

## AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Sara Bedford

**SUBJECT:** Oakland Head Start/Early Head Start  
Legislative and Budget Update  
PY 2013-2014

**DATE:** January 27, 2014

City Administrator  
Approval

*Deanna J. Santana*

Date

*2/27/14*

**COUNCIL DISTRICT:** City-Wide

### RECOMMENDATION

Staff recommends that the City Council accept this informational report providing a legislative and budget update submitted by the Oakland Head Start/Early Head Start Program, along with projection of a need for continued financial support from the Oakland City Council in Fiscal Year (FY) 2014-2015.

### OUTCOME

The City of Oakland, Department of Human Services Head Start/Early Head Start Program is thankful for the generous support received from the Mayor and City Council in June 2013 for FY 2013-2014, for providing the critical funding needed to ameliorate the impact of the federal sequestration, restore lost slots, and thus improve child, family, and community outcomes. The assistance has, as a result, made an important difference in the lives of many vulnerable, Head Start and Early Head Start eligible children and families living in Oakland.

The following report is an update on the progress of the Oakland Head Start/Early Head Start Program at the beginning of the third quarter in FY 2013-2014. The report includes an **update on the program at the beginning of the third quarter in FY 2013-2014 and a budget forecast for the FY 2014-2015**. The report also includes an update on the recent federal legislation, the Omnibus Appropriations Bill, which was passed on January 18, 2014, as well as its expected impact on the City's Head Start/Early Head Start Program.

This update is designed to inform the City Council's upcoming mid-cycle budget deliberations for FY 2014-2015.

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## **BACKGROUND/LEGISLATIVE HISTORY**

Currently, the City of Oakland and Unity Council Head Start/Early Head Start Program continues to successfully provide high quality, comprehensive early care, education, and family services programming. Services are provided for more than 1,747 families with children, ages prenatal – 5 (including pregnant women), in multiple program options, including center-based, home-based, and family childcare, and operate part-day and full-day, part-year and year round.

The City of Oakland has been a grantee of the **Head Start Program** since January 1971, serving approximately 1,061 Head Start eligible families with children, ages 3-5. In 1988, the City entered into a grantee-delegate relationship with the Unity Council to serve an additional 313 Head Start eligible families and children in the Fruitvale District of Oakland. As a Head Start grantee, the City of Oakland met with the opportunity to delegate the operation of an **Early Head Start Program** to the Unity Council in 1998, to serve 200 Early Head Start eligible families with children, ages prenatal– 3. In 2009, the City of Oakland became a direct grantee of the Early Head Start Program, through the American Recovery and Reinvestment Act (ARRA) and US Department of Health & Human Services, Administration for Children and Families, making it possible to serve an additional 204 Early Head Start eligible families and children in Oakland.

Federal Sequestration: On March 1, 2013, in accordance with the Budget Control Act of 2011, the President was required to issue a federal sequestration order, resulting in the cancellation of approximately \$85 billion in budgetary resources across the federal government and spending reductions of approximately 5.27%. The impact of sequestration on the City of Oakland Head Start/Early Head Start program was approximately \$917,625, and would result in the reduction of services to approximately 137 vulnerable families with children, ages birth – five. In addition, the impact of inflationary increases in fringe benefits and the removal of furloughs on the program's overall operating budget was approximately \$782,743, and would have meant a reduction in service days, personnel, and essential operating costs. These deep budget cuts and service reductions were to go into effect on September 1, 2013.

However, in June 2013, the Mayor and City Council generously voted to fully restore Head Start/Early Head Start funding to pre-sequestration levels for FY 2013-2014, by approximately \$1,516,000 of one-time-funding from the City's General Purpose Fund, in order to address the sequestration reductions and preserve needed services for Oakland's most vulnerable families.

As a result of this financial support, Oakland Head Start/Early Head Start program was able to serve 1,747 children with comprehensive services and avoid site closures. FY 2014-2015 requires additional appropriation to fund at current level and sustain services.

## **FISCAL INFORMATION AND ANALYSIS**

The Omnibus Appropriations Bill of 2014 fully restores sequestration cuts sustained by Head Start in 2012-13 and 2013-14 by \$1.025 billion nationally, and provides programs with a cost-of-living adjustment (COLA) of 1.3 percent. The funding will allow Head Start services to be

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expanded to 90,000 new children, approximately 40,000 of whom are eligible infants and toddlers. Of the increase, \$500 million is reserved for new Early Head Start/Child Care Partnerships. Funding for Early Head Start Partnerships will be available to every state, and programs will compete for the funding within each state. New and existing Early Head Start programs will be eligible to apply for these grants in order to partner with local child care centers and family child care providers serving low income infants and toddlers.

Thus, as a result of the passing of the Omnibus Appropriations Bill of 2014, the Oakland Head Start/Early Head Start program expects to see its grant award fully restored to the pre-sequestration level of approximately **\$18,352,486** in FY 2014-2015 plus a 1.3% COLA. However, while the Oakland Head Start/ Early Head Start anticipates an increase for FY 2014-15, the program still expects a structural deficit in the current year and in FY 2014-15 as follows:

- In FY 2013-2014 program year, which concludes on August 31, 2014, the MOU agreed upon COLA of 2% is not included in the Head Start General Purpose Fund augmentation. Staff estimates additional funds of \$279,606 to meet the 2% COLA unless other savings are identified.
- While FY 2014-2015 sequestration is restored, Head Start will begin the program year with the \$782,743 cost of living structural deficit that was backfilled in the current year and have added unfunded expenses due to the MOU mandated 3% COLA (2%+1%) estimated to be \$410,559. While the anticipated federal Head Start COLA of 1.3% (estimated at \$126,436) can be used to help address this shortfall, the *net shortfall for Head Start in FY 2014-2015 is expected to be \$1,066,865* and this amount would be needed to ensure full services to all children and their families.

Therefore, the Oakland Head Start/Early Head Start program respectfully requests that the Mayor and City Council consider the continued provision of financial assistance to address the projected shortfall of **\$1,066,865** in the program's primary budget during the mid-cycle review of the City's FY 2014-2015 budget. This is in addition to the annual General Purpose Fund contribution of \$245,500 to the Unity Council for rent subsidy and for the required financial audit.

### **PUBLIC OUTREACH/INTEREST**

This item did not require any additional public outreach other than the required posting on the City's website.

### **COORDINATION**

The Director of the Department of Human Services, the City Attorney's Office, and the Budget Office has each been consulted in the development of this report.

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**COST SUMMARY/IMPLICATIONS**

There is no cost summary or implications presented in this legislative and budget update for FY 2014-2015, at this time.

**SUSTAINABLE OPPORTUNITIES**


**Economic:** The grant creates approximately 174 jobs, including people directly employed in centers, plus an unknown number of jobs through its economic multiplier effect. Most of these jobs are held by residents of Oakland. In addition, Head Start and Early Head Start buys goods and services to support its programs, and most of these are purchased from Oakland firms or individuals.

**Environmental:** There are currently no direct environmental benefits or impacts from the Head Start and Early Head Start program to the City of Oakland. The program uses recyclable paper products.

**Social Equity:** The Oakland Head Start and Early Head Start Program delivers comprehensive, high-quality services to children and families in the City of Oakland. These services are designed to foster healthy development in low-income children ages, birth – five. Head Start and Early Head Start provide a range of individualized services in the areas of education and early childhood development, medical, dental, and mental health services, nutrition, and parent involvement. The range of services is responsive and appropriate to each child and family's developmental, ethnic, cultural, and linguistic heritage and experience. Recent scientific research has verified what early childhood educators have known for years: that how children are nurtured and educated in their youngest years has a significant impact on later growth and development.

For questions regarding this report, please contact Usana Hopkins, DHS Manager, Early Childhood & Family Services, (510) 238-3165.

Respectfully submitted,

  
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Early Childhood & Family Services Division

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