

<p style="text-align: center;">ACYF</p> <p style="text-align: center;">Administration on Children, Youth and Families</p>	<p>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children and Families</p>	
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PROGRAM INSTRUCTION: [See Attachment]

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

SUBJECT: Head Start Funding

INFORMATION:

On January 31, 2006, the Administration for Children and Families (ACF) issued a Program Instruction on the one percent reduction in the base funding level of all Head Start grantees. This reduction is being implemented because of the requirements of Public Law 109-149, which mandated a one percent rescission in virtually all discretionary programs.

ACF is aware that this reduction is, for some Head Start programs, exacerbated by increased operating costs in such areas as utility costs, transportation costs and fringe benefit rates. We are further aware that since that Instruction was issued there have been many inquiries made to both Regional Offices and the Head Start Bureau about ACF's expectations in terms of how grantees were to implement their Fiscal Year 2006 funding allocation in a way that honors Head Start's commitments to serve children and families and assures continued quality and cost effectiveness. The attached discussion is intended to provide guidance to all grantees on this matter.

Sincerely,

Frank Fuentes
Acting Associate Commissioner
Head Start Bureau

[Attachment:] Head Start Funding

Grantees have several options to consider when deciding how to use Fiscal Year (FY) 2006 grant funds in a manner that will support high-quality Head Start services in a cost-effective manner while maintaining grantee commitments related to enrollment. Following is a discussion of those options:

Evaluate current administrative structure and administrative costs.

Grantees should carefully review all non-program staff being charged, wholly or in part, to the Head Start grant. Grantees should review the necessity of employing each of their administrative staff and the reasonableness of the salaries being paid to such staff. Grantees should also review the reasonableness of the percentage of each administrative staff's compensation that is being charged to the Head Start grant and ensure that percentage is consistent with the amount of time that individual is engaged in Head Start matters. Grantees with indirect cost rates need to be sure Head Start is fully benefiting from any costs charged, using these rates, to the Head Start grant. Complying with the 15 percent administrative cost limitation does not, in and of itself, mean that there may not be administrative costs that can be reduced.

Evaluate current supervisory structure.

Grantees clearly need to have adequate numbers of supervisory staff. However, there may be some supervisory positions that could be eliminated with minimal impact on program quality or operations. Such positions as a center director with no classroom responsibilities or intermediate supervisory positions (e.g., an Assistant Education Coordinator) could either be eliminated or combined with other positions. In addition, programs that have an Executive Director who spends the majority of his/her time on Head Start matters may not need a full-time Head Start Director as well.

Examine staffing ratios for positions which do not have mandated ratios.

While positions such as family workers are an important part of assuring Head Start's comprehensive services, grantees should not have more staff in such positions than is necessary to assure quality consistent with the Performance Standards.

Evaluate current fringe benefit package.

ACF understands that a competitive fringe benefit package is a way of assuring Head Start programs can attract and retain quality staff. Nonetheless, it is important that grantees that have fringe benefit rates that exceed State and/or regional averages carefully review these packages to assure all components are reasonable and appropriate.

Grantees should also consider joining with other programs in their State or region and negotiating as a block for health and other insurance premiums. Many insurers would be likely to negotiate more favorable rates if there were more employees included in their policy's coverage.

Review travel and other discretionary costs.

Grantee travel can be an important tool to assure program quality and effectiveness. However, in the current budget environment grantees should assess all travel plans from the perspective of whether the information gathered during the travel could be acquired in other ways (e.g., the Internet). Any travel that does not provide information and training that is directly useful to program management and service delivery should be carefully scrutinized.

Grantees should also review the number of staff sent to meetings and be sure to send no more staff than necessary.

Assess the need for any staff not integral to providing a quality Head Start program consistent with all statutory and regulatory requirements.

There are some staff in Head Start programs that, while consistent with Head Start's program mission, are not vital to assuring a program is meeting its responsibilities as a Head Start grantee. For instance, programs are not generally expected to have three paid staff in a classroom of 20 or fewer children. A third adult in the classroom is not a cost that should be borne by Head Start programs and when a third adult is thought necessary programs should seek the services of a volunteer. Other non-supervisory staff positions should be carefully evaluated to assure they are integral to providing Head Start services that the statute and regulations require.

Review the reasonableness and cost effectiveness of program operations.

Grantees should assess the way they currently do business in several areas to determine if they are always implementing the most cost effective way of providing services. If your program provides transportation, for example, have you assured your current way of providing this service to be the most cost effective? Would a contract for this service be preferable? Should the food services program be in-house or contracted? Grantees need to carefully review these types of services to be sure that they are not continuing an arrangement simply because it is the way business has been done in the past. Each grantee should do a cost-benefit analysis to determine the most effective way to provide these types of services.

Program option.

Grantees should review their program option(s) to be sure it is the appropriate option to meet community needs. Should a program, for example, that is operating six hours a day, continue at this level? Six hours does not meet the child care needs of most working parents so it would not be justified on that basis. Fewer hours in the classroom might not make an appreciable difference in the growth of enrolled children as there are some questions about the ability of three- and four-year-old children to learn for such an extended period of time each day. Grantees should assure their option makes sense for their children and families and is not simply a continuation of an option that may have been more relevant years ago when it began.

Where a full-day option is appropriate, grantees should, as noted below, seek additional funding sources.

Additional Federal resources.

Grantees need to be sure they are making maximum use of other Federal funding streams, including child care, United States Department of Agriculture, Temporary Assistance for Needy Families (TANF) and Medicaid/ Early Periodic Screening, Diagnostic and Treatment (EPSDT) funding. Head Start programs offering full-day services, for example, should not, except in rare circumstances, be paying the full costs of such services from the Head Start grant alone.

Seek alternative non-Federal resources.

Grantees are expected to seek resources from State and local governments and from members of their community that could be used to support their Head Start program. Some grantees have

received generous support from their local governments while many grantees have not actively pursued this option. Grantees should also speak with local businesses and philanthropic organizations about the possibility of making contributions to your Head Start program. Local businesses may be interested in helping Head Start as a gesture of goodwill and as a public relations strategy.

Serving fewer children.

Some grantees may decide that after exploring all possible solutions, they have no recourse but to request permission to serve fewer children. Grantees that believe this to be the case will need to provide, in detail, an analysis of the above options and, for each area, indicate why these alternatives are insufficient to offset increased operating costs while implementing the one percent funding reduction. The one percent rescission, by itself, will not be considered grounds for a grantee to reduce enrollment. All enrollment reduction requests must be reviewed and approved by your Policy Council. These requests will be reviewed first by your responsible ACF Regional Office and then by the Head Start Bureau.