

---

## FEDERAL AND STATE FUNDING TRENDS IN EARLY CHILDHOOD EDUCATION

JANUARY 2017

---

This paper was prepared by Dovetailing Consulting to help The Ford Family Foundation consider upcoming opportunities and challenges in the funding for early childhood education and services that support family stability and well-being. It summarizes:

- Key trends in federal and state funding with implications for local and state early childhood leaders;
- Early indications of federal funding and Oregon and California state funding for specific early childhood education and related services that contribute to family stability.

---

### KEY TRENDS

---

**Federal Focus on Local Control, Reduced Regulation and Cost Savings.** The change in administration is likely to herald sharp changes. These include increasing local control (such as the block granting of federal entitlement program funds) and reductions in domestic discretionary funding and regulation. Major changes will require new legislation. However, the executive can write new regulations and exercise discretion, which has already begun. (*Multiple news reports*).

- Local and state early childhood leaders should be prepared to help federal policymakers prioritize those programs and services that are most important to early childhood education and family stability in rural communities.
- Local leaders should prepare for major changes and cuts to federal programs, such as the potential block granting of Head Start and Medicaid. This could mean fewer funds but more opportunity to align regulations and blend and braid funding.
- Reduced federal environmental regulations may allow an increase in more natural resource industry jobs which in turn may increase local tax revenues.

**Dramatic Budget Challenges in Oregon.** Oregon's budget deficits, coupled with federal changes, will likely cause reductions in funding, service and staff in multiple programs. Even though the Governor's budget holds the line in early learning and K-12 funding, it depends on uncertain revenue increases and does not allow for increases in costs (such as PERS contributions) or enrollment. Likely federal changes and cuts to the federally-funded portions of Oregon Medicaid and self-sufficiency programs (TANF, SNAP, Employment-Related Day Care, etc.) will create additional stresses and hardships for vulnerable families and their young children. (*Multiple news reports, Jeff Goldsmith and Bruce Henderson, Health Affairs blog 1/10/17*).

- Local and state early childhood leaders should be prepared to help state leaders prioritize those programs and services that are most important to early childhood education and family stability in rural communities.
- Local leaders should prepare for cuts in services and accelerate exploration of ways to increase efficiencies.

**Projected Modest Budget Deficits in California.** Governor Brown, known for his conservative spending plans, is warning of a looming recession in his budget message (1/10/17). His budget proposes a mandated 3% increase in K-12 spending and maintaining 2016-17 increases in child care rates and state preschool, but pausing on planned 2017-18 increases in child care rates and preschool slots. However, democratic legislative leaders are likely to want to go further in funding services for children and low-income families. (*Legislative Analyst's Office [California Fiscal Outlook](#), 11/16, [Governor's Budget Summary – 2017-18](#), multiple news reports).*

- Local and state early childhood leaders should be prepared to help state leaders prioritize those programs and services that are most important to early childhood education and family stability in rural communities.

---

## FEDERAL FUNDING: EARLY INDICATIONS

---

The following early indications about future directions for specific services are drawn from campaign positions, appointments, executive orders and news reports. More specific priorities are expected in the first budget proposals from the Administration and Congress for federal fiscal year 2018, which will come out in late winter or early spring.

### 1. EARLY LEARNING

---

- A. **Home Visiting- Bipartisan Support.** Lawmakers on both sides of the aisle are reported to say that MIECHV home visiting will be reauthorized and perhaps increased. In a January 11 [op-ed that ran in \*The Hill\*](#), Representative Brady (R-Texas), chairman of the House Ways and Means Committee, publicly stated his commitment to MIECHV, which faces another funding cliff in September 2017 unless Congress reauthorizes the program. (*Daniel Heimpel, Chronicle of Social Change, 1/17/17*).
- B. **Family Leave- Campaign Commitment.** Trump campaign plans included a proposal for 6 weeks of paid family leave likely using the unemployment insurance safety net. (Trump-Pence campaign position, multiple news reports).
- C. **Child Care- Stated Commitment, But Substantial Change Likely.** On the campaign trail President Trump addressed the need to make child care more affordable for working families. Campaign plans called for rewriting the tax code to allow working parents to deduct child care expenses for children and elderly dependents from their income taxes. According to news reports, this may include a modest tax rebate for low-income families. (*Trump-Pence Position Statement, Russ Whitehurst, Brookings Institution 11/9/16, Christina Samuels, Ed Week, 11/29/16*).
- D. **Preschool- Options for Dramatic Change Being Discussed.** There is discussion about two options. Funding for the child care tax credits could be created by shifting existing early childhood funds (including Head Start) to tax credits and cash transfers that flow directly to the family. Rep. Tom Price, the President's selection for secretary of HHS, has advocated for states to coordinate Head Start, which suggests a potential block grant to states. (*Russ Whitehurst, Brookings Institution 11/9/16, Brookings Institution 11/9/16, Christina Samuels, Ed Week, 11/29/16, Aaron Loenberg, New America Foundation 8/17/16*).

## 2. HEALTH AND HUMAN SERVICES

---

- A. **Health Care- Repeal of ACA and Cuts to Medicaid Likely.** Repealing and replacing the Affordable Care Act (ACA) is a high- priority for the President and the Congress although leaders say that there will be a transition period. On January 20th, the President signed an executive order urging federal agencies to “waive, defer, grant exemptions from, or delay implementation of provisions deemed to impose fiscal burdens on states, companies or individuals. This has led to speculation about expanded exemptions from the individual mandate, which would cause turmoil in health care markets and for individuals. Medicaid, like other federal programs, may be block granted to states. This could mean fewer funds but more leeway for states to run their Medicaid programs as they wish even without waiting for the legislation. (*Trump-Pence Position Statement, NBC News Sunday Today 1/22, multiple news sources current news*).
- B. **TANF- Change and Cuts Likely.** Rep. Paul Ryan has called for an intensive examination of federal welfare programs to identify duplication and ineffectiveness. If it proceeds, this examination is likely to lead to restructuring and reductions in funding. (*John Kelly, The Chronicle of Social Change, Blog Post 11/9/16. Erick Sherman, Forbes Magazine, 6/8/16*).
- C. **Food Programs- Change and Cuts likely.** Potential block granting of food programs (such as WIC, SNAP and the Child and Adult Care Food Program) to states, rolling back federal standards, and increasing requirements for recipients are being discussed in the news. The President has selected Sonny Perdue, a respected conservative two-term governor of Georgia, as his pick for the Secretary of Agriculture. (*NPR, 12/28/17. Jenna Broughton Inc. Blog Post 11/22/17, Melissa Quinn, The Daily Signal 12/29/16*).

## 3. EDUCATION

---

- A. **Every Student Succeeds Act (ESSA)- Opportunities for Early Learning, But Cuts and Regulatory Rollback Likely.** The new administration will get to approve the state accountability plans required under ESSA. Analysts suggest that the Trump administration will embrace the local control spirit of the Act—and might move to make big changes to pending regulations. The Education Department has already withdrawn a proposed “supplement-not-supplant” provision in the regulations which aimed to bring spending in Title I schools up to average spending levels in other schools. (*Ed Week, multiple posts*).

**Allowable Early Learning Provisions of ESSA.** Most of the early learning provisions in ESSA are discretionary and thus likely to be determined at the state and local level where funds are already overcommitted. However, allowable uses and required coordination include:

- **Pre-K.** As before, Local Education Agencies (LEA’s) with pre-K programs supported by Title I funding are required to meet *Head Start Performance Standards*. The guidance clarifies, however, that Title I preschool programs do not need to adopt the entire set of standards. They must meet at minimum the education standards found in *Head Start Program Performance Standards* and the *Head Start Child Early Learning Outcome Framework* in order to ensure high standards across settings.
- **Alignment and Coordination.** States and LEAs can also use ESSA to foster better alignment, collaboration, and coordination horizontally (between early childhood programs in different settings) and vertically (bridging birth to five-year-old programs and the K-12 systems together).

- **LEA Coordination with Head Start.** State education agencies are encouraged to coordinate all early learning programs including child care subsidized through the Child Care Development Fund, Head Start, Early Intervention and Special Education Preschool, and Title I Pre-K (if offered). LEAs must develop formal agreements with Head Start and are encouraged to also do so with other early care and education programs. In the past, the onus has been on Head Start and other early learning providers to reach out to school districts and create agreements and forge relationships. Now, all stakeholders across settings have additional incentives to work together to better serve children and families.
  - **Preparation of Educators and Administrators.** ESSA funds can be used to support educators (principals, teachers, and administrators) in building child development knowledge and skills.
  - **Professional Development.** States and LEAs can use funds available under Titles I, II, and III of ESSA for professional development to support high-quality teaching in both school and other early childhood settings.
  - **State Report Cards.** ESSA requires states and LEAs to include the number and percentage of children enrolled in preschool programs on report cards, which will help build transparency around efforts to serve children prior to kindergarten entry. (*Shayna Cook. New Guidance on Using ESSA to Support Early Learning. New America Foundation. 10/26/16*).
- B. School Choice- Substantial Increase in Funds and Supportive Policy Likely.** The President and Secretary of Education nominee Betsy DeVos favor school choice. A Trump campaign position called for immediately adding federal funds for school choice and giving states the option to allow funds to follow the student to the public or private option that they attend. As part of this, incentives to remove current state caps of charter schools may also be incentivized. According to a Brookings blog post, these funds may be redirected from Title I funds. Insiders also suggest that far more may be block granted to states. (*Trump-Pence Position Statement, Russ Whitehurst, Brookings Institution 11/9/16*).
- C. Common Core- Funding Cuts Likely.** The President made strong statements in opposition to the *Common Core State Standards* early in the Campaign. The Brookings *Institution* suggests that eliminating remaining federal funds for common core standards and assessments will be a policy priority. (*Russ Whitehurst, Brookings Institution 11/9/16*).
- D. Higher Education- Direction Unclear.** A Trump campaign position statement states that “ensuring the opportunity to attend a two- or four-year college, or to pursue a trade or a skill set through vocational and technical education, will be easier to access, pay for, and finish.” Late in the campaign the President said he would help students with college costs by forcing colleges and universities with larger endowments to use more of those funds to minimize tuition. (*Trump- Pence Position Statement, Scott Jaschik, Inside Higher Ed.1/20/17*).

## OREGON FUNDING: EARLY INDICATIONS

---

In the face of a looming budget deficit, Governor Kate Brown’s budget proposes to maintain current service-level for early childhood and K-12 services and increase funds for early learning workforce development in this tight budget year. However, the lack of provision for increases to address inflation, salary increases and higher student enrollment will still require local budget adjustments. The Governor’s budget depends on raising additional revenue from tax increases and closing of loopholes making it far from certain. When the Legislature convenes in February, it will be faced with addressing a major deficit, largely driven the two factors.

- **Public Employees Retirement System (PERS) Deficit.** PERS owes about \$18 billion more to retirees than it has. Schools, cities and public agencies can expect pension cost increases starting in 2017 followed by persistently high contribution rates for at least a decade, which will mean fewer state funds available for all other purposes. (*Ted Sickinger, The Oregonian 11/28/16*).
- **Medicaid.** Oregon faces a \$700 million deficit due to Medicaid in 2017-2018 created by reductions of federal match; from 100% to 95% for the 400,000 newly eligible Oregonians; and, for the rest of its Medicaid population based on improvements in Oregon’s per capita income. (*Jeff Goldsmith and Bruce Henderson, Health Affairs blog 1/10/17*).

### 1. EARLY LEARNING

---

- A. **Early Learning Workforce- New Funding Proposed.** Evidence of this trend is seen in the \$7,300,000 for early learning workforce investments (of \$15,000,000 requested) included in the Governor’s budget (*Dana Hepper, Children’s Institute*). Investments would focus on improvements in: preservice education, training and coaching; an Applied Bachelor’s Program Pilot, inclusion of school-based Pre-K teachers in the Oregon’s educator mentorship program; creation of a home visiting professional development career lattice and online registry; and, supports for the informal workforce. (*Preliminary Early Learning Division Policy Option Package, #-TBD*).
- B. **Department of Education Early Learning Priorities.** The Department’s other early learning priorities, (not included in the Governor’s budget) are illustrated in the following budget requests. ([Department of Education, 2017-2019 Agency Budget Request](#)).
- **Home Visiting.** An additional \$9,400,000 was requested for Healthy Families Oregon, which would bring the total to \$24,000,000. (Package 204).
  - **Early Learning Hubs.** An additional \$10,300,000 was requested for the Regional Early Learning Hubs, which would bring the total to almost \$15,000,000. (Package 203).
  - **Preschool.** This request was unclear; it refers to 2015-2017 funds, which could be an error. (Package 806).
  - **Kindergarten Readiness.** An additional \$5,000,000 was requested for kindergarten readiness grants, which would bring the total to \$9,100,000. (Package 203).
  - **Early Intervention.** An additional \$4,000,000 was requested for Early Childhood Special Education and Early intervention (Package 805).
  - **Focused Child Care Networks.** \$2,300,000 was requested to continue funding eleven networks that are now federally funded and to add an additional 14 Networks of child care providers who work together to improve their practice and QRIS ratings.

## 2. HEALTH AND HUMAN SERVICES

---

- A. **Healthcare- Substantial Cuts Likely Due to Federal Changes.** Over 400,000 of the 1 million people served by Oregon medical assistance programs are covered under the ACA Medicaid expansion, which is currently 100% federally funded. If new revenues are not raised as many as 355,000 people may be cut from Medicaid and/or services such as dental or mental health may also be curtailed. ([Health Care Authority 2017-2019 Agency Request Budget](#). Jeff Goldsmith and Bruce Henderson, *Health Affairs Blog* 1/10/17, Hillary Borrud, *The Oregonian*, 1/19/17).
- B. **Department of Human Services Programs (Self Sufficiency)- Substantial Cuts Likely Due to Federal Changes.** Changes at the federal level coupled with the state budget deficit can be expected to impact DHS programs such as food, child welfare and income assistance. To illustrate, federal funds support 85.4% of the DHS self-sufficiency programs (SSP). These include: the Supplemental Nutrition Assistance Program (SNAP); Temporary Assistance to Needy Families (TANF); Employment-Related Day Care (ERDC); the refugee program; and youth services. Funding for SNAP benefits is the single largest source and use of federal funds in SSP. The 2017-2019 agency request budget includes cuts in state staffing and other cost saving measures.

## 3. EDUCATION

---

- A. **K-12- No Increase In/Potential Decrease in Funding Will Likely Lead to Cuts in Staff and Programs.** The level-funding proposed in the Governor's budget will likely require service cuts to manage increased costs. News reports suggest that if new revenues cannot be raised, funding cuts will likely lead to teacher layoffs, higher class sizes and cuts in electives. (*Tracy Loew, Statesman Journal*. 1/19/17).
- B. **Higher Education.** News reports suggest that it is likely that funding cuts will lead to tuition hikes and reduced financial aid. (*Tracy Loew, Statesman Journal*. 1/19/17).

## CALIFORNIA FUNDING: EARLY INDICATIONS

---

The following early indications about future directions for specific services are drawn from Governor Jerry Brown's 2017-2018 Budget and news analysis. The Governor's budget proposes mandated increases in education fund and pausing on planned 2017-18 increases in rates. In addition, increased flexibility is proposed to allow state preschool to align with less rigorous Transitional Kindergarten requirements. The State Constitution requires that the legislature pass a budget by June 15. (*Legislative Analyst's Office California Fiscal Outlook*. 11/16, [Governor's Budget Summary – 2017-18](#), multiple news reports).

### 1. EARLY LEARNING

---

- A. **Proposed Pause in State Preschool and Child Care Rate Increases.** The *Governor's Budget* retains last year's increases in child care provider reimbursement rates and new state preschool slots, However, the Governor proposes to pause planned annual increases until 2018-19. Child care rates are still about 20% below the 2008 recession. Not increasing preschool enrollment would affect about 3,000 children. ([Governor's Budget Summary – 2017-18](#)).
- B. **Proposed Elimination of State Preschool Licensing Requirements.** Under the Governor's Budget, state preschools would have increased flexibility in meeting minimum adult-to-student ratios, teacher education requirements and in program minutes and facilities standards to allow alignment with transitional kindergarten. ([Governor's Budget Summary – 2017-18](#)).

## 2. HEALTH AND HUMAN SERVICES

---

- A. **Healthcare- Intent to Continue Services in the Face of Federal Cuts.** Under the Governor’s Budget, the state would spend \$154.6 billion for all health services — roughly the same amount it’s spending this year. California would spend about \$800 million more to cover the loss of some federal funding for the projected 4.1 million people added to the Medi-Cal rolls since 2014 as a result of the *Affordable Care Act*. The budget does not take into account the possibility that Congress will repeal and replace Obamacare with a law that provides less federal funding. However, the Governor has vowed to protect the state’s health care gains. (*Bay Area News Group, The Mercury News. 1/10/17, Pauline Bartolone, Kaiser Health News. 1/25/17*).
- B. **CalWORKS (Welfare)- Decrease Due to Caseload Reduction.** The Governor proposes a decrease of \$134.1 million in TANF general funds) due primarily to steeper than anticipated caseload decreases. (*California Department of Social Services. [2017-18 Governors Budget Summary of Local Assistance](#) 1/10/17*).
- C. **CalFRESH (SNAP) Food Assistance- Decrease Due to Caseload Decreases and Conclusion of Temporary Programs.** The Governor proposes a decrease of \$136.6 million decrease due to: caseload decreases and not allocating funding for temporary Drought Assistance and State a one-time augmentation for the State Emergency Food Assistance Program. (*California Department of Social Services. [2017-18 Governors Budget Summary of Local Assistance](#) 1/10/17*).

## 3. EDUCATION

---

- A. **K-12 Schools- Mandated Increase Proposed.** The Governor proposes a 3% increase over the current fiscal year. The average amount per student would increase to \$15,216 (\$394 increase). Changes that may affect young children and families include:
- **No Proposed Change to Transitional Kindergarten.** No change is proposed to transitional kindergarten, open to 4-year-olds who miss the kindergarten cutoff, which is funded through the K-12 student funding formula.
  - **County Office of Education.** A modest increase (\$2.4M) for cost of living and attendance changes.
  - **Special Education.** A decrease (\$4.9M) to account for decreases in enrollment.
  - **Categorical Programs Outside the Local Control Funding Formula.** The Governor proposes a 1.48% cost-of-living increase (\$58.1M) for categorical programs such as special education, child nutrition, and the American Indian early childhood education program. ([Governor’s Budget Summary – 2017-18](#)).
- B. **Higher Education- Increases Proposed.** The Governor proposes an increase of \$185 Million for the Cal State University system and a \$121 million increase for community colleges. ([Governor’s Budget Summary – 2017-18](#)).