

The Balancing Act: Reducing Costs While Maintaining Quality

Larissa Zoot: Good afternoon, or good morning depending on where you're dialing in from, and we're glad that you could join us. On behalf of the Office Head Start and the National TA Center on Program Management and Fiscal Operations, I'd like to welcome you to this webinar that focuses on how grantees can maintain quality programming while addressing reductions in their Fiscal Year 2013 budget. I'm Larissa Zoot, a program specialist in the Quality Assurance division at the Office of Head Start and the federal project officer responsible for overseeing the National Technical Assistance Center on Program Management and Fiscal Operations.

We're grateful to be joined today by Amanda Bryans, director of the Education and Comprehensive Services division at the Office of Head Start, and we're appreciative of the support we've received from our Director of the Office of Head Start Yvette Sanchez Fuentes, as well as from a number of staff in other divisions within the office. They all helped in bringing this webinar to you today.

Next slide please. Today, we will also hear from Chris Barnes, senior project director for Children and Family Services at the Finance Project, a partner in PMFO. And Jeanie Mills, a senior training and technical assistance associate, another member, member of the PMFO team. We are also joined by two grantee directors from the Head Start community. Jean Bridges, director for child development at Penquis Community Action program in Bangor, Maine, and Sandy Nelson, assistant superintendent from Educational Services District 113 in Olympia, Washington. PMFO would also like to acknowledge the contributions of Ruben Lugo, Migrant and Seasonal Head Start director from the Community Council of Idaho, and Joe Henry, executive director and Head Start director for the Shoshone and Arapahoe Joint Business Council Head Start in Fort Washakie, Wyoming. Neither Ruben nor Joe could join us live today. But, they were both generous in sharing their experiences and insights with us to help shape this webinar.

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A couple of points of housekeeping before we begin. Participants will be on mute throughout the webinar and we will not be opening up the voiceline for questions. You may use the question box on the lower right side of your screen to communicate with the organizers if you are experiencing technical difficulties. You may also submit questions or comments via the chat box and we'll do our best to get to some of them, during the broadcast. Please note that our intention is for you to address questions about your plans and proposals to your Regional Office staff. We will compile some transcripts of common questions as share with the Regional Office as needed, but we are not planning to post Q&A because the common Q&A addressing sequestration has already been posted to the Early Childhood Knowledge and Learning Center. Finally, please note that there are three handouts supporting today's webinar. Most participants should have received a link to be able to access those handouts. If you have not received it yet, it may be based on the timing of your registration, and you will receive that link later on. Also, please be aware that the webinar itself and the handouts will be available on the Early Childhood Learning and Knowledge Center at a later date. It will not be immediate today most likely because it will take some time to convert them to a fully compliant format. Now, let's get started. Today's webinar is

focused on helping Head Start and Early Head Start grantees think about how to address the necessary Fiscal Year 2013 budget reductions required under sequestration. The Office of Head Start appreciates the challenges that grantees face in implementing the reduction and has collaborated with PMFO to design this webinar to offer some guidance and ideas about implementing the budget reductions in a thoughtful way while maintaining quality programming. During this webinar, we plan to discuss the importance of maintaining quality and comprehensive services even in the face of reduced financial resources.

We plan to review the suggested process for thinking through budget reductions, and we plan to give you some practice at forecasting and evaluating likely outcomes of potential solutions. Next slide, please. We will start today with a presentation from Amanda Bryans about quality and comprehensive services. Then, Chris Barnes will walk you through a suggested framework for thinking through and communicating about your choices for implementing the reduction. Then, Jeanie Mills will introduce our two Head Start directors, and then guide us through some vignettes designed to stimulate your thinking about the potential impact, intended and unintended, long and short term, of different options.

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Before turning it over to Amanda, I'd like you to review -- review a few basic points about the current budget reduction Head Start programs are faced with. With regards to the reductions in Fiscal Year 2013 funding, we know that the reductions for each program will be approximately 5 percent of your operating budget. It may be a bit more or less when finalized, the exact percent and corresponding numbers will be provided to grantees by their Regional Offices as soon as they are finalized and available. Only programs operating funds will be reduced, not grantee technical assistance funds. So in grantee speak, program accounts 22 and 25 will be reduced, not program accounts 20 or 21. Cuts currently impacting the Fiscal Year 2013 budget.

For grantees funded early in Fiscal Year 2013, the impact will be magnified as the result of the shortened timeline for absorbing them. For grantees still to be funded in Fiscal Year 2013, somewhat greater opportunity exists for planning to address the reductions. While grantees will have flexibility in planning to implement the reductions, and systems are documenting grantee proposals are being designed to simplify the submission and approval process, it is nonetheless critical for grantees to be in close communication with your assigned federal specialist as you develop your proposal. Additionally, all grantees will need sharp focus on sustainability of their decisions because we do not yet know if funds will return to prior level for Fiscal Year 2014. Last, but certainly not least, all grantees are to prioritize quality and comprehensiveness of services when evaluating alternatives for absorbing the reductions. Now, because we know that your program's federal Head Start budget year or the month in which your funding renews has an impact on the range of options available to you for implementing the budget reductions, we would like to begin with a quick, quick poll to learn about today's audience. Jeanie?

Jeanie Mills: Thanks so much, Larrisa. So now, you guys get to talk to us a little bit through a poll that we have. We want to learn more about you and your grant year. So, can we pull up this poll? You will get a chance now to vote by clicking on one of those circles. How many of you have grant years that fall in the

first quarter, which would be October to December, 2012; Quarter Two, January through March 2013; Quarter Three, April through June of 2013; or Quarter Four, July through September 2013? We will give you a minute to let us know where you fall in that grant-funding cycle. It looks like right now, number two and number four -- quarters two and quarters four appear to be the predominant number of grantees on the call. Once everybody's voted, I will give you an opportunity to see the results. In an earlier webinar, it was sort of evenly dis -- divided amongst all four quarters. But, but at this time, it looks like it's Quarter Two and Quarter Four.

So, I think we can display the results now, if everybody's had a chance to click in the box. Okay. So, as I indicated, the grantees -- most of you on, on the call are either in Quarter Two or Quarter Four. A few of you are in Quarter Three, and, and 20 percent of you in that first quarter. Of course, not all of you are grantees on the call, but we have about 250 of you, and, and the vast majority are grantees. So, now I want to turn it over to Amanda who is going to provide us with some framing of the challenges that we face. And, to share with you a little bit about the Office of Head Start, and their encouraging grantees to really consider their choices. Amanda?

Amanda Bryans: Thank you so much, Jeanie. It's a pleasure to be here this afternoon. Or, as Larissa said, this morning. And, as Jeanie indicated, I just wanted to provide grounding that I hope people can keep under them as they wrestle with these most difficult decisions. The Office of Head Start is designed to support the enrollment of children who have the very highest needs throughout the nation. Our, our goal is to support children's progress towards school readiness, to help them to grow, to learn, and to ultimately contribute to society. Head Start's policies and regulations are based on the knowledge of human development, and the emphasis since our beginning has been on individualized, high-quality, comprehensive services.

The Office of Head Start encourages grantees to begin their deliberations by reviewing Head Start's mission and traditions, and the history of their program locally. Head Start's model for comprehensive services is rooted in knowledge of human development. If children's basic needs go unfulfilled, they are less able to grow, and learn, and meet their full potential. Head Start's mission is to enroll the highest-need children and provide that best meets those needs.

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Because of this mission, mission and our charge to quality -- our charge to quality as the nation's laboratory for early childhood education, the Office of Head Start is committed to ensuring maintenance of high-quality, comprehensive services to enrolled children and their families. We want to prevent cost reductions that occur at the expense of comprehensive services, and we want to ensure that we maintain our role as the nation's early education laboratory and leader. Cutting needed comprehensive services to maintain enrollment levels is not an appropriate solution for making the required budget cuts for 2013, or for when planning services for future years. The Office of Head Start expects that after making all possible improvements in efficiency, most grantees will find that they need to reduce funded enrollment in order to accommodate their new funding level, most likely. Grantees should make every effort to maintain comprehensive services to currently-enrolled children for the remainder of this

program year. In the cases where that is not possible, it's essential that programs make every effort to provide sufficient notice to families, to work with families, to try to identify alternatives, solutions, to make other arrangements, and to adjust their lives to this significant disruption.

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So, one of the things that people have often asked us about is could they reduce the length of year, the number of weeks of services, the days per week of services for infants and toddlers as a way of meeting the cost reduction requirements. And, in some cases, this seems like an appealing solution, and that it does not require necessary the displacement of families, and it doesn't require -- while it may involve furloughing staff, it doesn't require laying them off. However, we want to stress that the Head Start Performance Standards and the provisions of the Head Start Act were designed in recognition of the research related to the development of the youngest children. Full-year services for infants and toddlers are specified in sections 645a Subpart B of the Head Start Act which stipulates that in addition to other requirements, Early Head Start shall provide early, continuous, and comprehensive child development and family support services. Continuity of services is particularly important for infants and toddlers. Research has demonstrated that for the youngest children, learning requires developing pure attachments and trusting relationships with parents and caregivers. We know that more brain development occurs during the first three lives -- years of life than at any other time, and it is simply too important -- this time is too important a window of opportunity to sacrifice by reducing really good service. Some programs think this is not equally applicable to home-based, but we know the relationship between the home visitor and the parent is what enables the parent to, to continue to provide that critical role as the primary teacher in their care of the child. So, full-year is as equally important as home-based programs. Programs that create the savings by reducing the weeks of service in Early Head Start may in fact jeopardize the investment they've made already in the children and families that they enroll by losing or damaging the secure relationships between the children and staff, as well as resulting in reduced learning time for children.

And, then, there are also programs that serve preschool children who have proposed that reducing weeks of services to preschool children is also a relatively less painful adjustment to make, and we wanted to make sure that all of the consequences of that kind of decision were equally well considered. So, this, we want to recognize that in some cases, particularly for grantees who receive their funding early in Fiscal Year 2013, they just may simply have no choice. They on -- the only way they may be able to achieve the reduction in expenditures is to close their program earlier than they planned. We acknowledge that. But, we want to help programs distinguish between that necessity in the current year and planning for future years based on what is now our new funded -- funding level. So, there are some serious quality implications related to reducing the length of time of year. There's increasing evidence about summer regression, summer learning loss. That's something you can read about. Or, the deterioration of knowledge and skills that disproportionately affect very low-income children during the summer months. Increasing the time between the end of Head Start and the beginning of Kindergarten will have negative effects on children's school readiness. Similarly, as programs decide to fulfill their school readiness goals, they need to recognize that reduced length of service will also reduce the progress that children are able to make towards those goals.

Also, the addition -- the majority of cost savings -- we know that about 80 to 85 percent of programs costs are from staff personnel and fringe, and so the majority of cost savings achieved by reducing weeks of service are derived from the savings, and salary, and benefits. And, we would want to point out that the outcome of reduced annual salaries may be increased staff turnover, which has its own cost in quality implications. Programs also need to consider the costs of increased unemployment insurance which may result from an increase -- an additional furlough time of reduced weeks of service. When this option is used, grantees must assure they've collected the data information necessary prior to children leaving the program to fully realize their school readiness plan. Meaning, that if, if programs closed early, they should have -- they should do their final child assessments, and again, understand fewer weeks of service reduces the time available for children to receive comprehensive services and to demonstrate progress towards school readiness goals.

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So, we hopefully made a table for you which you, you could expand as you think about various possibilities or contingencies as the way -- in order to accommodate the new funding level in Head Start. You can see on the -- in the left-hand column ideas. You, you could increase your family service worker caseload by perhaps reducing one, one or more service workers. But then, you need to recognize that that will result in decreased engagement, decreased opportunities for families to make progress towards their goals, and less opportunity to work with families as advocates and teachers of their children. Reduced mental health services -- many programs have already wrestled with that throughout the years due to difficulty in obtaining the services of mental health consultants. We know that in Head Start classrooms, teachers need support and assistance in recognizing the kinds of schedule and structural foundations that they need to have in place in order to help children learn to improve their self-regulation, and be able to function well in the classroom.

Many programs over the last decade or so have already eliminated transportation services. We know that others are wrestling with the possibility of doing that. We want to point out two issues related to that. One is that our mandate and, and as a requirement in our regulations is that programs identify the highest-needs families in the community, and those children get priority in Head Start enrollment. We know that transportation is one of the largest barriers to accessing services that low-income families have. So, we are concerned that in, in programs where they've eliminated transportation, they may in fact not be enrolling the highest-need families anymore. We're also concerned that sometimes not providing transportation has a negative effect on child attendance. And again, there's an increasing body of research demonstrating that children's attendance in high-quality preschool programs -- not just their enrollment, but their attendance is linked to their later school outcomes. And, I don't know if anyone's actually considered this, but as an example, the idea of decreasing the quality of food services. And again, we would say all of the Performance Standards around the food service -- nutrition and how food is provided in Head Start are still in place. Those regulations have not changed, and we think that they are more important than ever, as a large number of children are in poverty. We have many children in America experiencing food insecurity, we have many children with malnutrition. A lot of people are, are concerned about children who are overweight and obese, and many of those children also have malnutrition because of lack, lack of access to healthy food and meeting their nutritional requirements.

So, we hope nobody's thinking about decreasing the quality of their food services as a solution to the funding reduction.

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So, what can programs do? I think that there are some things that you should do in the beginning, which includes looking for any efficiencies that your program could achieve. Hopefully, most programs do this regularly, as part of the management process. We've had many years of virtually flat funding. We expect that most programs have already become very streamlined and, and efficient. In those cases, in spite of taking this hard look, the only actions actions to achieve the reduction while maintaining high-quality, comprehensive services is, in fact, to reduce the enrollment. That is what we believe is the case. However, we do want to remind programs that it's always important to do this kind of review to, to identify possible efficiencies.

So, one obvious area is overhead and administrative costs. For example, if grantees maintain separate locations for administrative offices, they could review program space and see if there was a way to consolidate and house offices at centers rather than in separate space. This could result in significant savings if they were able to divest themselves of, of building space that they're using for offices.

They could also review contracted administrative services, such as copying, and they could look at cost allocation and indirect cost rates to see if there are any possible savings to be achieved that way. In some cases, there may be home-based programs where home visitors may not have the maximum caseload. We are aware that in most cases when that occurs it's because of geographical challenges, and that's it's not reasonable for home visitors to make the required visits and have those visits include everything they need to include and serve a full complement of 12 families simply because they are spending so much time driving. However, again, it's worth looking at. Is there a way to perhaps restructure home-base so that home visitors are closer to the families that they are working with? And you could, perhaps, eliminate a position by moving to 12 families per visitor. Again, only to the extent practical -- that it's a practical situation and geography allow. Contracted program services. Some programs contract and have for a long time contracted for things like trans -- contract for things like food service, transportation, health services or mental health services. Those contracts should be reviewed to make sure that they are efficient as possible, that they may be in the program needs, and some program needs might want to consider in-sourcing something that is out-sourcing to see if there will be a cost advantage.

Other programs might want to consider out-sourcing something that they provide directly to see if they could achieve any cost efficiencies in that way. And again, we think that most of those exercises or that review should have already occurred in programs, and we expect most programs have already accomplished that kind of efficiency, but we think its good management practice to do a regular review, and it wouldn't be -- it's certainly important to mention it. Are, other questions programs have asked include can they take disproportionate reductions across Head Start and Early Head Start, if they offer both, and our -- the Office of Head Start is not mandating that they're that they're proportionate reductions. What we're saying is, again, that programs have to consider their local and community

needs, and the mission of the program. So, a program might -- many programs we know -- their initial reaction is they want to maintain enrollment no matter what. And, if they have to reduce enrollment, they have to reduce it by as little as possible, which is, I think is absolutely a natural reaction. We've had a -- we've had directors say, well, they can reduce Early Head Start and it results in a loss of fewer kids than if they reduce Head Start because Early Head Start, of course, is one teacher for every four children. So, you could reduce by a group size of eight, and, and that results in the elimination of two positions. And, in Head Start, if you had -- if you eliminated the same two positions, then you would be, you would have to reduce by 18 to 20 children.

So, that is not the kind of reasoning we want programs to use, and in virtually all communities, there are many more preschool options available for children than there are for infants and toddlers. The decision shouldn't be about reducing by as few children as possible, it should be about individualized, high-quality, comprehensive services that are most responsive to community needs. So, we would expect that all of that would be part of the calculation when you are making the decision. We also know that some programs were considering conversions from Head Start to Early Head Start before notice of this budget reduction occurred. If that's the case, that is perfectly appropriate, and they should continue doing that, but do it not as part of the exercise to demonstrate how they are going to reduce funds in the current fiscal year. That might be part of their planning into the future around how the whole budget is going to work. And, again, we stress that you should be talking to the Regional Office about these kinds of changes.

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So, in summary, as your program develops its own reduction plan in collaboration with your regional program specialist, we want you to be careful and design an approach which preserves comprehensive services as much as possible that best fits your community's needs, and it be articulated for staff, parents, partners, and your community so that other people can understand why the decision is being made the way it is. And, also reflects your knowledge that you are a part of the nation's laboratory in early childhood education -- our charge is to provide comprehensive service, services to the children most in need and we've never been able to meet the needs of 100 percent of the income-eligible children. Clearly, we still aren't. And, that not results in the diminution of the services, the quality of the services we provide. Next, Chris Barnes is going to talk you through a suggested framework for thinking about communicating and implementing the most fitting budget reductions for your program. Chris?

Chris Barnes: Thanks, Amanda, I appreciate that. And thank you for setting the stage in emphasizing those issues that programs should consider when going through this understandably difficult time. Just looking at one of the questions that has popped up for one of our participants -- it seems as if, maybe, the slide maybe is slightly delayed. So, if you are, if you are, I guess, lost in terms of where we are, there's a slide should say at the top in terms of where I begin is, "Steps for Making Budget Reductions. So, just to kind of, you know, I guess, go over what we've talked about, as Amanda was going through her presentation. And, also considering what Jeanie did in terms of her poll, it looks as if grantees are primarily in terms of where we are today as participants, are mainly in Quarter Two and Quarter Four.

Well, be that as it may, we recognize that the reduction decisions that grantees will make will vary significantly depending on where you are in the budget process.

We believe that grantees will find the process for making those decisions easier if you follow a logical process. And based on experiences that we've had with grantees, we've made several decisions about the past. We've observed that grantees are most successful when they number one, take the time to understand the issue, which is a crucial point -- just understanding where you are and number one, in the budget process. But also, some of the, those external factors that may be impacting or affecting your decision. Number two. Share and discuss the issue with other decision makers as well as some of your stakeholders. Number three, explore multiple options and weigh the consequences of each together. Number four, make decisions and communicate them with care, and that communication piece cannot be understated. You want to communicate that as effectively as possible, and with a personable edge, because some of these issues may affect your staff, your families, as well as your community. And finally, number five, implement the decisions with an eye into the impact and unintended consequences. And unintended consequences is something that number one, number one we can't account for in every, in every situation. But, we want to make sure that we keep in, those things that we do know in mind, and also the things that we may not be aware of. To begin the process of making the appropriate budget reductions, grantees are encouraged to follow these steps. Number one, you want to make sure that the federal staff are included in the decision-making process from the beginning. The program specialists will ultimately need to approve the budget revisions, so having them weigh in early or as much as possible on those proposals will help you ensure that you are on the right track. Also, grantees are expected to be in close communication with their regional federal staff throughout the entire process. Federal staff can answer questions, whether proposed plans are approvable, and about the process for submitting information for approval and for tracking purposes.

Regional staff can also help grantees think through the different options, and the potential impact within the context of known strengths, needs, and priorities in the grantee service area. It's up to the grantee to work with their own stakeholders to ultimately develop and submit a plan. Our federal staff are your partners in this process, and we should look at them as such.

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So, if understanding the issue, and that we understand that is the core of the decision-making process, grantees must consider the program's mission and vision, partners and stakeholders, the implication for the future, as well as legal and policy issues. So when faced with a decision of this magnitude, grantees are sometimes tempted to respond quickly and we know the -- especially with the situation with the sequestration, we understand that these situations are within the budget period and we it, it tends to be a knee-jerk reaction. But we want to take the time to understand the entire issue, and that will help your program or your agency to avoid some unnecessary pitfalls. So, in considering that, let's, let's take some, look at some steps in terms of how to avoid those unnecessary pitfalls.

Number one, when OHS notifies you of your final FY2013 budget totals, it will be important to determine how that translates for you in your actual budget. So, looking at your budget actuals, your

expenditures to date, this may be extremely important to find out where you are. By looking at some of those actuals, you may find out already that you had some savings that you may not be aware of. For example, it may be a position that you didn't fill. Or, there may be some areas that you've overspent in, and that you need to compensate for, by making some, making some course corrections. So, whatever, whatever the case is, it will be important that decision-makers know the true extent of the reductions that they need to make.

Number two, your program is governed by laws, regulations, and policies beyond those related to Head Start. Be sure you look into those implications, such as your state and local licensing regulations, for instance, your personnel policies. You may be in a bargaining union, and so the union contract is going to impact where you are in terms of committing to a decision. You want to make sure you make all those considerations before moving forward. And, I think most importantly, there are significant early childhood policies that have been proposed at that the federal level that may be affecting and impacting their state. So for example, in states where they provide access to preschool services beyond that provided by Head Start, you may be able to help families find services for that preschooler if you need to eliminate a slot. Finding similar services for infant and toddlers may be a little bit more difficult, and may almost be impossible. So understanding that environment will help you to make decisions so that you will have the least negative impact on your families.

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So, with sharing the decision, we want to talk about how you share that decision, who should be involved. So for instance, the Head Start Early -- the Head Start director should absolutely be involved. The executive director of the agency, your financial officer or financial staff, and more importantly, your governing board -- the governing body should be intricately involved in where you are in terms of the decision-making process and moving forward. Membership of your program's core decision-making group will depend on your structure and options of course. So, in some programs the executive director and maybe the Head Start director. In other programs, the Head Start director may oversee Early Head Start. You'll need to determine the composition of your team and how to work together based on your own policies and, and protocols.

But in addition to that, and in bringing on decision makers, you also need to identify members of your organization that can bring expertise and wealth to, to that table. For example, like you may have a human resources manager who can advise you on layoffs, or maybe possibly a union contract, or some sort of union impact. A facilities manager can help you decide between two facilities, whether one condition, condition of one building makes sense to kind of look at a closure in that regard. You may have a CFO or a fiscal staff who can provide accurate estimates of the proposed cuts. Similarly, you may tap into the expertise of your legal and fiscal members of your governing body, and that probably shouldn't be underestimated because we all are required to have a legal -- someone with legal background and someone with fiscal background on our governing board. The impact or input into that decision will be extremely, extremely helpful.

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So, in terms of exploring the decision, and looking at the consequences, we want to talk about the unintended and intended consequences of that budget decision. Amanda paved the way for this discussion when she talked in her opening remarks of quality and comprehensive services. As your team weighs options, members will want to talk about the questions about unintended consequences. For example, reducing weeks may -- it may solve the budget shortfall, but it might reduce the wages of staff. And that may, in turn, turn into a less than competitive salary for your staff, and may force them to start looking elsewhere for employment. In addition, because children have a shorter period to demonstrate their progress towards school readiness goals, this may accurately, this may impact that in a way that negatively impacts your program, and reduces the quality in comprehensive services that you all, that you may, may have been proud of in the past. At the reduction that you plan on with the children, including your childcare partners, that may affect that relationship, with either you're childcare partner or maybe a state-run pre-K that you had, that you've been involved with. We want to make sure that you are looking to revise those Memorandums of Understanding, or those contracts to make sure you are in line with what you, what you're supposed to do. Depending on your state laws, your organization's unemployment liability may increase, as well. And that should be underestimated either

So, there are some consequences that you may need someone to look at beyond the scope of Head Start, beyond your local regulations but just to kind of make sure that you are fitting within federal and state guidelines. Next slide please. The next that we want to talk about is making and communicating decisions. So once you've reached an agreement and you start talking about how you want to communicate this to your stakeholders and to the community, you want to make sure that -- of course, we know that they are emotional ones -- we want to make sure that you're presenting these issues as professionally and as personally as possible. Before moving forward with any decision, it's important that all decision makers are comfortable with the choices and have the language that they can use to explain the decision when asked.

Even if someone is not really on board with the decision, you need to make sure that they have buy-in, and that they support the decision of the group. Decision makers who share negative opinions about decisions with staff or parents can harm the morale in already challenging environment. As we mentioned before, no decision is final until it's approved by the Regional Office. So, as part of the decision-making process, the team needs to develop a communication plan to ensure that you and not the rummermill is in charge of the decision. The plan would -- if you come up with a communications plan, it should at least address the following. It should address methods for communicating with staff, with parents, with your community partners, to ensure there is one person -- primarily the director -- to communicate with staff. And you communicate with that -- you communicate with your staff and your stakeholders as directly as possible. You need to set a timeframe, and the timeframe is really important, because you don't want to communicate these things too early, nor do you want to communicate them too late. You need to make sure that once you put out any correspondence, that it clearly identifies a timeline in terms of whatever decisions that you make. For instance, if you are suggesting a classroom closure, or building closure, that you make time, that your stakeholders and your parents, and community -- they have an understanding of what the timeframe is, and they can make some appropriate concessions for whatever decision that you make.

And number three, we want to talk about how you communicate with the media, if necessary. A well planned press release is a really, really strong tool to use when you're making a decision such as this. So, next slide please. In terms of implementing your decision, we don't want you to think that everything is done once you've communicated it. You want to make sure that you carefully consider the impact on other personnel and services, and plan accordingly. Revise your written plan and other documents to reflect the change. And that's important, especially because you need to make sure that you're prepared for any reviews or any other regulatory agencies that may be visiting your agency. You will also need to monitor the impact of the changes, because you may need to make some course corrections if needed. Now is also the time to think about those longer term strategies, to develop partnerships, or start seeking other funding sources to help mitigate the negative impact on your decision, looking at maybe other donors, either public or private partnerships to help offset what you've done -- whatever decision you may, you may be. And those things, sometimes, take time.

So, you need to make sure that you are laying the groundwork to move in that direction in whatever decision that you make. The decision that you make for Fiscal Year 2013, we encourage you to be thinking about the future of your program all the time. So, we prepared a tip sheet. It should be accompanying this webinar pretty shortly. It should be available either in your Regional Office or on ECLKC. But, it is going to provide some short-, mid-term, and long-term options for you to consider in terms of managing your costs. Now, I'm going to turn it over to Jeanie. I think Jeanie has another poll to help us frame the discussion as she moves forward, as we hear some really, really good information from some of our voices from the field. Jeanie, are you available?

Jeanie: Yes, I sure am. Thanks, Chris. So, we do have our second poll today, and can you bring it up? There it is. We want to hear from you about what step, and what step that you are in regarding your budget reduction process. We clearly know you might be doing several of these at the same time, but predominantly, where would you consider you are in regards the budget reductions? You, again, just click on that little circle to vote, and as we get votes in, we will let you know, and at this point it looks like nearly half of you think -- are exploring options and consequences. And, a third of you have already made or are in the process to communicating your decision. Obviously, those are changing as we're

getting more people voting. So, feel free to click in a circle here and once we finish the poll, you are going to see the results, as well. We got about 260 on the call today. Not all of you are grantees, but vast number of you are. So it looks like most of you have voted, and let's take a look at the results.

Okay. So, nearly half of you are still exploring options and consequences. I think it would be helpful to you to hear about our vignettes and hear from our voices from the field in a minute. Some of you have made your decisions already, and are communicating those, and a few of you are still understanding the issues and sharing with decision makers. And just a few of you, are really implementing decisions. So, thank you for sharing that information, and we'll move on now to the next slide.

I want to introduce you to one of your colleagues who is going to reflect on her program as we discuss the two vignettes that we have coming up. First, I'd like to introduce you to Jean Bridges. Jean is a 33-year Head Start veteran who is the Child Development Department director for Penquis, which is a community action program in Penquis, Maine. Jean's grant year is June 1 through May 31. She serves 355 Head Start children in the center-based option, and 72 infants and toddlers in both center-based and home-based option. Her program also receives money from the state of Maine to fund 14 infants and toddlers in center-based and home-based options in an Early Head Start program. She has several service delivery partners. A public pre-K partners with her and her staff, and childcare does, as well. Her federal Head Start and Early Head Start budget prior to the reduction is a little more than \$4.5 million, and Penquis is estimating a budget reduction of \$222, 652. Hi Jean, and thanks for joining us.

Jean Bridges: Hi Jeanie, glad to join the conversation.

Jeanie: Great. Next, I'd like to introduce you to Sandy Nelson. Sandy's an assistant superintendent for early learning at the Educational Services District 113 in Olympia, Washington. Sandy has served as a Head Start director since 1992. Her program's grant year, is November 1 and it will end October 31 of 2013. So she's one of those grantees that has a, a herculean task ahead to reduce her budget in a few months that she has remaining.

She serves 553 Head Start children in the center-based option and also in her state, she is funded in, kind of, a state Head Start program to serve 230 additional children in the center-based option. She has delivered services full-year, full-day with several childcare partners. Her program is budgeted at more than \$5.5 million and she is estimating a budget reduction of \$276,821. Thanks for joining us, and welcome, Sandy.

Sandy Nelson: Thank you, and I'm looking forward to the conversation.

Jeanie: Great. Okay. So, let's talk about the next -- the first vignette. Just a reminder, this is a fictitious Head Start program, and we have named it Children's Futures Early Childhood Agency. It's a medium-sized Head Start program that received its notice of grant award effective March 1. Less than a month later, the Head Start director's been notified that he must cut his Head Start budget by \$90,000 during his fiscal year, which ends in February 2014. He is weighing his options, and the first one is to suspend

plans to fill a vacant facilities manager position for a savings of \$40,000. He believes he can share that position with an agency custodian for the remainder of the year. Other options aren't so easy, as his program has experienced flat funding and state budget reductions for the past several years, and he is sure that the program has already found all remaining savings by considering efficiencies. He knows the next round of reductions will cut into his program services. Still, he is open to options and is grateful that unlike some of his colleagues, he has 10 months to make up the savings before his budget year ends.

He plans to engage his management team and representatives from his Policy Council and governing body in a brainstorming session to consider the following options. Let's take a look at the next slide, and we'll see those options.

The first one is to terminate one family service worker, and increase two FSW caseloads from 40-60 families effective May 1. The program will save \$33,000 in salaries and benefits from the staff termination.

The second option they're considering is to combine the disabilities and health managers positions, laying off one or the other of the head -- of the content managers. This would become effective May 1. They would assign clerical staff the responsibility for data management of child help and disabilities tracking. The program will save \$55,000 in salaries and fringe benefits from cutting this management position.

The fourth option. The third option, excuse me. In the fall, they are considering closing a part-day, part-year Head Start classroom in the agency's largest center, reducing its funded enrollment by 18 preschoolers. This will mean terminating a teacher, an assistant teacher, and an assistant cook at that center. There's a universal pre-K program in the area, although Head Start families have been reluctant to enroll their preschoolers in the program. The program will save \$58,080 in salaries and fringe benefits for the remainder of the fiscal year.

Finally, a fourth option is to suspend plans to award 3 percent salary increases for teachers. A recent aid, agency wage comparability study confirmed that the program's teachers were being paid below the market rate of teachers in other areas, in early childhood education programs. In addition, public schools in the area have recently hired two of the agency's teachers with their offer for higher salaries and better benefits. Still, the director's counting on teacher loyalty to the program, as he knows its teachers are committed to Head Start's mission. The salary suspension will save \$10,400 for the remainder of the year.

So, let's, let's weigh those options a little more. Let's go to the next slide.

I'm going to ask you now to take some time to consider the questions here on the left. If you are viewing this webinar with a colleague, this will give you an opportunity to talk about these options. And, if you are watching alone, we're going to give you some time to maybe jot some notes about these options. And again, reflect on those questions on the left. We're going to give you a minute or so of quiet time.

So, you're not going to hear me humming any songs or anything. I'm just going to let you think quietly for a minute, and then we'll come back.

[Break]

Jeanie: Okay. I'm going to give you another 30 seconds to chat with your colleague or jot notes.

[Break]

Jeanie: Okay. So, while you've been thinking about these options, Sandy and Jean have also thought about them in the context of their own program.

Let me begin with you, Jean. I know that many programs regularly weigh service reductions against staff salaries and benefits. Can you tell us what your program has considered when thinking about this?

Jean: Right. We have got on our list from time to time -- when we say we need to do some cutting, we need to reduce staff. Sometimes, it puts us -- it offers us sacrifices the salary. Unfortunately, unfortunately, we recognize that our past success has really been depending on the quality of the staff that we've been able to hire. And, we have historically at our agency held to the belief that the salaries that we pay, the benefits that we support are really part of our success, and a critical part of delivering the of services, and really how much it really costs to deliver the service -- service. So, we opted not to entertain that possibility in terms of either freezing or reducing salaries. We have been able to attract the most highly-qualified people. We were concerned about impact down the road with the teacher turnover. We do happen to serve in an area where we have a significant number of pre -- public pre-K programs. And, because I have a high percentage of teachers who have bachelor's degrees in early childhood, as well as associate's -- assistant teachers who have associate's degrees -- I really felt that the potential for losing teachers to the public school for kids programs is a reality for us, and we weren't really willing to go there as far as the sacrifice that that might create for quality, for our kids and families. So, we didn't, we didn't initiate that cost reduction option.

Jeanie: Okay, thanks, Jean. Sandy, you shared with me that some of your staff proposed that education and mental health manager positions be cut as part of the budget reductions, similar to the option here of combining health and disabilities managers. What was your response?

Sandy: Well, we were prepared for that suggestion. We have two mental health specialists, and 3.5 child development disabilities specialists. And, our program has 45 classrooms spread over 4000 square miles. So, sometimes the perspective of staff in the outlying areas is, is a little bit more local. We believe that key to creating and maintaining high-quality early learning environments for children is the support training and monitoring that these specialists provide, as I know everybody does. Over the past decade, the number of children with challenging behavior has increased, and we were really pleased, then, to read their program instruction that emphasized the importance of maintaining high-quality and comprehensive services. That really helped us make the decision and communicate that decision easier.

These specialists are really doing critical work in training and supporting staff to implement the PBIS, or the Positive Behavior Interventions and Support, as well as to implement the deeper instructional strategies mentioned by CLASS. And, we're also collaborating with several school districts in the instructional strategies around preschool-grade three alignments in literacy and math. We know that the highest area of risk for any Head Start program are those average CLASS scores that are determined during a federal review. And, it's worth noting that we are scheduled for a federal review next year. So, the decision became pretty easy for us, and we just really know that supporting staff and their work is going to result in greater school readiness outcomes for children.

Jeanie: Thanks, Sandy. Jean, I also know -- and maybe you want to share for us briefly -- that you considered the option here on Vignette 1, number one, to increase FSW caseloads and you rejected it. Do you want to talk a little bit about that?

Jean: Right. We had that on our list, as well. We had a lot on our list, but in looking at the population that we serve, we really have a high level of needs with families -- high-needs families. Some of their needs are mental health services, a lot of children with disabilities. And, we're seeing an increase number in families that are homeless that are moving about a lot. And, we also have one of the larger -- or the largest methadone clinic that exists in our service area for the state of Maine. And given those high needs in these situations, we really felt that it was in our best interest to keep that caseload at a manageable level, and allow us to engage with families to really make a difference in, in their lives, and to support them, and to be as strong as they can with our help. So, we rejected that one.

Jeanie: Okay. Well, looks like you really leaned on your community needs in making that decision, as well. So, obviously, for you folks in the audience, I can imagine that these options are familiar to you, and that none of them are easy.

We want to hear from you now in a poll that we're going to do. This is the final poll of the day. Which option got you really thinking about unintended consequences? Go ahead and vote by clicking in the little circle. Of the four of those options, you can tell us which one you thought really had some unintended consequences. And, like the last time, we will share the results of the poll as you wind down. It's interesting to see -- I have the ability to see what the voting is right now, and it's evenly split amongst all four options, which I think sort of underlines the point that none of these are very easy. And they all have unintended consequences to some degree.

Continue to vote if you'd like, and we'll show the results in a minute before we move on to our second vignette.

Some of you may be changing your mind as you think a little bit about it.

Okay, I think we can share the results now.

So, you see, they're all fairly evenly divided. By a hair, Option 4: suspending teacher salaries really got

you thinking maybe about unintended consequences, as did the combining the health and disabilities manager position. So, you know, this exercise we hope will help you think through as you continue to explore your options.

What unintended consequences there could be? Now, let's move to the next slide, and I will introduce you to the second vignette. Again, this is fictitious program.

We can move to the next slide after the poll here, and I will introduce you to Hafford County Head Start Center. It is a, an Early Head Start and Head Start program, serving a county in the Midwest. The program believes it will need to cut its \$3 million budget by 5 percent, or \$150,000 in the seven months that remain in its fiscal year. The program serves 68 infants, toddlers, and pregnant women at a cost of about a million dollars, and 235 preschoolers at the cost of \$2 million. The director convenes representatives from her Policy Council, and governing body and managers to consider options. She tells them that cuts don't need to be proportional between her Head Start and Early Head Start budget. She also tells them that they're going to need to come up with an immediate plan to cut funding in the current budget, but they'll also need to consider a longer term plan at a later date for next year's grant. Let's look at the options that they are considering, and we'll go to the next slide to do that.

Okay, they have several options. The first one is to cut four weeks of service from the program's 10 part-day, part-year Head Start centers before the program's fiscal year ends on November, 30. This will mean laying off more than 20 staff members early. It will result in savings of \$70,000.

The second option. Reduce content managers' hours in the summer from 40 to 25 a week, and lay them off entirely for two weeks. This will result in savings of \$45,000 in salary and fringe benefits.

The third option. Close three part-day, part-year Head Start classrooms in September, reducing services to 51 children and terminating 7 staff. Savings for the final three months of the fiscal year will be \$95,000. Another option they are considering is to cut four weeks of service to all Early Head Start children served in the home-based option between now and the fiscal year end. This will result in six home-based visitors losing four weeks of work. Savings would be \$22,800.

The final option they're contemplating is immediately terminating a newly-hired mentor coach who was hired to support teaching staff. In terminating this new position, they will recoup immediate savings of \$30,000. All these options are being considered in the short term. The director knows that she'll need to annualize these cuts to determine the impact of them on next year's fiscal budget. So, let's again take a minute. We can go to the next screen, and consider the options with these questions. What do you think the impact is on these options with regards to comprehensive services, staff morale and retention, or the impact on future budgets?

Again, if you have somebody you can talk to, that's watching the webinar, you can go ahead and chat about this. If not, and you want to jot yourself a note, some notes about this, or contemplate this then think about your own program, do so. And we'll give you a minute to think about this.

And I will keep quiet while you are thinking.

[Break]

Jeanie: I'm going to give you another 30 seconds or so to wrap it up, and you're notes, and your discussion.

[Break]

Jeanie: Okay, good. Thank you, and obviously I know Jean and Sandy have been thinking about these options, and we'd like to hear from you now. Both of you did some pre-planning and preparation for service reductions. Sandy, can you share the guiding principles that you and your managers developed and proposed to your Policy Council?

Sandy: Yes, I certainly will. I had talked with Policy Council from their very first meeting in the fall about the possibility of sequestration, hoping that it wouldn't occur. And so, we developed with them and with staff a set of guiding principles which were really helpful in terms of giving us that little booster shot, because we had a very short period of time to make these decisions. We had to do multiple actions, and we had to implement them by April 1 because most of our costs that we are incurring need to be reduced right now. So, the first one was maintaining quality and making sure that we avoid getting designated per week competition. The second one was to use our community assessment to identify the centers that would be considered for slot reduction. And, when I talked to Policy Council, really emphasizing their role in making decisions for the whole program, and in that role possibly have to make a decision about reducing a classroom or closing a center, that they and their own child are connected to, and that we were going to use data from our needs assessment to inform that decision.

The third area that staff and Policy Council both were pretty adamant about was looking at where our current enrollment challenges lie. And although we're at full enrollment all year, we do have challenges with our full-day, full-year, and our lack of waiting lists, and just difficulties with our current childcare subsidy system in our state. Another area was because we were in a union environment, was to prioritize the retention of staff over the retention on contracting services. And, we've had some long-time contracts with two private childcare providers. And, we we went ahead and terminated because by doing that we were able to protect some positions for our own bargaining unit staff members. We also are very sensitive, kind of, to that environment, and wanted to make reductions that had equal impact across all of us. So, we know that when we told the center that seemed to impact bargaining unit more - - because that means that it's a smaller center and probably didn't even have a center director at it -- but by implementing reductions in days, which we did -- because we are closing a week early, all of our centers -- we all across the board are taking a reduction in paid days through the end of August, which is how our pay is prorated. I think the other thing proportionately that we wanted to do was to take a look at the number of staff that were impacted by decisions on, on closures, and see that there's a proportional kind of impact on staff who are not in the bargaining unit, as well. And then finally, we do want to keep our classrooms operating as long as possible, and we did choose just a four-day reduction.

We operate four days a week and just closing one week early. So, those were the principles that we established ahead of time. And they were really helpful in working down through our list of several actions that we had to take to reach that final figure of over \$276,000.

Jeanie: Well, thanks, Sandy. Now Jean, in talking with you, you shared with me that your -- you involved your Policy Council in making of the painful decision to reduce enrollment. Can you share a little bit about how you did that so that parents really felt empowered but also maybe were divorced a little bit from the emotional toll it would take on making that kind of decision?

Jean: Sure. Similar to Sandy, I, I had discussed both with the Policy Council and the Board, the sequestration was part of our, potentially part of our future. And, as it got clearer that it was, in fact, not wanting to be going away, they were prepared for the need to really take a serious look at some, some reductions. I had used a tool with both the Policy Council and the Board which I call it a Center Closing Criteria Spreadsheet. And I take about 12 data points and categories that are for every one of our service locations. Those data points range anywhere from the enrollment statistics to other early childhood programs that might exist in an area or not. It also looks at do we have any significant cost-sharing factors involved with that particular classroom or center. And also, looking very thoroughly at the percentage of low-income eligible families that are served classroom by classroom.

The Policy Council and the Board are both familiar with this tool. They've used it in the past when I had to do some reductions. In fact, I had some conversations with our regional program specialist because we readjusted [inaudible] full-year grant in March, and then turned around and [inaudible] facing the sequestration cuts. [inaudible]...lots of questions.

So, in my criteria, closing with, it's an immensely emotional for the Policy Council, as Sandy said. You know, when some of the children are at the very centers that might end up being cut, it's extremely emotional. I found this center-closing criteria really helpful for myself as a, as a director to really allow me to hone in on the statistics and set aside the emotional attachment that might be involved in, "Oh dear, it's this center or that center," and really allows the Policy Council, the Board and I to look at the statistics and make the most sound business decision that we possible can.

So, as we're going through those statistics this, this grid, I have the, highlighted any of the areas that are outlying statistics that stand out different from the others that allows us to really kind of take a look and to discuss what that number, why that number being low or high, makes that particular center a bit vulnerable in terms of the possibility of, of cutting. If a center has multiple highlighted areas in the, across the 10 or 12 data points, then that makes them even more vulnerable. While the ones that necessarily don't have highlighted areas. And it really does allow us to sort through and look at where, where are we needed most, where are we -- the highest-needs based on our [inaudible] community needs assessment.

The next piece that I think has been extremely helpful as far as the planning and the process that unfolds is that, when we have determined -- and in our case, we identified three classrooms that would

be cut -- the next step is looking at how do we define which teaching staff or classroom staff end up staying, and which classroom staff won't. And, we have [inaudible] a downsizing policy that is [inaudible] tenure or months of service. It's looking at, literally going back three years of performance evaluations for -- for instance, we have 10 teacher positions that we're going to need to fill, and we have 13 teachers, we'd look at all of those performance evaluations for that given position, and that's what makes the final -- that's what goes to the [inaudible] terminated.

So, it really allows us to maintain and keep the highest-quality staff persons, and that's what [inaudible]. There's a lot of intense emotion, and, and, but I think we have a really solid rationale and plan for moving through these very, very difficult decisions and implementation of them.

Jeanie: Yeah, well, thanks to both of you. Clearly decisions facing Head Start and Early Head Start programs aren't easy. I want to thank both Jean and Sandy for, and really highlighting what they're trying to do in their programs and reflect on -- by reflecting on these vignettes. We hope they've been helpful and that the real life experiences from the field will help you in stimulating your thinking about different options in the context of your own program. So, I'm going to turn it back over to Larissa for a few more thoughts about individualized approaches.

Larissa?

Larissa: Thank you, Jeanie. And thanks very much, Jean and Sandy. While many of the issues faced by American Indian and Alaska Native programs, and Migrant and Seasonal programs are the same, there may also be some specific considerations for those programs. Both family and community culture are important to keep in mind for any grantee. In talking with representatives of the American Indian Alaska Native, and Migrant and Seasonal communities while preparing for this webinar, a couple of things came to surface that bear mentioning. For Migrant and Seasonal programs, the Head Start Act specifies that enrollment priority must be given to migrant-worker families based on their typical needs and income as compared to seasonal-worker families. For the grantee we spoke with, community assessments and enrollment data roll out the appropriateness of this priority, and help to inform and support the decision-making about which program locations to close or indefinitely. In addition, when considering staff furlough days, both the Migrant and Seasonal and American Indian grantees we spoke with made decisions to align furlough days with cultural celebrations in their community -- times when attendance typically drops anyway, so that children could attend ceremonies and celebrations with their families. Aligning staff furlough days in this way meant that enrolled families would not be inconvenienced with unplanned closures and staff would also be free to participate in their community events. Being responsive to community needs in this way is important to the directors we spoke with.

We appreciate our grantee panelists' perspectives, and willingness to represent the voices of the grantee community on this webinar. While there is some commonality in their approaches, and in the decision-making framework we have shared with you today, hearing from grantees also reinforces that each program and community context is different. And like the services we provide for our children, approaches must be individualized.

Next slide please.

In summary, I'd like to bring us back to a couple of key points we've discussed today. All grantees are strongly encouraged to seek budget efficiencies that do not [Inaudible]. The Office of Head Start fully anticipates that many grantees will need to request enrollment reductions in order to maintain comprehensive services to the children and families served. We want all grantees to engage in a thoughtful process of thinking through both short- and long-term consequences of the strategies they select. And, if the strategies chosen involves shortening the program year in Fiscal Year 2013 or reducing overall slots for 2013 and beyond, these enrollment reductions must be implemented sensibly and responsibly. No child should be suddenly disenrolled from the program, and families should receive maximum notice of program changes and help in accessing other community resources.

Next slide please.

Finally, while the Technical Assistance System and supports such as this webinar are important resources, it is your federal staff who will ultimately guide you through the process of adapting your budget, implementing changes in your program, and of course approving your proposals. Please remember to be in communication with your assigned Regional Office staff as you move through the process of reducing costs while maintaining quality.

Amanda Bryans is going to share a few last words with you to close the webinar.

Amanda: Head Start has faced many challenges over our nearly 50-year history. In the end, we have persevered for a few simple reasons. Most importantly, parents are the program's voice, its strength, its partner, and parents will do anything for their children. As staff we even what they do, and we know they are doing work worth doing. We understand that while not always easily measured, it is Head Start's relationship with children and families that ultimately has the power to change lives. While the challenge of the funding reduction is among our most difficult, we must not let it result in diluted quality. We must remain the nation's early childhood education laboratory and leader, providing the highest-quality, comprehensive services to support the school readiness of the highest-need children in this nation has been and remains our focus and our mission. On behalf of our Director of the Office of Head Start Yvette Sanchez Fuentes, thank you for the work you do every day on behalf of children and families. And, thank you for joining us on this webinar.