



THE EARLY CHILDHOOD INVESTMENT CORPORATION

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STATE UPDATE

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Amazingly, the focus in Lansing remains on the fiscal year 2010 budget. Although we are nearly four weeks into the current fiscal year, many outstanding issues remain unresolved. Legislative activity in Lansing was light this week as the major developments centered on the actions of the Governor. Highlights this week included:

- Governor Granholm signed the School Aid budget on Monday but did use her line-item veto authority to strike out funding for 0-3 secondary prevention grants, 20j funding for higher funded school districts and some other smaller categoricals.
- The Governor issued a pro-ration letter to K-12 school districts warning of an additional \$127 per pupil cut because of lower than previously projected revenues.
- Senate Majority Leader Bishop presented the six outstanding fiscal year 2010 General Fund budget bills to the Governor.

The Governor argued the vetoes to the School Aid budget were necessary because the budget presented to her by the legislature was not balanced. Section 20j of the School Aid act provided \$51.5 million to 39 of the highest funded school districts in the state. The elimination of 20j funding will result in some of these districts losing as much as \$490 per pupil. The Governor vetoed \$1.6 million that was appropriated for 0-3 secondary prevention services in the School Aid budget. The impact of this cut will be devastating to many communities throughout the state who use these funds to provide vital early childhood services. Funding for 0-3 secondary prevention services was also preserved in the Department of Community Health and Department of Human Services budgets by the legislature. These budgets were just presented to the Governor this week and she has not yet signed them. She has promised line-item vetoes to these budgets, however, and, absent an outcry of public support for this funding, it is likely she will veto 0-3 from these budgets as well.



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State Treasurer Robert Kleine has determined that revenues for the School Aid fund will fall over \$200 million short in fiscal year 2010. Therefore, the Governor has issued a pr-ration letter to local school districts telling them their per pupil allocations will be reduced by another \$127. By law, the Legislature has 30 days to address the situation or the cut will take effect. Obviously, all of these developments will generate a tremendous amount of debate over school funding in the coming weeks.

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

Student Aid Reform

This week Senate Health, Education, Labor and Pensions (HELP) Committee Chairman Tom Harkin (D-IA) announced that he will attempt to use special budget rules under the reconciliation process that only require a simple majority vote to advance a bill that would end the Federal Family Education Loan program. A majority in Congress is supportive of the demise of this program as the Congressional Budget Offices reports it will save \$87 billion which can then be spent on new education programs, including the Early Learning Challenge Grants Program.

The House-passed bill (the Student Aid and Fiscal Responsibility Act) and the Senate draft proposal both provide funding for "Early Learning Grants," which are competitive grants to states that challenge them to build comprehensive, high quality learning systems for children from birth to age 5. However, the draft Senate proposal provides \$10 billion over 10 years for the new program, versus the \$8 billion over 8 years included in the House bill.

"We've already been instructed by the Budget Committee to do this, so we're going to do it," said Harkin. Additionally, there were signs this week that the Senate HELP Committee continues to work out details on the bill indicating that a bill will likely be introduced in the near future which is expected to track closely with the House proposal, while also including modifications on the spending side.

The bill won't move in the Senate until lawmakers make more progress on healthcare legislation. If Democratic leaders decide to use reconciliation rules for the healthcare bill, they would have to package it with the education reforms,

since Senate rules allow for consideration of only one reconciliation bill each year.

Budget and Appropriations

It's official – Congress will not meet its October 31st deadline to complete work on appropriations bills for FY 2010. The October 31st deadline was set earlier this year when Congress passed its first Continuing Resolution to continue funding for the federal government after the fiscal year ended on September 30th. The House and Senate are expected to vote next week on a second Continuing Resolution, which is likely to continue funding federal government operations through mid-December.

Earlier this week, the Senate approved the Conference Report to the FY 2010 Homeland Security appropriations bill making it the fourth of twelve appropriations measures to be sent to the President for his signature. Work continues on the remaining five appropriations bills which must pass the Senate prior to being reconciled with the House's spending proposals in conference. However, there continues to be no mention of the Senate taking up the Labor, Health and Human Services and Education (LHHS) spending bill. Additionally, as the days pass, it appears increasingly likely that the LHHS appropriations bill will be paired with other outstanding appropriations bills and ultimately be passed as part of a mini-omnibus bill.

Healthcare Reform

This week both chambers of Congress continued to lay the groundwork for consideration of healthcare reform legislation. In the Senate, it was reported that Senators may be close to reaching a deal on a final bill that would include a public option compromise allowing states to opt out of a government-run insurance plan and establish other means of competition, such as a co-op. However, by today, it has become clear that centrist Senators have concerns with this proposed compromise prompting Senate Majority Leader Harry Reid (D-NV) to acknowledge that a bill will not be available for consideration on the Senate floor next week.

Senator Ben Nelson (D-NE) and Olympia Snowe (R-ME), who was the only Republican member of the Finance Committee to support passage of the healthcare reform bill out of committee, have been convening meetings with other centrist Senators this week to discuss policy and strategy in the hopes of moving forward on a proposal which has bipartisan support. Senator Snowe favors a trigger mechanism for a national public option once if it is demonstrated that an affordable private option does not exist in a state, while Senator Nelson supports allowing states to create their own public plans.

Complicating consideration of a final bill even further is the requirement that once versions of the bill passed by the Senate Health, Education, Labor and Pensions (HELP) Committee and Finance Committee have been merged, the Congressional Budget Office (CBO) must then provide a final score on the cost of the package before the bill can receive Senate consideration. This means that consideration of a healthcare reform bill in the Senate is likely to be delayed beyond next week.

In the House, this process has moved forward more smoothly with the CBO providing an estimate for a merged health care reform proposal backed by Democratic leadership which would cost \$870 billion -- \$30 billion below the President's target of \$900 billion. House leaders also announced that they have at least 218 votes for an overhaul bill which includes a national public option. The question of when the House will take up the health care reform measure remains unclear as Leadership must decide whether to act prior to the evolution of a clear Senate bill and strategy.

Pre-K Funding

Earlier today, the Pew Center on States' Pre-K Now campaign released its annual report titled, "Votes Count: Legislative Action for Pre-K Fiscal Year 2010," which reviews state budgets to see which legislatures understand the economic and educational value of high-quality, voluntary pre-k. According to the report, despite states being faced with limited resources and historic deficits, the majority of states have chosen to protect pre-k funding. Twenty-nine states and the District of Columbia chose to increase or hold their pre-k funding steady for FY 2010. Two additional states – Rhode Island and Alaska – made their first investments in pre-k education. Ten states, though, decreased funding for state-led pre-K programs, and another 10 states do not have state-funded early-education programs in place. Despite this, Albert Wat, the Project Manager for the annual report touted the results stating that, "most states that have funded pre-K programs in the past are still prioritizing early education in the state budget and, overall, they ticked up modestly by about 1 percent." For the full text of the report visit:

http://www.preknow.org/documents/LegislativeReport_Oct2009.pdf.

Hispanic Immigrants' Children

A new study by researchers at the University of California, Berkeley, shows that Hispanic immigrants' children fall behind peers early. Specifically, the study found that the children of Hispanic immigrants tend to be born healthy and start life on an intellectual par with other American children, but by the age of 2 they begin to lag in linguistic and cognitive skills.

The study suggests that the shortfall may start even before the children enter preschool, supporting calls in Washington to spend more on programs that

coach parents to stimulate their children with books, drills and games earlier in their lives. "Our results show a very significant gap even at age 3," said Bruce Fuller, one of the study's authors and a professor of education at Berkeley. "If we don't attack this disparity early on, these kids are headed quickly for a pretty dismal future in elementary school." Professor Fuller said the drop-off in the cognitive scores of Hispanic toddlers, especially those from Mexican backgrounds, was steeper than for other groups and could not be explained by economic status alone, he said.

The study is based on data collected on 8,114 infants born in 2001 and tracked through the first two years of life by the National Center for Education Statistics.