

FY 2003 Funding Guidance

ACYF Administration on Children, Youth and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children and Families	
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PROGRAM INSTRUCTION:

TO: Head Start and Early Head Start Grantees and Delegate Agencies

SUBJECT: FY 2003 Funding Guidance

INSTRUCTION:

This memorandum explains how Head Start and Early Head Start grantees can apply for two types of funding increases in FY 2003:

- Ongoing funds for a cost-of-living increase (COLA), to improve staff salaries and to support the National Reporting System and early literacy initiatives.
- One-time supplements to address health and safety problems and other special needs.

I. ONGOING FUNDING INCREASES AVAILABLE IN FY 2003

The Congress recently passed and the President signed into law a fiscal year (FY) 2003 appropriation for Head Start of \$6,667,533,000. This is an increase of \$130,556,000 over last year's budget. The funding increase will be made available to current Head Start and Early Head Start programs to help maintain and improve program quality.

A. Funds to offset increases in the cost of living (COLA)

All Head Start and Early Head Start grantees will be given a **1.5 percent increase** in their base funding level to offset increases in the cost of living. This 1.5 percent cost-of-living adjustment (COLA) is equivalent to the increase in the Consumer Price Index-Urban (CPI-U) during FY 2002. (Base funding is the amount committed to the grantee on a permanent basis as of October 1, 2002, the beginning of FY 2003. It excludes training and technical assistance funds and any one-time funds grantees may have received in FY 2002.)

COLA increases should be used to pay for higher operating costs and to increase staff salaries. We expect that all staff in Head Start programs will receive a cost-of-living increase of at least 1.5 percent in their hourly rate of pay, subject to the provisions of Section 653 of the Head Start Act. Any grantee proposing to award salary increases of less than 1.5 percent or proposing to award differential cost-of-living increases to staff must explain their rationale in their budget narrative.

Grantees with delegate agencies are expected to allocate to each delegate agency the same 1.5 percent cost-of-living increase or to justify why such an approach is not appropriate.

We also expect grantees to use COLA increases in a manner that permanently increases their agency's Head Start pay scale, rather than only increasing the salaries of current employees. For example, if a Head Start program currently has a pay scale which pays a starting teacher aide \$15,000 per year, we would expect that this pay scale would be revised to reflect that the starting salary for a new teacher aide has now been increased to \$15,225 (a 1.5 percent increase). Grantees that believe there are reasons for not adjusting their pay scales to reflect cost-of-living increases must provide an explanation as to why such an increase is not considered appropriate.

B. Funds to improve program quality

After making the statutorily mandated increase in training and technical assistance funds, we will award the remainder of the increase, \$32 million, to Head Start and Early Head Start programs to improve program quality. This is approximately \$24 million more than the minimum of \$8 million that the Head Start Act requires be used for quality improvement. These additional quality improvement funds are being made available to help Head Start grantees implement two major ACF initiatives:

- The National Reporting System on child outcomes and
- Training and technical assistance to improve early literacy instruction.

\$16,000,000 in quality improvement funds to increase Head Start and Early Head Start salaries

Half of this year's quality improvement allocation (\$16 million) will be used to increase staff salaries and fringe benefits. The priority for use of these funds is to improve the compensation of Head Start teachers and other staff and thereby enhance the recruitment and retention of qualified staff. Each Head Start and Early Head Start grantee may apply for a one quarter of one percent increase (.0025) in its base funding level for this purpose.

Programs need to provide competitive salary and fringe benefit packages to all qualified staff, particularly those teachers and other staff who will be working to improve the quality of Head Start children's pre-literacy and numeracy skills. You should focus these funds on improving the salaries and fringe benefits of teachers and other staff whom, by virtue of their educational attainments, training, and skills merit salary increases. You may also use part of this allocation to increase your program's benefit package if this would help attract and retain qualified, well-trained staff.

Grantees that are already paying teachers comparable wages (see Section 653 of the Head Start Act) may propose using this part of their quality allocation to increase the salaries and fringe benefits of other staff. If you propose doing this, you must explain why you believe teachers to be at full comparability, which staff salaries/fringe benefits you are proposing to increase and why those particular staff were selected.

We wish to remind you that Section 648A of the Head Start Act requires that where a classroom in a center-based program does not have a teacher with a degree in early childhood education, or a related field plus experience in teaching preschool children, the teacher must have an age-appropriate Child Development Associate (CDA) credential or a State awarded certificate that meets or exceeds the requirements for the CDA.

Funds for Head Start programs to support the National Reporting System and early literacy initiatives

We are making the remaining \$16 million in quality improvement funds available to Head Start grantees to help support the new National Reporting System on child outcomes and to enhance grantee efforts to improve early literacy instruction.

As many of you know, the Head Start Bureau is developing a national system to assess and report on a common core of early learning outcomes. As mandated by Congress in 1998 and in President Bush's Good Start, Grow Smart Initiative, the system will provide information on the progress and accomplishments of Head Start children on a limited set of indicators of early literacy, language and numeracy learning prior to their entry into kindergarten.

Although planning for the National Reporting System is still underway, our current plans call for all Head Start children who will be entering kindergarten in the fall of 2004 to be assessed in the fall of 2003 with a second assessment done in the spring of 2004, as they leave Head Start. We are planning for child assessments to be done by the staff of each Head Start program, most likely teachers, and a national training strategy is being developed to prepare staff to conduct the assessments. Although our plans are not final, we expect to hold "training of trainers" sessions in a number of cities later this summer to which we will invite one (or more, depending on the size of the program) lead education staff from each Head Start program. These staff will then return to their programs and train the staff who will be conducting child assessments and entering data into the National Reporting System. Also, we expect that the time spent assessing each child will be limited to approximately twenty minutes per child in each of the assessments (fall and spring).

The \$16 million in quality improvement funds we are providing Head Start programs should be sufficient to cover the costs of carrying out the new National Reporting System. We expect these costs may include:

- The travel expenses for one or more staff to attend "training of trainers" sessions this summer.
- Staff salaries for the days teachers or other staff spend receiving training on how to conduct assessments.
- Costs to support conducting child assessments this fall and next spring, such as the hiring of substitute teachers.
- Costs related to the timely entry of child assessment information into the National Reporting System data management system.

We will be sending you specific information about training for and implementation of the National Reporting System during the coming weeks. You should not make commitments about the expenditure of these funds until you receive that information.

Finally, we wish to note that not all the funds we are providing may be needed in every Head Start program to support the National Reporting System. To the extent this may be true in your program, we encourage you to use any remaining balance of funds to help carry out activities you have planned as part of your strategy to improve early literacy instruction in your program. Also, because Early Head Start programs will not participate in the National Reporting System, they should use these funds to improve age-appropriate early literacy instruction.

C. Increased funds to train Early Head Start teachers

We are pleased with the great progress Head Start has made in recent years to improve the qualifications and training of teachers. Many of you have worked very hard to achieve the statutory mandate that at least 50 percent of all center-based teachers nationally have a college degree in early childhood education or a related field and our latest data indicates that 51 percent of all teachers now have a qualifying degree. However, for various reasons the percentage of degreed teachers in Early Head Start remains lower. Therefore, in order to help Early Head Start programs improve teacher qualifications, we are redirecting funds that are earmarked for Early Head Start training and technical assistance. Each Early Head Start program will receive an increase in the amount of training funds it receives equaling one and one-half of its base funding. (In the past, Early Head Start programs received training and technical assistance funds equal to one percent of their ongoing base funding. This will increase in FY 2003 to two and one-half percent.)

This increase should be used for the following types of activities:

- Payment of the costs of courses that lead to appropriate degrees, including tuition, fees, and materials.
- The costs of supporting teachers' access to and success in completing courses and degrees, including transportation, release time, substitutes, etc.
- Other teacher training activities that will help to improve program quality.

These funds may also be used to help improve the qualifications of teachers of Early Head Start children in community child care centers that are serving Early Head Start children in partnership with Early Head Start programs.

Early Head Start grantees in which all, or substantially all, teachers have qualifying degrees may propose to use these increased funds for other T/TA purposes.

D. How to apply for FY 2003 increased funds

Each grantee will be allotted an increase of two percent in its base funding level for cost-of-living and quality improvement increases. (And, as explained above, Early Head Start grantees will receive an additional increase in training and technical assistance funds of one and one half percent of their base funding amount.)

Your Regional Office will notify you in the near future of the exact dollar amount of additional FY 2003 funds for which your program may apply. If your program has already been refunded for FY 2003, you should apply for increased funds through a supplemental funding request. (The term Regional Office in this document includes both the American Indian and Alaskan Natives Branch and the Migrant and Seasonal Programs Branch.)

II. "ONE-TIME" SUPPLEMENTAL FUNDS AVAILABLE IN FY 2003

In FY 2003, as in past years, ACF Regional Offices will have available funds that will be used to help address grantees' one-time, non-recurring, funding needs. These funds are typically generated from such sources as offsetting grantees' unobligated balances, reductions in grantees' on-going funding levels, and first-year savings achieved when implementing program expansion. One-time funds have for many years served the critical purpose of meeting unanticipated expenses that could not be reasonably planned for by grantees nor accommodated within their on-going budgets. Such expenses could include facility purchase or renovation, replacing out-of-date equipment, emergency health costs, or other program costs necessary to assist programs in correcting deficiencies and complying with the Head Start Performance Standards. It is important that we continue to assure resources are available to address these important needs and to assure that these resources are well used and equitably allocated. Therefore, we have decided to announce the FY 2003 priorities for one-time funding in a national announcement so that all grantees will be working from the same set of priorities.

A. One-time funding priorities

Following is a discussion of ACF's priorities for the use of one-time funding:

- **Facility renovation.** Renovating facilities to make sure Head Start children and staff are working in a safe facility, which is fully in compliance with all Head Start regulations and any other state or local requirements.
- **Transportation needs.** One-time funding to assist their coming into compliance with the new requirements of the Head Start Transportation Regulation (45 CFR Part 1310). This includes purchasing height and weight appropriate child restraint systems, modifying buses currently used by grantees to permit the safe installation of child safety seats or to make the bus accessible to disabled children, training costs necessary to assure all drivers have required training and skills and any other one-time costs related to assuring the safe transportation of Head Start children.

Grantees may also request one-time funds for the purpose of purchasing a new bus. However, it is ACF policy that bus purchases will generally not be funded from one-time monies but rather that the costs of such purchases should be integrated into the grantee's use of its annual grant award. The frequency with which buses need to be replaced is fairly

predictable and grantees are expected to move towards including all transportation costs in their on-going budget proposal.

Grantees are also encouraged, where possible, to meet their transportation needs through collaborative arrangements with other community transportation providers. Leasing and other arrangements may be, for many grantees, more cost-effective ways of providing transportation than using grantee owned vehicles. All grantees requesting to use Head Start funds to purchase a bus (including proposals to use on-going grant funds for such purchases) must demonstrate they have unsuccessfully pursued all other reasonable cost opportunities.

Grantees are reminded that no grant funds can be used to purchase any vehicle which will be used for the regular transportation of Head Start children that is not either a school bus or an allowable alternative; i.e., a bus which meets all structural requirements of a school bus.

- **Equipment purchases.** Replacing old and potentially unsafe equipment is an important use of one-time funds.

However, as in the above discussion, grantees are expected to cover the costs of predictable and recurring equipment, such as classroom and office equipment, in their on-going budgets. One-time funds should be requested only for those equipment costs which are non-recurring and, therefore, not predictable; e.g., replacing a broken furnace.

- **Correcting deficiencies.** There are some instances where one-time supplements are appropriate to help grantees correct identified deficiencies. Grantees may request one-time funding for such purposes.
- **Facility construction/purchase.** Consistent with the provisions of 45CFR Part 1309, Head Start grantees may submit one-time funding requests that will enable them to purchase facilities that will be used to provide Head Start services.

However, Regional Offices will make available to grantees only those funds minimally necessary to cover the costs of purchasing or constructing a building, i.e., down payments and closing costs. The remaining costs need to be amortized by the grantee through a mortgage or construction loan. Regions will, as a rule, not make available more than 25 percent of the purchase price of any facility. Any grantee wishing an exception to this policy must explain why it thinks such an exception is warranted.

- **Information technology.** Grantees should have computers and appropriate software that allow them to manage their day to day business, as well as to monitor services provided to children and families. All grantees should have Internet access. One-time funds may be used to purchase new computers, establish local access networks where appropriate, upgrade existing hardware and purchase new software.

B. How to apply for one-time funds

Grantees interested in applying for one-time funding, for any of the priority areas listed above, should submit an application to their Regional Office no later than June 2, 2003. Applications should include such information as: why the proposed one-time funding could not be funded from the grantee's on-going budget; how the proposal is cost reasonable; what other funding alternatives were considered; the impact on the program if the request is not approved; whether the request is necessary to assure children and staff are being served in a safe and healthy environment; whether the request is necessary to assure the provision of high quality services to enrolled children and families and; such other factors as the grantee thinks would help inform the regional office of the rationale for its request.

Regional Offices will evaluate each application and make funding decisions based on the merits of each proposal. ACF Regional Offices will notify grantees during the summer as to whether or not they will be awarded one-time supplemental funding.

Please direct any questions on this guidance to your ACF Regional Office.

/s/

Joan E. Ohl
Commissioner

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