

Building a Stronger Head Start: Recommendations for Improving the 1303 Process

A. The Head Start Act and Head Start Program Performance Standards

One of the guiding principles of the Head Start Early Learning Framework (ELOF) is that children learn best when they are emotionally and physically safe and secure. Most Head Start and Early Head Start children receive center-based services, and facilities must provide safe and effective indoor and outdoor learning environments that support staff in delivering high quality services and always keep children safe.

The Head Start Act (HSA) addresses the need for facilities to support Head Start programs and the use of Head Start funds for facility activities in several sections:

1. Sec. 644(f) directs the Secretary to establish uniform procedures for Head Start agencies to request approval to purchase facilities, or to request approval of the purchase (after December 31, 1986) of facilities, to be used to carry out Head Start programs.
2. Sec. 644(g) addresses the circumstances under which Head Start funds may be used to make payments for capital expenditures related to facilities that will be used to carry out Head Start programs. This section specifically mentions construction and major renovations.
3. Sec. 641A includes the use of Head Start funds to purchase property as an aspect of monitoring financial management.
4. Sec. 644(c) confirms the need to allocate costs for common or joint use of facilities.
5. Sec. 648 directs the use of technical assistance and training funds, to the maximum extent practicable, towards assistance “in efforts to secure and maintain adequate facilities for Head Start programs”.

Detailed implementing regulations for the purchase, construction, and major renovation of facilities by Head Start grant recipients are in 45 CFR Part 1303-Subpart E of the Head Start Program Performance Standards (HSPPS) and associated definitions at 45 CFR §1305.2.

B. Fiscal Laws, Regulations, Policy and Guidance

Head Start awards are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). The Office of Head Start is a program within the Administration for Children and Families (ACF) and is recognized by ACF as a grant program with [real property authority](#). ACF provides its own detailed online [Property Guidance](#) for a wide range of facility activities. The guidance notes that the “information contained within these pages are not intended to replace federal regulations”. However, along with the HHS [Grants Policy Statement \(GPS\)](#) this guidance and policy is applied by ACF in a manner indistinguishable from actual regulation.

ACF guidance points to [45 CFR §75.308\(c\)\(1\)\(xi\)](#) in support of its view that ACF approval is required, separately from Office of Head Start approval, prior to the use of Head Start funds for a facility activity. The language of the subsection is as follows:

For non-construction Federal awards, recipients must request prior approvals from HHS awarding agencies for one or more of the following program or budget-related reasons... The recipient wishes to dispose of, replace, or encumber title to real property, equipment, or intangible property that are acquired or improved with a Federal award.

It is of note, however, that the language noted speaks to actions a recipient wishes to take after property is acquired, specifically to dispose of, replace or encumber property that has been previously acquired or improved with Head Start funds. There is no reference to approval of the initial use of Head Start funds for a property activity.

Following the enumerated areas requiring prior approval ([45 CFR §75.308\(c\)\(2\)](#)) there is language stating that no other prior approval requirements for specific items may be imposed unless an exception has been approved by OMB.

ACF also relies on the HHS Grants Policy Statement in determining that facility funding represents a deviation requiring prior ACF approval. The GPS discusses a deviation as a use of funds that represents a change in existing award terms and conditions of an award, noting that any “waivers of or deviations from these terms and conditions must be requested and approved in writing by the GMO”. It is not clear that the Uniform Guidance or the GPS leads to the conclusion that facility funding represents a deviation and facility funding did not historically constitute a deviation. The facility application deviation process is an entirely opaque process with no information available to grantees about the roles, responsibilities or timelines associated with the process.

While the GPS makes specific reference to prior approval of the purchase of equipment as a Change in Scope (page II-54), there is no reference to purchase of facilities or any other real property activity, including construction or major renovation.

C. Funding for Facility Activities

Head Start fund recipients currently use their base grant Head Start and Early Head Start operating funds for facility activities, including rent under operating leases, minor renovations, repairs, and maintenance. No prior approval is required for these activities, other than approval of any associated budget modifications meeting the conditions of 45 CFR §75.308. Facilities activities of all types can be funded with special appropriations recognizing purchase, construction, and major renovation as funded purposes, such as funds awarded to support recovery from natural disasters.

The Office of Head Start received just over \$11 billion dollars for FY2022 operations. This amount included quality improvement funds, with guidance that mentions using those funds to “ensure that the physical environments of Head Start programs are conducive to providing effective program services to children and families, and are accessible to children with disabilities and other individuals with disabilities”. While the



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Head Start Act recognizes facility activities as an aspect of program operations and various special appropriations designate facility activities as appropriate uses of those funds, there is no designated amount of funds dedicated to facilities activities in the federal Head Start budget.

Funds for one-time facility awards become available depending on the extent to which the Office of Head Start gains funds over the course of the federal fiscal year. The amount of funds available nationally and in any particular Region is unpredictable, depending generally on the extent and amount of funds freed up through relinquishment, de-funding and under-enrollment award adjustments. Historically, this has also resulted in the most funds being available for one-time facility awards towards the end of the federal fiscal year.

When funds are awarded or re-budgeted for facility activities, they have an associated project period and budget period. When new funds are awarded for facility activities, they generally have a two-year project period and budget period, although use of base grant funds for facility activities effectively aligns with the time remaining in the base grant project period. In some cases, with prior ACF approval, project periods can be extended for up to twelve months.

D. The Funding Process

Applications for use of Head Start funds for purchase, construction and major renovation involve two systems that do not communicate with each other. The Office of Head Start relies on the Head Start Enterprise System (HSES) and ACF relies on the GrantSolutions system, also referred to as OLDC. Grantees are aided in the preparation of their facility applications by the [Pre-Approval Guidance and Checklist](#), usually referred to as the Checklist.

Recently the facility funding application process in HSES was revised to require grantees to initially answer eight preliminary questions about their project in the HSES system. Then they are required to add documents in up to 23 separate folders that align to some extent, but not fully, with the elements of the Checklist. In addition, Regional Office staff reviewing the application can request “other documentation”.

A grantee recently applied to use Head Start base grant funds to acquire a facility to replace several lower-quality facilities being rented for services to children and administrative use. No new funding was requested. The grantee was required by the Regional reviewers to complete the Checklist, answer the eight questions, place some document in every folder, even if inapplicable, and provide detailed underlying documentation for the opinions given by real property and engineering professionals. Over the course of nearly a year of review, the grantee was required to submit nearly 80 documents in HSES.

At a grantee event, the Office of Head Start advised grantees that it will take up to 90 days to acknowledge the submission of a facilities application in HSES, followed by Regional review for an indeterminate amount of time and then an ACF deviation review of up to 90 days. It is not unheard of for a grantee to submit a facility application in HSES and hear nothing from its Region for months and in some cases up to a year. In contrast, the time to close a commercial real property loan is in the range of 2 – 6 months, including appraisals and inspections.



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Once the application review in HSES is completed and the deviation is approved by ACF, the grantee must submit an entirely different application in GrantSolutions using Form SF-429 with Attachment B and, if applicable, Attachment C. Attachment C is used when third-party financing or subordination of the federal interest is requested. These forms require some new information and grantees are required to re-submit their entire application from HSES as an attachment to their GrantSolutions application. Grantees report that it is not unusual to be asked to submit the same information already in the HSES or GrantSolutions because reviewers have not actually looked at previously submitted materials.

E. Funding Criteria

When a Head Start grantee applies for facilities funding, they are guided in the HSES and GrantSolutions systems to submit certain information. Application reviewers at the Regional and Central Office level may request additional information. Even if the Regional and Central Office reviewers determine that an application complies with all the requirements of 45 CFR Part 1303-Subpart E, there is no guarantee that the proposed project will be funded. Historically, grantees might have their application for funding approved, but with a notation that there are no funds available to support the project.

Grantees have no way of knowing what, if any, Regional funding priorities apply to facility project requests. The Office of Head Start has, on occasion, said that funds needed to address facility health and safety issues are a priority. However, the eight HSES initial questions used to describe a facility project do not ask anything about whether the proposed funds will be used to address a facility health and safety issue. It is not clear if there is any Regional or national approach to prioritizing multiple facility funding applications. This leaves grantees with no way of determining whether the substantial effort of submitting a Part 1303 application is likely to lead to the receipt of an award.

It is also unclear whether the Office of Head Start places any limitations on the amount or extent of facility project funding it will provide. Some projects over \$10 million dollars have been funded entirely with Head Start funds, while other grantees have been told by their Regions that a \$3 million project is too expensive.

A final issue is the extent to which the Office of Head Start expects grantees to utilize third-party funding in connection with their facility projects. Outreach to third parties is one of the items on the application Checklist, which seems to encourage the use of third-party funding. Yet when third-party funding is proposed, the application process becomes even more complex and extended, creating an incentive to request 100% of project funding from the Office of Head Start.

F. Roles and Responsibilities

It is unclear to grantees who is responsible for approval of facility applications and who they can turn to for status updates. Certainly, the grantee's Regional Program Specialist and Fiscal Specialist are involved, and the Regional Program Manager, Grants Management Office and Regional Office of General Counsel are also mentioned to grantees. Grantees are typically told that the Region prepares a deviation request package for some sort of facility committee at the ACF Central Office, which does an entirely new review of facility applications before the deviation process actually begins.

Another area of confusion for grantees is the existence of individuals at Regional Offices, who are referred to as RPF (Real Property and Facilities Initiative) experts. Grantees hear conflicting information about these individuals and are sometimes told they are part of the application approval process but do not provide technical assistance to grantees. Some general facility information is available on the Early Childhood Learning and Knowledge Center website and through the National Center on Program Management and Fiscal Operations. Despite the language of Sec. 648 of the Head Start Act, individual grantees do not receive technical assistance on facility projects from the Office of Head Start.

G. Technical Assistance and Training

Grantees and their staff are committed to the provision of high-quality comprehensive services to enrolled children. The early history of Head Start involved mostly donated space in facilities that did not fully support the needs of Head Start children and families, particularly those with physical limitations. Since the mid-1980's grantees have been allowed to acquire and hold title to facilities. Even the most modern facility from the 1980's is likely in need of at least major renovations and nearing the end of its useful life. Grantees and their staff often lack the expertise and resources to plan a purchase, construction, or major renovation project, even aside from preparing and submitting a funding application.

As noted, the Office of Head Start does not provide grantees with individual technical assistance related to facility projects. Several Regions have taken the position that a grantee cannot use its base grant or other previously awarded funds to plan a project or gather information to prepare an application without prior approval. Some Regions have even warned grantees that if they use Head Start funds to initiate a project and then determine the project is not viable, the funds will be disallowed. Under this approach, a grantee that uses Head Start funds to identify a facility they want to purchase, then learns through environmental testing that it is contaminated with lead or asbestos, runs a risk of disallowance of those initial costs.

H. Resulting Challenges

1. Grantees do not know how much funding is available in their Region or nationally for facility projects.
2. It is not clear whether there are any limitations on the amount of funding that can be requested for a facility project, or whether the use of third-party lenders is favored.
3. There are no known criteria for funding priority between multiple facility funding requests.
4. The Regions use different and inconsistent approaches in their review of Part 1303 funding applications.
5. Some Regions ask only for documents related to application Checklist items, while others burden grantees with detailed requests outside the scope of reasonable review.
6. There are no timelines associated with the different levels of application review, and grantees are not informed of who they can contact for status updates. Roles and responsibilities throughout the process are largely undefined.
7. The deviation process adds a lengthy, opaque, and arguably unnecessary step to the review and approval process.

8. Grantees feel constrained in their ability to use existing funds to pay the cost of needed technical assistance to plan a facility project and prepare a complete Part 1303 application.
9. No technical assistance from the Office of Head Start is available to support individual grantee facility projects.
10. Grantees struggle to comply with the diverse requirements of multiple systems that do not share information, such as HSES, GrantSolutions, and the ACF deviation process.

A sobering result of the noted challenges is that many grantees most in need of better facilities lack the clarity and confidence to make needed facility changes. They continue to provide services in facilities that do not fully support their program goals and curriculum because they are intimidated by the uncertainty of the Part 1303 process and don't know where to turn for assistance.

I. Suggested Solutions

The Office of Head Start has taken great strides in improving the quality of Head Start and Early Head Start learning environments since the mid-1980's when grantees could first use Head Start funds to acquire facilities. The detailed facility regulations in the HSPPS at 45 CFR Part 1303-Subpart E perform the required functions of aligning funding decisions with Head Start Act and Uniform Guidance requirements and mitigating any risk to Head Start funds or property. It is understood that Regions are receiving more and more applications as existing facilities age, programs recover from natural disasters and communities emerge from the pandemic.

The following are suggested solutions to some of the current facility challenges that involve a re-examination of some policy decisions, but do not require a change in law or regulation:

1. Establish uniform approaches across Regions to review and approve Part 1303 funding applications, including timelines and the scope of document requests. As a rule, consider an expectation that a funding decision will be made within 90 days of Regional acknowledgment of a complete Part 1303 application. Include the following in timeline expectations:
 - a. Acknowledgment of receipt of the application in HSES
 - b. Initial review of the application
 - c. Response to grantee following initial review
 - d. Review of any new or additional documents submitted by the grantee
 - e. Response to grantee following each subsequent review
 - f. Acknowledging when the application is complete
 - g. Results of final review
 - h. The need to re-submit in GrantSolutions and how to do so
 - i. The status/outcome of any deviation process (see No. 2 below)
2. Re-examine the regulatory basis and need for the ACF deviation process for Part 1303 applications, eliminate the process or, at a minimum, limit the review to determining that all required application materials have been received.

3. Designate an individual in each Region to serve as the point of contact for any grantee with a pending Part 1303 application. Make sure that person remains up to date on the status of all pending Part 1303 applications by Regional grantees.
4. Provide information to grantees about the amount of funds available for funding facility projects at the Regional level, and any funding priorities or limitations.
5. Revise the Checklist so that it fully aligns with the folder system in HSES. Do not require grantees to put anything in folders for which items are identified on the Checklist as “not applicable”. Ideally, application materials should transfer from HSES to GrantSolutions without re-submitting the HSES materials.
6. Provide guidance that assures grantees they can use existing base grant and non-CARES Act funds to pay for technical assistance needed to plan a facility project and gather information needed to develop a facility funding application without prior approval.
7. Create technical assistance and training resources to support grantees in the development of facility projects and information needed for successful funding applications. Consider providing more support for individual grantee projects, such as retaining the services of an architect or engineer in each Region who can support individual grantees with project planning and do a brief initial review of plans and specifications.

J. Summary

The Head Start Act and the HSPPS provide clear requirements for the submission of applications to fund purchase, construction, and major renovation of facilities. With minor adjustments, the new HSES folder system will provide a defined structure for submission of Part 1303 applications that aligns with 45 CFR Part 1303-Subpart E. Assuming they have or can access needed technical assistance, grantees have demonstrated their ability to identify worthwhile facilities projects and gather the information needed for a successful Part 1303 application.

Grantees uniformly feel that the process for reviewing facilities applications is inconsistent from Region to Region, proceeds much too slowly and has no real transparency. A great deal of the delay in project approval is attributable to the ACF deviation process, which apparently includes an ACF facilities committee and several levels of additional approval. The process, which is not shared with grantees, appears to operate at multiple levels with an unlimited scope of inquiry and no defined timelines.

Implementing the suggested solutions will make the facility funding process more transparent and consistent, eliminate multiple and redundant application reviews and accelerate the funding decision timeline.