



THE EARLY CHILDHOOD INVESTMENT CORPORATION

CAPITOL

CORNER

## STATE UPDATE

Friday, October 2, 2009

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The deadline for passing a fiscal year 2010 budget has come and gone and, unfortunately, we still don't know how early childhood programs will ultimately fare. After marathon legislative sessions and a brief government shutdown, the end result at this point is a thirty day continuation budget for General Fund expenditures. There is and no spending plan in place for the School Aid budget.

The thirty day General Fund spending plan allows state government to continue to operate as the Governor reviews the budgets that have been passed by the legislature. The House and Senate have passed all of the fiscal year 2010 General Fund budgets, and most include significant reductions in spending levels.

Of particular concern to early childhood advocates are the Department of Human Services and Department of Community Health budgets. The DHS budget contains substantial cuts to the Child Day Care program in the form of reduced child care subsidy rates for working families. The budget does, however, maintain critical funding for quality programs and initiatives that are overseen by the Early Childhood Investment Corporation. The Department of Community Health budget reduces Medicaid provider rates by 8 percent from current year levels. This will undoubtedly cause many physicians to stop seeing Medicaid patients and create access issues for many of our youngest children.

The Governor has publicly stated she does not support the budgets approved by the Legislature and will use her veto authority to craft a budget more in line with her priorities. It is important to understand that while the Governor can veto appropriations in the individual budget bills and/or even veto entire budget bills, she can not appropriate money unilaterally. Essentially, she can cut more, but she cannot increase spending.

In a procedural maneuver, the Senate Republicans are currently refusing to present six of the more controversial budget bills to the Governor even though

the bills have passed both legislative chambers. By some accounts, this is an effort to limit her ability to veto priorities of Senate Republicans.

Talk continues about new revenues that would restore funding for some of the cuts. However, it remains unclear how the revenue picture will unfold.

With the thirty day continuation budget in place for General Fund spending and all of the Departmental budget bills passed by the Legislature and under review from the Governor, the Legislature's focus is now primarily on the School Aid budget.

The School Aid conference report was rejected by the full House and therefore the bill was returned to Conference Committee where it remains. Public education advocates from all sectors are united in opposition to the Conference Report which contained a \$218 per pupil reduction for K-12 districts, a 44% reduction in operational funding for Intermediate School Districts, as well as a 50% reduction in Competitive GSRP funding. The original report also gave K-12 districts nearly unlimited discretion on how to cut their budgets. That means that the \$88 million restored for the Great Start Readiness Program along with other K-12 funding could be used to make up budget holes.

School Aid payments generally go out to the districts on the 20<sup>th</sup> of each month and about five days is needed to process all of these checks, so the Legislature has a narrow window of time to come to an agreement on School Aid funding for the 2010 fiscal year.

Early childhood advocates will need to weigh in not only to protect the 2009 funding levels of the GSRP program in the School Aid budget, but also to argue against making the program discretionary.

We will be following up with both state and local outreach messages that encourage support for maintaining Michigan's investment in this nationally acclaimed pre-k program and not using it for other purposes. The research and data is indisputable, investment in quality pre-k programs not only dramatically improves the educational success of students, but also significantly saves school districts money through reduced retention rates and reduced special education needs.

## FEDERAL UPDATE

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The following memo provides a summary of public policy issues of interest to Early Childhood Advocates.

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### Student Aid and Fiscal Responsibility Act of 2009

The Senate continues work developing a reconciliation proposal that will differ somewhat from H.R. 3221, the House-passed *Student Aid Fiscal Responsibility Act*, which is a budget reconciliation bill that, in addition to providing required deficit reduction, makes changes to student loan programs and creates new community college, college access and early childhood programs. Earlier this week, a draft of the Senate proposal was circulated among education and early childhood advocates.

As hoped by early childhood advocates, the draft Senate proposal tracks closely with the House-passed legislation, including funding for “Early Learning Grants,” as they are called in the Senate. The proposals are similar with both the House-passed bill and Senate draft bill providing competitive grants to states to challenge them to build comprehensive, high quality learning systems for children from birth to age 5. However, there is one significant difference between the two proposals. The House-passed bill would authorize \$8 billion over 8 years, while the Senate draft bill provides \$10 billion over 10 years for the new program. Additionally, the new Senate Health, Education, Labor and Pensions (HELP) Committee Chairman Tom Harkin (D-IA) has added to the Senate draft bill a requirement that state applications include a comprehensive plan to promote nutrition and wellness programs in early learning settings. Chairman Harkin has been an outspoken advocate for such programs throughout his career.

The next steps on student aid reform in the Senate are unclear, and there are rumors that Chairman Harkin will introduce an actual bill in the next few weeks. The ability to meet an October 15<sup>th</sup> deadline for Committee action on a reconciliation bill—a bill that, by law, only requires a simple majority for passage and is therefore eyed as a possible vehicle for health care reform—now appears to be in question. According to budget experts, like Senator Judd Gregg (R-NH), the October deadline is more accurately described as a “target date”. Since HELP Committee action has been delayed several times already and is not likely

to occur before early October and since the healthcare debate is just underway, it might well become a moving target.

## **Budget and Appropriations**

Today marks the end of the Fiscal Year 2009 (FY09) appropriations year and, as expected, much work remains to complete the budget process for Fiscal Year 2010, which begins tomorrow. On Friday, the House passed the FY09 Legislative Branch conference report -- the first appropriations conference report of the 111<sup>th</sup> Congress -- which included a continuing resolution to keep the Federal government operating through October 31, 2009. Under the continuing resolution, most government programs will be funded at FY09 levels. This will likely be the first of several continuing resolutions to be considered this year. The Senate is considering the measure this evening and will pass the bill shortly.

The Senate also continued its work this week on the remaining FY10 appropriations bills with consideration of the FY10 Defense Appropriations bill. This is the seventh of 12 appropriations bills to be considered in the Senate. However, the Senate has yet to hold a roll call vote on any amendments to the Defense measure, prompting speculation that consideration of the bill will go into next week. Additionally, progress is being made to reconcile differences between the House and Senate versions of three conference reports -- the FY10 Agriculture, Energy and Water, and Homeland Security conference reports. House and Senate appropriators are expected to consider these conference reports before the end of the week.

As we noted last week, there continues to be no mention of the Labor, Health and Human Services and Education bill, both the largest and most contentious appropriations measure on the list.

## **Healthcare Reform**

The Senate Finance Committee continued its consideration of Chairman Max Baucus' (D-MT) healthcare bill this week. Debate in the Finance Committee finally came to a head this Tuesday during the consideration of two separate amendments offered by Senator Chuck Schumer (D-NY) and Health Subcommittee Chairman John Rockefeller (D-WV) that would insert a public option into the Finance Committee health care bill. Rockefeller's amendment failed, 15-8, while Schumer's went down, 13-10. Chairman Baucus said he voted against both amendments because he does not believe a bill with a public option will survive on the floor. The Finance Committee resumed consideration of the healthcare bill today and is looking to pass a bill by the end of the week, although that goal is an ambitious one.

Meanwhile, on the other side of the Capitol, the most important news coming out of the House this week was the announcement that the House will likely take up consideration of its healthcare reform measure the third week in October – the week beginning October 19<sup>th</sup>. To meet this timeline, House Democratic leaders continue work to craft one health care reform bill from three separate versions passed by the House Education and Labor, Ways and Means and Energy and Commerce Committees.

### **ED Awards Early Reading First Grants**

Secretary of Education Arne Duncan announced the award of more than \$108.8 million in Early Reading First grants to 28 local education agencies and other public or private organizations in 18 states and Washington, D.C., to improve the school readiness of young children. The Department of Education awards Early Reading First grants to school districts and non-profit organizations to improve the instruction and environment provided by preschool programs supported by the Title I program, Head Start, and publicly funded or subsidized child care. “We know that the years prior to kindergarten are critical in shaping how children learn and succeed in school,” Secretary Duncan said. “Increasing the number of high-quality, early learning opportunities through programs like Early Reading First, especially for low-income families, improves a child's chance for success in school and in life.” For more information about Early Reading First, please visit <http://www.ed.gov/programs/earlyreading/index.html>.

### **First Focus Children’s Budget 2009**

On Wednesday, First Focus hosted a crowded congressional briefing to discuss current spending trends on children in the Federal budget and to release *Children’s Budget 2009*, a comprehensive guide to all federal spending on children. Representative Danny Davis (D-IL) welcomed all attendees and voiced his strong support for the development of this publication as it allows policymakers and advocates to examine spending on children across all federal agencies. The result is a better understanding of how the Federal government is and is not investing in children. According to Davis this is critical because, “Children are our future, teach them well and let them lead the way.” In addition, Davis announced that later this week he would be reintroducing the Children’s Budget Act, which requires the inclusion of a Children’s Budget as part of the President’s annual budget request. Senator Robert Menendez (D-NJ) will introduce the companion bill in the Senate. There are already several dozen separate, specific instructions regarding the President’s annual budget request, including one that mandates the President include a separate analysis of all spending on homeland security. The Children’s Budget would be a similar requirement and would provide a comprehensive accounting of all the funding spent on and for children.

According to the *Children's Budget 2009*, the federal government funds over 180 different children's programs, from child health and education to child welfare and juvenile justice initiatives. While spending for children's programs increased slightly in FY09, the overall share of federal, non-defense spending going to children's programs has dropped by 12% over the past five years. While the FY10 budget proposed by President Obama increases spending by 3.6%, less than one nickel out of every new, real non-defense dollar spent by the Federal government has gone to children and children's programs for the past five years. Interestingly, while overall non-defense discretionary spending for children has actually only grown 4% since 2005, mandatory spending that affects children has increased due to programs such as Medicaid, SCHIP and food stamps. Lastly, children's spending makes up less than 10% of the entire non-defense budget.

The impact, however, of the American Reinvestment and Recovery Act (ARRA) on children cannot be ignored. The *Children's Budget 2009* also includes a special analysis of investment in children through the ARRA. Within the \$787 billion stimulus bill, almost \$144 billion went to children's programs and accounted for 18% of ARRA spending. While this investment is significant and will have a great impact on a variety of programs, many question what might happen to these programs when this funding is gone.

For more information about The Children's Budget 2009 and to view an online version of the document go to: [www.childrensbudget.org](http://www.childrensbudget.org).