blueprint, it was not without cost, and we've shared with committee staff the need for increased funding for CCDBG.

Our blueprint included issues relating to health and safety, improving the quality of child care, strengthening professional-development systems and training for child care providers, and background-check requirements. It also included ideas for strategies to encourage higher-quality care in low-income areas, strategies to encourage continuity of care for children, and better coordination between child care, Head Start and state prekindergarten.

We also discussed with the committee that we think there should be assurances that states do not cut back on the number of children currently receiving child care assistance or the provider payment rates that they currently have, given that there is so much unmet need and rates already are so unacceptably low. We know, however, that this would not come without a cost.

We now expect to see a draft of the committee's proposal in late fall. When that happens, we will let you all know and know what the next steps are. As I mentioned, there has not been movement in the House on reauthorization, so completing a reauthorization this Congress is very unlikely. We will work with the Senate committee, however, to try to get the best possible bill, which could be a starting point for discussions next year.

These are very challenging times. While there is growing recognition of the importance of high-quality early learning experiences, many states have growing waiting lists for child care. Rates paid to child care

providers continue to stagnate or drop, and new state policies, such as those to not pay providers for days that children are absent or limiting the number of days that can be paid for, make it even harder to stay in business. We need to remind policymakers that without a strong child care system, especially in low-income neighborhoods, it is unlikely that our most vulnerable young children will be able to reap the benefits of high-quality early learning experiences that are so important.

Helen, do you want to continue?

BLANK: Sure. Thanks, Hannah. So, as Congress leaves, what's your job when they're at home? First it's to make sure that they know how important child care and early learning programs are to helping both children to succeed and helping their parents work and support their families.

Tell them about the devastating impact that sequestration would have on child care and early education programs in your communities and to the families that 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 that 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. In many past deficit-reduction initiatives, Congress has included measures to reduce poverty related to tax credits, child care, Medicaid and nutrition assistance.

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 Web site with information about the budget and sequester. NWLC has information on how to message around the tax provisions that are at stake.

Everyone on this call will be getting documents from NWLC and CLASP. One is a timeline for the budget debates, and another is a Q-and-A on how sequestration will impact child care and early education. We encourage you to share these resources with your networks. Hannah?

MATTHEWS: We have over a month until the election, so there is much work to be done in the states and communities. There are many early learning programs for your policymakers to visit. We really need to keep up the pressure on Congress to protect child care and early education programs.

Helen mentioned the NDD, Non-Defense Discretionary Coalition that we are working with. Today is their action day, so we encourage you to start now. We're going to answer some questions, but after that, when you hang up from this call, please call your member of Congress, send an e-mail or a tweet and let your representative know just how important it is to protect child care and early learning programs and let them know that deficit reduction should not be done by automatic spending cuts. It must include increased revenue. Please let us know if there is information we can provide that will be helpful to you to make that case.

So we'll turn to questions now. As a reminder, if you have questions, please e-mail them to Emily Firgens at efirgens@clasp.org.

The first question is, "Is reauthorization of ESEA out of the question for 2013?"

ROBINSON: Definitely there are not enough days for Congress to reauthorize ESEA this year, this Congress, the 112th Congress. It is an open question about what will they take up first in the committees when they return for the start of the next Congress in January. There is some discussion about what a reauthorization would look like in the wake of the many state waivers that have been granted by the Secretary of Education, but they also are very interested in both sides about thinking about CCDBG again next year. It's hard to know which one they will put up to that first at this time.

MATTHEWS: Thanks, Adele. The next question is, "Helen, can you lay out a timeline for when these budget actions and decisions will happen or when they'll need to be made?"

BLANK: Sure. Congress has to extend the appropriation bills, and that's going to happen by the weekend. It could even happen today. There's a little bit of a dustup as usual in the Senate, but that is going to happen before they leave, and they'll be out of here by the weekend.

By December 31, there are a number of legislative provisions -- Adele spoke about some of them -- that are scheduled to expire, and they include the tax cuts enacted during the Bush administration, plus the tax cuts enacted as part of ARRA, the American Recovery and Reinvestment Act, and we have a number -- these are targeted low- and moderate-income families, so they're important. They expand the earned-income tax credit and they make families with lower incomes eligible for the child tax credit.

Emergency unemployment insurance is important, given our high unemployment rate. Since June 2008, when the national unemployment rate was at 5.6% federal emergency unemployment insurance benefits have been available to supplement the typical 26 weeks of state benefits, and they've never been allowed to expire when the unemployment rate was over 7.2%.

Today unemployment is over 8%, but the federal UI benefits are scheduled to expire by the end of the year. So, it looks like when Congress comes back for a lame-duck session, which is after the election, probably after Thanksgiving -- we don't know for sure -- they will face dealing with both the tax cuts and the emergency unemployment insurance.

Now, remember also that the automatic across-the-board spending cuts, the sequestration, is scheduled to begin on January 2, 2013, so you could say that they have to deal with all that when they come back from the lame duck before January 1. Now, we know Congress also -- doesn't always like to bite the bullet, so they could take all the decisions, the tax decisions, the sequester decision, they could let everything roll until after the first of the year.

When we come to February and March, when the -- remember we said the CR expires and they'll have to make decisions about funding levels for fiscal year 2013? Congress also faces raising the debt ceiling again, so in the middle of negotiating a spending appropriations bill for the remainder of fiscal spending 2013, they're going to also be dealing with the debt ceiling.

So, we're going to be talking to you about talking to Congress and the next administration between November and March about these big budget issues, not just about or not even necessarily about things like CCDBG reauthorization, because these will be paramount in terms of what is available for the future for all of our programs.

MATTHEWS: Thanks, and, actually, you just said all of our programs, so there is a question whether we can recap which early learning programs would be subject to the sequester, and I think broadly we might want to tell folks what programs are really at risk beyond just child care and Head Start and programs in health and human services, but really there's a lot of programs here that are subject to these cuts.

ROBINSON: For example, there's the WIC -- let's just give you some examples, because you may be working with families that depend on these as well. While the Child and Adult Care Food Program is protected under the sequester agreement, WIC is not. Title I is not. Race to the Top Early Learning Challenge, if there were to be new grants, is not. Anything in K-12 education is not. That includes our special-education programs, as well as general education. And then there's questions over in job training and other departments that also feed into either workforce issues for the field or the families that we serve.

MATTHEWS: Thanks. Helen, do you want to talk about what might happen if Congress were to decide to end the sequester for defense programs? That's something we're hearing a lot about, that there's a lot of activity in Congress to try to end those cuts.

BLANK: That's why there is something called an NDD, Non-Defense Discretionary Coalition, because there has been a lot of pressure to take the defense programs off the table from the automatic spending cuts. That simply means that all the other programs, which would still be subject to an automatic spending cut, but larger could be cut, maybe twice as much. So, it's very important that this be done in a balanced and fair way in terms of both sides of discretionary programs, defense and non-defense.

MATTHEWS: Great. We have a question about the new quality dollars, the ones that were focused on the workforce that we talked about that were included in the Senate appropriations bill that they marked up for 2013 and whether those dollars will be available to states. The CR, continued resolution, will keep current funding levels through to the next six months, so that means there won't be new pots of money like those quality dollars. Certainly they could still be discussed when the 2013 final budget is looked at in March, but as you've all heard, there are a lot of decisions being made on spending levels between now and then, so we don't know what the status of those dollars will be.

BLANK: We want to make sure that in the coming weeks before the elections you all put child care on the map, as you've seen on our web site, on the Early Care and Education Consortium web site and on Results' web site. We are urging you to get members into child care programs. It's how they best understand why child care is so important and what it can accomplish, and we need to get more pins on that map, so this is the time to see them. They are all home. They are all campaigning and they're all anxious to get pictures of themselves in the papers surrounded by young children, so we expect to see a lot of pins on the map in the next few weeks.

MATTHEWS: Thanks, Helen. Helen mentioned that you're all going to be receiving an e-mail from us following this call, and that will include that timeline that Helen mentioned from NWLC, which will lay out the timeline for these budget decisions. That will also include a fact sheet from CLASP that explains the sequester for early childhood.

What we're also including in that is a link to a report that many of you have probably seen by now that Senator Harkin did on laying out the cuts that would happen due to sequester. We wanted to make sure that you know that there is state-by-state data in there. It gives in dollar amounts and oftentimes in service estimates for children and families the number of people who would be impacted by these cuts, so that could be very useful in your advocacy. So we're going to make sure that you have those resources.

BLANK: And you should know that very close to the front of the report is child care and Head Start, and it does break it down in terms of dollars to your state, number of children lost and for Head Start it also breaks it down in terms of jobs lost.

MATTHEWS: So we don't have additional questions at this time, but all three of us are happy to answer any follow-up questions that you have after this call. We certainly want to be helpful in your efforts. We want to thank you for joining us today. Most importantly, keep talking about the importance of child care in early education. Send the message to Congress that they must find a balanced approach to deficit reduction that includes increased revenue and thoughtful spending cuts. We will keep you posted as actions happen in the House and Senate.

An audio file of this call will be on our Web sites, as will the additional fact-sheet information that we mentioned. As always, please feel free to contact us and we'll answer any questions the best that we can. Thanks very much for joining us and have a great afternoon.