

FY 2005 Funding Guidance

ACYF Administration on Children, Youth and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children and Families	
	1. Log No. ACYF-PI-HS- 05-02	2. Issuance Date: 4/29/05
	3. Originating Office: Head Start Bureau	
	4. Key Word: FY 2005 Funding Guidance	

PROGRAM INSTRUCTION:

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

SUBJECT: FY 2005 Funding Guidance

INSTRUCTION:

The Head Start budget for fiscal year (FY) 2005 has been passed by the Congress and signed into law by the President. It appropriates \$6,843,113,600 for programs under the Head Start Act, an increase of approximately \$68 million over FY 2004.

The FY 2005 funding increase will be used primarily to provide all grantees a cost-of-living-adjustment (COLA) of 1.0 percent. A small portion of the FY 2005 increase will be used, as required by statute, to increase Head Start training and technical assistance services.

This Program Instruction explains the COLA increase that is available to your program and how to apply for it.

The term ACF Regional Office in this Program Instruction is meant to include the American Indian and Alaska Native and the Migrant and Seasonal Program Branches.

I. FY 2005 COLA FUNDING

Each grantee may request an increase in its base funding level of 1.0 percent. Base funding is the amount committed to your program on an on-going basis as of October 1, 2004, the beginning of FY 2005. It excludes training and technical assistance funds and any one-time funds grantees may have received in FY 2004.

We expect that all staff in Head Start programs will receive a cost-of-living increase of at least 1.0 percent in their hourly rate of pay, subject to the Wage Comparability provisions of Section 653 of the Head Start Act. Any grantee proposing to award salary increases of less than 1.0 percent or proposing to award differential cost-of-living increases to staff must explain its rationale in its budget narrative.

COLA increases should be used to permanently increase Head Start pay scales, rather than only increasing the salaries of current employees. Grantees that believe there are reasons for not increasing their pay scales to reflect cost-of-living increases must provide an explanation as to why such an increase is not considered appropriate.

Grantees with delegate agencies are expected to allocate a 1.0 percent COLA increase to each delegate or justify why such an approach is not appropriate.

Staff Salaries

Each grantee, as specified in 45CFR1301.31, is required to have personnel policies that specify salary rates and fringe benefits. In determining appropriate salaries and benefits, grantees must adhere to the standards expressed in Section 653 of the Head Start Act, which precludes Head Start staff from receiving compensation "at a rate which is...in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of persons providing substantially comparable services in the area of the person's immediately preceding employment, whichever is higher..".

In addition, the FY 2005 Appropriations Bill contains a provision in Section 205 which states that "none of the funds appropriated in this title for Head Start shall be used to pay the compensation of an individual, either as direct costs or any proration as an indirect cost, at a rate in excess of Executive Level II." The salary rate of an Executive Level II employee is \$162,100. Guidance on this was issued on March 2, 2005 as [ACYF-PI-HS-05-01](#).

How to apply for the FY 2005 COLA increase.

Your Regional Office will notify you in the near future of the exact amount of additional FY 2005 funds for which your program may apply. If your program has already been refunded for FY 2005, your COLA increase should be applied for through a supplemental funding request.

II. FY 2005 ONE-TIME FUNDING SUPPLEMENTS

Grantees may apply for supplemental funding awards to meet important one-time needs. However, ACF will be using one-time funds only to meet grantee needs for items which are non-predictable or non-recurring; i.e. grantees have a need for such an item only once every several years. Items which are reasonably predictable and recurring such as, for example, classroom equipment and supplies and office equipment and supplies will not be covered. Grantees should be developing on-going strategies for meeting these predictable and recurring needs. Furthermore, one-time funds will not generally be made available to purchase buses. The frequency with which buses need to be replaced through purchase or lease can be reasonably anticipated and grantees are expected to include these costs in their on-going program budgets. Grantees are reminded that they may use grant funds to purchase buses over time, including the payment of any interest costs incurred in such a purchase. Grantees may also lease vehicles or contract with a transportation provider. Grantees, in short, should be able to reasonably predict their needs for replacement vehicles and integrate these costs into their on-going budget.

Requests that are truly one time in nature – that is requests which are not regularly occurring and are not predictable will be given priority. A few examples of the types of one-time request that will be considered include needed renovations and repairs to buildings and their operating systems, improvements to outside play areas, making a down payment on a new facility to be purchased because the grantee's previous facility is not suitable for Head Start or no longer available to the grantee and purchasing child restraint systems so that children may be transported safely.

Grantees which have one-time funding needs which are of an emergency nature should submit such requests to their Regional Office as soon as possible at any point in the fiscal year.

Grantees which currently have problems related to the misuse of Head Start grant funds, inadequate fiscal management or the potential loss of financial viability may request one-time funding but such requests may not be funded if such problems have not been resolved by the time funding decisions are made.

How to apply for one-time funds.

Requests for one-time supplements should be submitted to ACF Regional Offices by **July 8, 2005**. Grantees should clearly explain what they are requesting, why the request can't be funded from their on-going Head Start grant and what the consequences would be if the one-time funding request is not approved.

Please direct any questions on this Instruction to your ACF Regional Office.

/s/

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Commissioner
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