



AGENDA ITEM: 11
DATE OF MEETING: January 26, 2010
ACTION: X
INFORMATION:

CONSENT CALENDAR

A. SUMMARY OF REQUEST:

Approve the following consent agenda items:

1. Approve the October 20, 2010, Commission Meeting Minutes
2. Ratify the following agreements:

Contract Numbers:

CFF 7223 A1
CFF 7242
CFF 7228

Purchase Order Numbers:

CFF 4536 A4
CFF 4608 A1
CFF 4700
CFF 4706
CFF 4711
CFF 4714

B. ATTACHMENTS:

Attachment 11a: Draft of October 20, 2010, Commission Meeting Minutes
Attachment 11b: Agreement Ratifications



CALIFORNIA CHILDREN AND FAMILIES COMMISSION MEETING

October 20, 2010

**Los Angeles Marriott Burbank Airport Hotel
2500 Hollywood Way
Hollywood/Burbank Meeting Room
Burbank, CA 91505**

MINUTES

Agenda Item 1 – Call to Order and Chair’s Welcome

Vice Chair Munger called the meeting to order.

Commissioners Present: Molly Munger, Vice Chair
Patrick Duterte
Joyce Iseri
Casey McKeever

Commissioners Absent: Joe Munso, Chair
Conway Collis
Maria Minon, M.D.

Ex Officio Members Absent: Anne McKinney
Scott Carney

Vice Chair Munger served as Chair of the commission meeting on behalf of Chairman Munso who was absent. Vice Chair Munger welcomed members of the commission who were present.

DISCUSSION: None.

PUBLIC COMMENT: None.

Agenda Item 2 – Executive Director’s Report

Kris Perry, Executive Director, commented on the passage of the state budget during a time of difficult economic challenges and provided an update on the following items:

- The passage of the budget brought additional hardship for low-income families across California.

- Nearly 80,000 children will become the latest casualties of the state's budget crisis when government-subsidized child care for low-income families, known as Stage 3 child care, will be terminated as a way to save money.
- The final budget deal, along with a series of last-minute vetoes by the Governor, could have significant negative effects on other children's services as well.
- Proposition 10 dollars have been earmarked in the state budget resulting in a potential impact on the population First 5 California serves.

Policy Activities

- First 5 California is involved in working with two statewide groups, the California Early Learning Quality Improvement Advisory Council (CAEL QIS) and the Early Learning Advisory Council (ELAC). Both of these groups have the potential to bring California the federal funds it needs to further invest in early learning programs.
- First 5 California has a leadership position in both groups. Ms. Perry is a member of the CAEL QIS Committee and serves as one of the chairs of the ELAC, along with the Superintendent of Public Instruction and the Secretary of Education.
- CAEL QIS was established by SB 1629 in 2008, and is charged with improving the quality of early learning programs by developing a policy and implementation plan for an Early Learning Quality Improvement System. It is in the final stages of completing the second year of a two-year effort.
- On December 31, the CAEL QIS Committee will submit a final report to the Legislature recommending a quality improvement rating structure and system for early learning programs.
- ELAC was established by the Governor's Executive Order S-23-09 last November and is responsible for improving the quality, availability, and coordination of services for children from birth to school entry.
- At the April Commission meeting, the State Commission approved up to \$2 million to support the work of the ELAC over a three-year period.
- One of the council's first tasks was to submit an application on behalf of the State of California by August 1 for American Recovery and Reinvestment Act (ARRA) Head Start funds of approximately \$10.8 million and, as a result, ARRA funds were received earlier this month.
- ARRA funding will support the development of a comprehensive state plan to coordinate and strengthen California's early learning system and implement a pilot program for the quality rating system.
- As one of the chairs, First 5 California will play a significant role in leading these efforts to accomplish the objectives of the ARRA application.
- Ms. Perry traveled to Washington, DC, with other children advocacy groups, including Preschool California, to carry the message to Congress about the importance of investing in early care and education.

Program Development

First 5 California's leadership role not only extends beyond the policy level, we are also making a difference in the lives of teachers, parents, and children through First 5 California Signature Programs.

Teacher Signature Program

- First 5 is in the process of finalizing the CARES Plus Request for Application (RFA).
- State Commission staff held three public input sessions in Sacramento, Fresno, and San Diego. A conference call was held with a team of First 5 California Association members to receive policy level input, and First 5 met with leaders from Head Start.
- With CARES Plus, First 5 is focusing on improving the way early educators teach, and their effectiveness when interacting with children under the age of 5. First 5 is committed to advancing early educators' professional development because research tells us that better instruction enhances both the quality of early learning programs and young children's educational achievement.
- CARES Plus includes several new evidence-based components, such as use of the CLASS assessment tool for accountability and evaluation purposes, and several CLASS-aligned professional development supports.
- Two professional development pathways include higher education and a state-supported evidence-based training component.
- First 5's internal goal is to have the RFA posted on its website within the next month.

Parent Signature Program

The Parent Signature Program has been largely supported by the long-standing and highly successful *Kit for New Parents (KIT)*.

- The contract award for the *Kit* is pending as First 5 awaits a decision from the Office of Administrative Hearings (OAH) in the matter of a protest.
- Final arguments were submitted to the OAH by all interested parties, and a final decision will be made within the next week.
- This will not impact the supply of the *Kits* and First 5 expects no lag in *Kit* availability.

Child Signature Program

In April 2010, the State Commission approved that First 5 California be named a public partner in the public-private Educare Quality Early Learning Model, a state-of-the-art, evidence-based, full-day and full-year program being built across the country for at-risk children ages 0 to 5 and their families.

- The State Commission also approved a \$6 million funding commitment to Educare that will leverage \$40 million in private capital funds.
- First 5 California has been working in three different school districts in partnership with the David and Lucile Packard Foundation, WestEd, the Ounce of Prevention Fund and the Buffett Early Childhood Fund to bring this innovative educational model to California.
- The three communities identified that met most of the Educare feasibility criteria were Bell Cudahy in Los Angeles County, City Heights in San Diego County and San Jose in Santa Clara County.
- First 5 California is working to help two counties develop Educare sites. Los Angeles and San Jose planning efforts are moving forward. While San Diego is not moving into deeper planning for Educare, other communities are moving forward.

The School Readiness and the Power of Preschool (PoP) programs are also underway, but are slated to end. First 5 California will ultimately need to create an integrated early learning program for children that will build on the best parts of the School Readiness and PoP Programs. This will get underway in early 2011.

First 5 California has contracted with a new vendor to build a new statewide data system known as Practice Research and Outcomes 0 to 5 (PROOF).

- The goals of this project are to promote program improvement, support policy direction, and share knowledge with the early childhood community.
- PROOF will collect and capture data related to county programs, the statewide annual report, and state signature programs. It will also improve the accessibility of data for those interested in bettering the lives of California's youngest children.

Public Education and Outreach Efforts

Ms. Perry provided an update on First 5 California's current public education and outreach campaign, which specifically targets low-income, hard-to-reach families, with an emphasis on reaching diverse ethnicities and draws attention to three critical areas:

1. The importance of nutrition and exercise to fight obesity
2. The value of reading to children early and often; and
3. The dangers of secondhand smoke for young children.

First 5 California partnered with the California Department of Public Health and its Network for a Healthy California and Tobacco Control Program, to ensure consistent messaging on nutrition and smoking prevention.

Ms. Perry stated that First 5 California is trying to accomplish its goals as identified in its Strategic Plan and spending plan, while also trying to address some of the external State Budget and other requests with a balanced approach that helps children develop to their full potential.

DISCUSSION: Commissioner McKeever asked whether the fact that San Diego is not going forward with Educare will have an impact on the \$6 million earmarked for the program. Ms. Perry said budgets have not yet been established for the two remaining sites and that the State Commission's funding will likely be divided between them.

Commissioner Duterte asked, if the first two Educare sites are successful, what would it mean for the rest of the state? Ms. Perry said the purpose of the investment is to have one or two sites as models to serve as a platform for policy change. The sites will demonstrate what quality looks like and may potentially serve as training centers for other programs.

PUBLIC COMMENT: None.

Agenda Item 3 – First 5 Association of California Report

Sherry Novick, Executive Director of the First 5 Association, provided information in response to the State Commission's request at its last meeting on county commission leveraging activities.

- Proposition 10 revenues are public tax dollars that can be used to draw down federal funds in a number of different programs.
- Thirty-nine commissions reported leveraging federal dollars in 2008-09, amounting to \$58 million. This may be understated since commissions do not always require county departments to report what they are able to leverage with First 5 funds.
- In the Southern and Bay Area regions in 2008-09, 14 commissions leveraged \$74.6 million private dollars in the four Proposition 10 result areas: child development, child health, family functioning, and improving systems.

Ms. Novick also reported on budget issues of concern to county commissions, including language in the Budget Bill and the Stage 3 child care veto. The Association will work collaboratively with the Legislature in the coming session to address this.

Community Care Licensing announced that due to long-term underfunding and the current hiring freeze, they have been forced to curtail child care licensing activities. This is of great concern to commissions that have invested in expanding capacity but cannot get new spaces licensed.

Commissions in the Bay Area are convening public and private lenders to develop plans to assist state contractors during future budget delays, which are likely unless Proposition 25 is enacted. The Association hopes the Bay Area work will produce models for other regions of the state.

County commissions received an award from the Center for Oral Health (formerly the Dental Health Foundation) for their work on oral health for young children. The Association is linking local oral health and nutrition efforts in partnership with the California Department of Public Health and advocacy organizations.

DISCUSSION: Ms. Perry asked whether First 5 California funds were counted as those used in leveraging. Ms. Novick explained that the county commissions were asked only what they leveraged with local dollars. She also counted only new dollars captured, not match funds or funds that would otherwise have come into the county.

Commissioner McKeever commented on Stage 3 child care and asked how the local commissions are viewing what they could do to assist families in their communities. Ms. Novick said that a number of commissions have been convening with other stakeholders in the community on how to help families transition and link them with programs and services where there is capacity. Ms. Novick said she thinks what will be seen are different commissions thinking about different ways they can facilitate and be of help. Ms. Novick noted that the smaller counties are doing a good job with helping families transition to other services. However, it is tremendously difficult in large counties with large numbers of children.

Commissioner Duterte asked if the Association's nutrition efforts are coordinated with the State Commission's outreach campaign. Ms. Novick said they were not planned together, but the hope is that they will be complementary.

PUBLIC COMMENT: Jennifer Long (First 5 Colusa) explained how her commission is working to transition families who will lose their Stage 3 child care through direct contact with local partners, including Head Start and other early childhood education programs, and partnerships with other agencies to help school-age children.

Two individuals spoke regarding the extreme hardship the elimination of Stage 3 child care will have on many families. The result of such extreme measures will force child care providers to close their doors, working families will be left without child care services and children will be removed from high quality care.

Agenda Item 4 – Legislative Update

Marsha Jones, Deputy Director of External and Governmental Affairs, provided a brief update on the State Budget and key legislation that recently passed into law in the regular session.

- The Governor's last minute vetoes in the State Budget created additional hardships for low-income families across California by eliminating Stage 3 child care.
- Legislative leaders are looking for partners who will share responsibility and problem solving for this critical issue.
- The State Budget includes language that earmarks Proposition 10 funds to support programs administered by the Managed Risk Medical Insurance Board and the Department of Developmental Services in an amount that totals \$132.7 million.
- The Governor signed into law SB 1381 (Simitian), which moves the current kindergarten start date of December 2 back one month each year, for three years, until September 1 becomes the date a child is required to be 5 years old to enroll in kindergarten. The bill also allows districts to provide transitional kindergarten for those children displaced as a result of the age change. The transitional kindergarten provision provides an additional year of education for eligible children prior to entering kindergarten. The First 5 California Legislative Committee took a formal support position on this bill.

DISCUSSION: Commissioner Duterte asked if the dollar amount listed in the State Budget was a surprise. Ms. Jones said it is similar to the amounts the State Commission contributed in the last fiscal year.

PUBLIC COMMENT: None.

Agenda Item 5 – Strategic Plan Update

Kris Perry, Executive Director, provided a mid-year review of First 5 California's Strategic Plan.

Ms. Perry reminded everyone of the overarching statements contained in the Strategic Plan. She reviewed First 5 California's vision and mission statements, and highlighted objectives reached under each strategic goal.

Vision:

All children in California enter school ready to achieve their greatest potential.

Mission:

By 2012, be recognized as California's unequivocal voice for children 0 to 5 to ensure greater equity in their readiness for school.

Five Strategic Goal Areas:

1. Focus on Policy Development
2. Invest in Program Development
3. Broaden Public Awareness
4. Enhance Research and Evaluation, and
5. Strengthen Organizational Operations and Systems

Ms. Perry summarized the status of First 5 California's Strategic Plan accomplishments as of June 30, 2010. She reported that 100% of the 2010 objectives have been completed. Ms. Perry provided the status of the objectives that were due or that have been completed since the annual review.

Completed Objectives

Objective 2.2.1 – Research and recommend innovative pilot projects such as increasing quality preschool spaces, Children's Zones, Educare sites and school-based health centers.

Educare is a state-of-the-art, evidence-based, full-day, and full-year program being built across the country for at-risk children ages 0 to 5 and their families. Educare Centers, where infants and toddlers form roughly a third of the enrollment, are designed to meet the needs of today's families who are making the transition from welfare to work and who are recipients of a mix of Head Start, childcare, and preschool services.

A very in-depth planning process is under way with many partners, including the David and Lucile Packard Foundation, WestEd, the Ounce of Prevention Fund, the Buffett Early Childhood Fund, First 5 California, and others.

In April 2010, the State Commission approved an amount to support two to three Educare Centers in California.

To support the capital campaign, associated with an Educare Center, JB Pritzker, venture capitalist and co-founder of the Pritzker Group, will be a keynote speaker at our conference on March 1, 2011. He also will meet with local business leaders to encourage increased investments in early learning.

Objective 3.2.1 – Identify hard to reach populations and appropriate partnerships for sharing information on the healthy development of children 0 to 5.

First 5 California contracted with ProProse to identify and analyze hard-to-reach communities in California and recommend strategies for effectively communicating with them. As a result of this valuable information, First 5 California's Public Education and Outreach campaign has incorporated the methods identified in the ProProse report to develop outreach messages in appropriate languages and in culturally-appropriate ways. Specifically, the campaign implements an efficient blend of grassroots, community media, and non-traditional media strategies that target hard-to-reach populations.

Ms. Perry pointed out a few interesting facts that were used to develop First 5 California's strategies and messages in its new Public Education and Outreach Campaign:

- According to the U.N. Children's Fund, "Investing in children from birth to age 3 is the only way to ensure that every child has the opportunity to reach his/her full potential."
- Children who breathe second-hand smoke on a regular basis are at higher risk for middle ear infections.
- Nearly 1 in every 3 children (31.7%) in the United States ages 2 to 19 is overweight or obese.
- Nearly two-thirds of African Americans (64%) and Latinos (63%) are wireless Internet users.

First 5 California launched Phase 2 of its Public Education and Outreach Campaign on September 20, 2010. This phase consists of a targeted approach for reaching hard-to-reach populations, including non-English-speaking persons of Asian descent; and farm workers of Native American descent, such as Mixteco, Zapoteco, and other traditional dialects in addition to Spanish. Phase 3 will begin next year.

Objective 4.3.1 – Formally establish the Center for Results, including the Center's priorities and research plan, management structure, external oversight committees, and operating practices.

The establishment of the Center for Results (CFR) is complete. The CFR team, consisting of Commission staff and the strategic research contractor, in collaboration with outside experts, successfully launched the CFR, including laying the foundation for First 5 California's strategic research agenda. The strategic research agenda leverages the knowledge and expertise gained through the Project Legacy process. The resulting Measurable Program Goals, which were approved by the Commission and integrated with needs assessment and gaps analysis data, form the foundation for the strategic research and evaluation plan.

Objective 5.1.1 – Develop and implement a broad-based recruitment process that promotes diversity within the organization.

First 5 California performs an annual Workforce Analysis to identify the effectiveness of our Equal Employment Opportunity Program. The analysis identifies areas of significant underutilization in workforce composition, employment of persons with disabilities, and upward mobility programs. The analysis is submitted to the State Personnel Board for review, comment, and approval. First 5 California also collaborates with Department of General Services to strategize effective recruitment efforts to support workforce goals.

Objectives 5.1.2 – Establish a new employee orientation program.

First 5 California provides relevant information to new employees in the form of one-on-one employee orientations and written procedures, and maintains a new employee page on the First 5 California Intranet. Staff may readily access First 5 policies and procedures related to Information Technology, Health and Safety, and Travel and Training. In addition, quick links provide access to external resources, such as the Department of Personnel Administration and the State Personnel Board.

Recurring Objectives

Objective 1.1.1 – First 5 California will obtain at least 25 memberships and annually participate in state and national organizations that emphasize early childhood development.

First 5 California staff presented findings from the Special Needs Project (SNP) Final Evaluation at the California Sociological Association Annual meeting. The SNP was a demonstration project created to document promising approaches for identifying children with special needs and providing services. Overall, this study found that the SNP sites successfully achieved most of the measurable expected project outcomes. The results of this evaluation will be useful to First 5 California and other entities considering implementation of similar programs.

Objective 1.1.2 – First 5 California management team will seek advisory representation on three nationally affiliated groups or projects.

First 5 California staff led a state team to participate in the National Association for the Education of Young Children's 2010 National Summit of States: 4th Annual State Professional Development Leadership Team Work Day. The delegation consisted of a team of representatives that included First 5 California (lead), the California Department of Education/Child Development Division, Head Start, community colleges, California State Universities, California Association for the Education of Young Children, California Child Development Administrators Association, and Working for Quality Child Care. The state teams heard federal updates on workforce development from both Joan Lombardi and Jacqueline Jones, participated in roundtables, and had a group discussion about next steps.

Objective 1.2.2 – Conduct post-program assessments; determine viability as a statewide program and advocate for statewide implementation.

First 5 California approved the final version of a report prepared by its contractor, Harder and Company, titled *Comprehensive Approaches to Raising Education Standards (CARES) for the Early Learning Workforce*. This evaluation report describes program participants, provides a summary of the education activities in which participants engaged during three fiscal years, and summarizes who was served and how the CARES program served them.

Objective 1.2.3 – First 5 California management team shall, at a minimum, convene biannual meetings with legislators and/or stakeholders to discuss issues related to children 0 to 5 and advance successful programs.

First 5 California staff conducted site visits in Los Angeles, San Diego, and Santa Clara counties with local and statewide stakeholders, as well as national partners, to award planning grants for Educare Centers.

First 5 California staff planned and managed the First 5 California Water Cooler Joint 2010 Conference: *Investments in Early Learning*. This two-day event, co-sponsored by the Advancement Project, brought together national leaders in the field of early learning to address a group of 500 early childhood education policy makers, practitioners, and staff discussing key issues facing the early learning community. First 5 California sponsored

Day One: *Making an Impact*. Day-Two: *Expanding the Larger Education Conversation* was sponsored by the Advancement Project.

Objective 1.4.2 – Participate as a partner in a statewide effort to increase quality, access and/or availability of early care and education, such as preschool, infant/toddler care, or school readiness programs.

First 5 California staff actively participates with statewide partners to increase quality, access, and availability of early care and education. Examples of that progress are as follows:

- The State Commission approved a one-year extension of the Power of Preschool (PoP) program to existing PoP counties with up to \$19 million in bridge funding, to allow eight counties to continue their PoP program and offer those services to children 0 to 5.
- First 5 California participates as an active partner on the State Advisory Committee on Parent Leadership and Engagement, a statewide effort to increase quality, access, and availability of early care and education for parents and families. This active partnership plans and produces an annual Parent Leadership Conference, held most recently in February 2010.
- First 5 California's Program Management Team wrote and submitted the Letter of Inquiry to the Birth-to-Five Policy Alliance for a new one-year grant. This grant will focus on infants and toddlers by supporting the Early Learning Quality Improvement System and the California Early Learning Advisory Council, creating a workforce registry and bringing Educare to California. Other state partners include Preschool California, Children Now, Zero to Three, and the Advancement Project.
- First 5 California is working closely with WestEd Early Learning Training and Technical Assistance to provide training and technical assistance opportunities to increase the quality and quantity of early learning, to fully leverage multiple funding streams, and to foster inter-agency collaboration while advocating at state and national levels for the needs of children ages 0-5.
- First 5 California joined many other departments on the State Leadership Team for the California Collaborative for Social and Emotional Foundations for Early Learning (CSEFEL). CSEFEL has developed a model of evidence-based practices for promoting young children's social and emotional competence and for preventing and addressing challenging behavior. CSEFEL will foster the provision of professional development to the early learning workforce.
- The California State Early Learning Advisory Council (ELAC) held its first meeting in May 2010. The ELAC consists of members from the Early Learning Quality Improvement System (ELQIS) Committee as well as some additional Governor appointees. In August 2010, the Council submitted its federal application and was recently awarded \$10.8 million in funds to promote efforts in three key areas: 1) Develop a comprehensive statewide plan for an integrated early learning system; 2) Connect with children and families; and 3) Establish a Quality Rating and Improvement System to improve the quality of early learning.
- The ELQIS Committee has been extremely busy finalizing its Quality Improvement Plan that will be submitted to the Governor and Legislature by the end of this year. Multiple public input sessions have allowed the Committee to receive public feedback on the Plan.

Objective 3.2.2 – Establish partnerships with at least two public agencies with similar goals, linking First 5 California’s name and/or program with their name for increased effectiveness.

First 5 California has entered into a new contract with UC San Diego to co-fund the California Smokers Helpline. This contract will fund the Helpline to target pregnant women and families with children ages 0 to 5 for cessation services and will provide outreach to health care providers and inform First 5 California Signature Programs to better serve our target population.

First 5 California’s Program Management Team continues to partner with the Department of Public Health, Maternal Child and Adolescent Health Program, to co-lead the Statewide Screening Collaborative, bringing together state agencies, health organizations, and special initiatives that focus on California’s capacity to promote and deliver effective and well-coordinated health, developmental, and early mental health screenings for young children.

The Department of Developmental Services received approval from the State Commission for funds of up to \$50 million in FY 2009-2010 to pay for new regional center services for new enrollees ages 0 to 5 in the Early Start Program.

First 5 California consulted with the Department of Public Health (DPH) prior to the September 20, 2010, launch of our public education and outreach campaign to ensure our campaign was aligned with state messages on nutrition and smoking cessation.

In addition to DPH, we also partnered with several other organizations on our media campaign. Through a partnership with BabyCenter, we secured a parenting network site that will allow us to steer new and expectant moms online to dedicated First 5 California content on nutrition. Univision.com will host a First 5 California Parents Resource portal on its site to provide regular content on the importance of nutrition and exercise.

Objective 3.2.4 – Enlist the support of at least two partners to increase parent education.

First 5 California received support from Bauman Curry and The California Black Media Association on media relations activities within the African American community. These two African American partners have been key in the implementation of First 5 California’s recent media relations activities. First 5 California has supported vital community events with its media partners including: The Observer Media Group’s Capitol City Black Expo; *KJLH* Easter Eggstravaganza; and Smoking Cessation Radio Promotions *KTYM* Radio.

DISCUSSION: None.

PUBLIC COMMENT: None.

Agenda Item 6 – Public Education and Outreach Campaign Presentation

Marsha Jones, Deputy Director of External and Legislative Affairs, presented an outline of the current public education and outreach campaign, which focuses on the dangers of secondhand smoke, the importance of reading to children, and nutrition and exercise to fight obesity. Ms. Jones thanked First 5 county commissions for their input during the

development of the campaign and introduced Renee Fraser of Fraser Communications who provided an overview on Phase 2 of the campaign:

- The target population is families with incomes under 185% of the federal poverty level and hard-to-reach populations, including 7 different language groups. The campaign is emphasizing outreach to Latino and African American families.
- The campaign is based on precise targeting to reach the intended populations, including advertising on grocery carts, currency jackets, and gas pumps; mall posters and bus placards; videos at check-out counters and in buses; and outreach through ethnic newspapers.
- Fraser is trying to place ads at the point of decision-making about what to buy and is using graphics in which children express the message. The on-line advertising effort is based on research that shows, of families with incomes under \$40,000, 58% have internet access.
- Volunteer celebrities, such as Derek Fisher of the Los Angeles Lakers, have contributed videos and public service announcements on all three topics for on-line and local use.
- Over the past year, the online campaign has driven a steady growth of visitors to the site and engaged with parents across the web in significant numbers:
 - 1.3 million visits to the website, including 1 million unique visitors.
 - 80% who view on-line videos watch to the end.
 - 44,500 Chef La La cookbooks have been downloaded.
 - Pop-up videos with *Sid the Science Kid* have been played 45 million times.

DISCUSSION: None.

PUBLIC COMMENT: None.

Agenda Item 7 – Financial Overview

Terry Miller, Chief of Administrative Services, presented the State Commission with First 5 California's year-end revenue and expenditures as of June 30, 2010.

First 5 California's Funding Structure

The state collects a total of 87 cents in tax for each pack of cigarettes sold. Taxes are also collected on the sale of other tobacco products, which is calculated as a percentage of the distributor's wholesale costs, a rate that is calculated annually.

The Board of Equalization (BOE) collects tobacco tax revenues and transfers funds designated by statute. Fifty cents of the 0.87 cent tobacco tax revenue is directed to the California Children and Families Commission Trust Fund for First 5 California to oversee and distribute. BOE transfers money to the California Children and Families Trust Fund monthly: and by statutory direction, 80% is disbursed directly to the 58 county commissions based on birthrate data, and 20% is placed in six First 5 California accounts.

First 5 California's funds are audited annually and presented to the State Commission at the January meeting.

Revenue

Proposition 10 tobacco tax revenue collected by the BOE in Fiscal Year (FY) 2009/10 available to transfer after adjustments was \$479.1 million, which represents a 8.76% decrease in revenue for state and county commission programs from FY 2008/09.

Board of Equalization Adjustments

By statute, the BOE is authorized to make adjustments to the fund before transferring funds to the various accounts. These adjustments include:

- BOE's cost for tax collection, enforcement, and administering the fund
- Statutory backfill, which are funds to reimburse other programs to offset the revenue decrease directly resulting from the additional taxes imposed by Proposition 10, and
- Other adjustments to reconcile accruals to actual expenditures and general retailer payment transactions.

BOE deductions for the Proposition 99 backfill totaled \$21.8 million in FY 2009-10, an increase of 4.92% from FY 2008-09. BOE deductions for administrative costs increased to \$12.7 million, an increase of 8.29% from FY 2008-09.

At the direction of the State Commission, First 5 California requested information from the BOE to better understand the continued increase in BOE's administrative adjustments.

In August 2010, BOE held an informational meeting to provide insight into the reasons for the appearance of an annual increase in BOE's administrative expenditures as follows:

- Two key pieces of legislation:
 - The Cigarette and Tobacco Products Licensing Act (AB 71) established a statewide program to license all sellers of cigarettes and tobacco products and provided additional staff to perform inspections and strengthen penalties for violations of the Act. Proposition 10 is one of four funds that fund the cost of the program, of which 57.5% of the total costs correspond with First 5's share of the cigarette and tobacco tax.
 - SB 1701, which requires the use of a new enforcement stamp with advanced technology for encryption. BOE completed a competitive bid for the stamp and reported a 5-year agreement was executed with two, 2-year options to extend the agreement.
- Increase in tax collections due to enforcement activities
- Calculations for Proposition 10 backfill
- BOE's authority, budget, and funding methodologies. It was noted that any position and operational costs associated with the administration of these programs go through extensive scrutiny of its Board, the Governor's Office, and the Department of Finance (DOF) through the formal Budget Change Proposal process.

First 5 California staff were satisfied with the explanation of the costs.

Surplus Money Investment Fund

In addition to tobacco tax revenue, First 5 California receives interest revenue from the Surplus Money Investment Fund (SMIF), which is earned by all state and county accounts and managed by the State Treasurer's Office. Due to a record low interest rates, along

with a reduction First 5 California's fund balances, the interest earned by the State Commission from SMIF decreased by nearly 72% from 2007-08. This revenue source will become minimal as the fund balances continue to decline.

Fund Condition Summary

First 5 California expenditures in FY 2009-10 totaled \$232 million, exceeding revenue by approximately 126% overall. The amount of expenditures in excess of revenue was approved and included as part of First 5 California's 3-year expenditure plan.

The FY 2009-10 year-end fund balance represents a 33.9% decrease from the prior fiscal year. While First 5 California begins FY 2010-11 with a \$252 million fund balance, it is important to note that First 5 also begins this fiscal year with \$137 million in encumbrances, obligations, and other State Commission approved commitments. Furthermore, the State Commission's approved 3-year expenditure plan through FY 2012-13 necessitates a continuing dependence on the \$252 fund balance for current year through FY 2012-13 for existing State Commission approved programs and expenditures.

Actual and Projected Revenue by Fiscal Year

First 5 California revenue projections are based on the 2010 May Revise projections. Revenue projections will be reevaluated with the release of the Governor's 2011 proposed budget and again with the 2011 May Revise.

Projected First 5 California Revenue by Account

DOF's projected FY 2010-11 revenue to First 5 California's six accounts is \$91.8 million. For planning purposes, First 5 California applies a 10% conservative reduction on the projected revenue to allow for potential fluctuation in revenue. Therefore, First 5 projects that actual FY 2010-11 revenue could be as low as \$82.6 million.

First 5 California operates on a cash basis. In order to encumber funds, which are set aside funds for current commitments and obligations, there must be a cash balance sufficient to cover the projected expenditures. First 5 California has historically had sufficient cash balances to augment spending on direct services covering multiple fiscal years, such as School Readiness, PoP, CARES, Health Access, Smoker's Helpline, and the *Kit for New Parents*. However, those days are nearing an end as cash balances decrease. First 5 California's declining resources require an ongoing assessment of revenue and expenditures in relation to its Strategic Plan and funding priorities.

Funding for current First 5 California contracts, agreements, and approved projects and programs is dependent on the use of current and future cash balances through FY 2012-13. Any significant change in First 5 California's cash balances could adversely impact First 5 California's ability to fund commitments previously approved by the State Commission.

It is fiscally prudent to continue the practice of maintaining sufficient cash balances to encumber agreements and contracts on July 1 of each year. Since collections of current year revenues are not fully realized until the end of the fiscal year and the estimates show significant variances, it is a good accounting practice to not plan for expenditures against that revenue until the following fiscal year.

DISCUSSION: Commissioner Duterte asked whether the State Commission will need to revisit funding decisions to address State Budget issues.

Vice Chair Munger noted that the \$137 million already committed does not include the \$133 million the Legislature would like to transfer to MRMIB and DDS. She said this actually puts the State Commission in a negative position.

Ms. Miller said that First 5 California can encumber its obligations for this fiscal year if there are no changes.

Commissioner McKeever said it's important to remember that revenues will continue to come in, leaving a fund balance of \$73 million, even with current commitments and funding for MRMIB and DDS.

Commissioner Iseri asked how much of the fund balance is required to meet commitments in future years, under the current spending plan. Ms. Miller said planned expenditures will require approximately \$30 million per year from the fund balance through FY 12-13. By FY 12-13, under the current spending plan, the fund balance is projected to drop to \$96 million.

Ms. Miller reminded Commissioners that revenue received monthly is not typically fully realized until well after the end of the fiscal year, and fluctuates greatly month to month.

PUBLIC COMMENT: None.

Agenda Item 8 – Public Education and Outreach Contract Revisions

Marsha Jones, Deputy Director of External and Governmental Affairs, requested the State Commission to approve a 13-month extension for First 5 California's contract for public education and outreach. Ms. Jones highlighted the following:

- First 5 California contracts with The Rogers Group (TRG) for public relations and Fraser Communications for media campaigns.
- The TRG contract expires on November 30, 2010, and the Fraser Communications contract expires on December 30, 2011.
- Extension of the TRG contract will provide First 5 California the option to release a single Request for Proposal (RFP) that combines the public relations and media services into one contract.
- This approach to contract with one firm for both types of services is consistent with current contract practices of other state agencies, including a recent RFP issued by the Department of Public Health for public education and outreach campaigns related to nutrition.

TRG performs critical work that allows First 5 California to meet its mandate to devote applicable Proposition 10 funds to public education and outreach as well as First 5 California Strategic Plan goals to broaden public awareness around the importance of the early years of a child's life.

A central element of the campaign has been ethnic outreach. First 5 California has engaged partners who specialize in reaching California's diverse population. Ms. Jones highlighted the critical services performed by TRG that are consistent with Proposition 10 mandates and statute. Specifically TRG:

- Runs the Hands-on-Health Mobile Van program, which is concluding its 10th tour, has reached nearly 500,000 people in all 58 counties, and garnered more than 40 million impressions.
- Provides technical assistance to county commissions, which is used by 80% of the county commissions every month.
- Secured and maintained a partnership with KCRA-TV that televises First 5 messages each month in this key media market.
- Formed a partnership with Univision, which has helped First 5 California reach 90% of Spanish speakers in California.
- Oversees the Commission's growing social networking presence that allows First 5 California to engage with parents and caregivers online.
- Established partnerships with corporations, faith-based organizations, and celebrities who promote First 5 California's messages and products.
- Created the new pediatrician spokesperson program that helps gain additional exposure in the Latino media market.

MOTION/ACTION: Commissioner McKeever moved that the Commission approve funding of up to \$2 million and to extend The Rogers Group contract number CCFC-6943 for 13 months through December 31, 2011. The motion was seconded by Commissioner Duterte.

DISCUSSION: Commissioner Duterte asked what the process would be if the State Commission had to later reprioritize its priorities and modify the contract. Ms. Gauthier said that most state contracts, including the TRG contract, include a termination for convenience clause, which states upon 30 days notice the contract may be terminated. First 5 California would then be liable for any work that had been performed or any cost incurred on our behalf up to that date. In summary, there is a mechanism to cancel the contract if necessary.

PUBLIC COMMENT: None.

VOTE: The motion was approved by a unanimous vote of the members present.

Agenda Item 9 – State Budget Solutions

Kris Perry, Executive Director, reviewed contributions the State Commission has made to statewide programs to date:

- \$16.75 million in December 2008 to MRMIB to pay for Healthy Families premiums for children ages 0 to 5 new to the program through June 2009. County commissions committed to reimburse approximately 73% of that amount.
- \$81.4 million in August 2009 to MRMIB to pay for Healthy Families premiums for children ages 0 to 5 during the 2009-10 fiscal year.
- \$50 million in April 2010 to DDS to pay for regional center services for children ages 0 to 5 through the Early Start and Prevention Programs.

All of these State Budget solutions have added up to \$135.5 million and now the State Commission is being asked to consider some additional budget solutions.

Ms. Perry noted that the Legislature has not formally requested the Commission's help with the 2010-11 budget and named the county commission account, not the state commission, in the budget bill to fund MRMIB and DDS. Moreover, as the budget bill was drafted, it could be in conflict with the nonsupplantation provision of Proposition 10.

She reiterated important facts from the financial report as follows:

- Proposition 10 revenue is declining more rapidly than expected.
- First 5 California's reserve has been reduced by a much more significant amount than last year.
- First 5 California relies on its reserves to augment its revenue to pay for direct services and commitments.

Ms. Perry discussed with Commissioners other issues that have arisen, such as the cut in immunization funding, and noted that it worked well in 2008 when county commissions agreed to reimburse the State Commission for its contribution to MRMIB.

Given the fact that both programs will continue to function without additional funding for now, Ms. Perry recommended not taking action until more information can be gathered and more informed consideration given.

The Commission agreed to meet prior to the scheduled January meeting, if needed, when staff can bring more information.

DISCUSSION: Commissioner McKeever said that it was premature to take action based on how the current budget language is listed. He asked whether Stage 3 child care funding could also be an issue before the State Commission and noted that Commissioner Collis had sent a letter requesting a special meeting to consider contributing to Stage 3 child care.

Commissioner Iseri said she wanted to be sure a delay in the MRMIB decision would not result in any children being placed on a waiting list or losing services. Ms. Perry said she would verify that that is the case.

Commissioner Duterte expressed the importance of fund balances that fund ongoing obligations.

Vice Chair Munger said the commissioners have an obligation not to destroy the State Commission, even if they want to help the state.

PUBLIC COMMENT: Four individuals thanked First 5 California for its leadership and spoke in regard to the extreme hardship the elimination of Stage 3 child care will have on many families.

Agenda Item 10 – Commission Business

10a – Advisory Committee Assignments

Diane Levin, Chief Deputy Director, requested the State Commission fill vacant memberships for three of the First 5 California Commission advisory committees.

MOTION/ACTION: Commissioner Iseri moved that the Commission approve the following advisory committees and their members:

- Public Education and Outreach – Commissioners Iseri
- Legislation – Commissioner Collis
- Program – Commissioner McKeever

The motion was seconded by Commissioner Iseri.

DISCUSSION: None.

PUBLIC COMMENT: None.

VOTE: The motion was approved by a unanimous vote of the members present.

10b – Commission Meeting Dates for 2011

Ms. Levin requested approval of the 2011 Commission meeting schedule.

The proposed quarterly meeting schedule suggests three meetings in Sacramento and one meeting in Southern California as follows:

| DATE | LOCATION |
|------------------|---------------------|
| January 26, 2011 | Sacramento |
| April 20, 2011 | Sacramento |
| July 20, 2011 | Sacramento |
| October 19, 2011 | Southern California |

MOTION/ACTION: Commissioner McKeever moved that the Commission approve the proposed Commission meeting calendar and locations for the 2011 calendar year. The motion was seconded by Commissioner Duterte.

DISCUSSION: None.

PUBLIC COMMENT: None

VOTE: The motion was approved by a unanimous vote of the members present.

Agenda Item 11 – Department of General Services Contract Approval

Terry Miller, Chief of Administrative Services, requested the State Commission authorize First 5 California to amend and extend an Interagency Agreement for time and money with the Department of General Services, Human Resources Department, to secure classification, pay, benefits, and labor relations services through FY 2013-14.

MOTION/ACTION: Commissioner Iseri moved that the Commission:

1. Amend the current agreement (CCFC 7111) to increase FY 2010-11 funding an additional \$20,000 in new money for a maximum contract amount up to \$79,185 in FY 2010-11 to ensure sufficient funds are available to reimburse the Department of General Services (DGS) for actual expenses incurred for personnel services through FY 2010-11.
2. Authorize the Executive Director or Chief Deputy Director to enter into a multi-year agreement with DGS for an amount not to exceed \$255,000 for personnel services to be performed between July 1, 2011, through June 30, 2014.

The motion was seconded by Commissioner Duterte.

DISCUSSION: Commissioner Iseri clarified the cost incurred with the current contract and questioned the increase amount augmented through the contract's amendment. Ms. Miller said that the agreement helps First 5 California meet its obligations in state policy and statute to ensure First 5 has a vehicle to meet all compliance requirements. Ms. Perry said First 5 is doing what they can to prevent an increase from happening in the future.

Commissioner Duterte said he did not understand the reason for the cost increase. Ms. Miller said that part of the reason for the increase from the agreement last year had to do with an accounting matter on the way DGS had billed First 5. When First 5 California set up the original 3-year agreement, it was based on First 5's projected annual cost for those 3 years. However, DGS had not billed for a prior quarter, which came out of that agreement. This resulted in an adjustment that was not accounted for in the original amount.

PUBLIC COMMENT: None.

VOTE: The motion was approved by a unanimous vote of the members present.

Agenda Item 12 – Consent Calendar

The Commission considered approval of the consent agenda items:

- April 21, 2010, Commission Meeting Minutes
- Ratification of the following agreements: CCFC 6943 A4, 7116 A1, 7127 A1, 7132 A1, 7135 A1, 7202, CFF 7222, 7299, 7231, 7233, 7234, 7235, 7237, 7239, 7241 CFF 4536 A3, 4668, 4674, and Purchase Order Number: CFF 4695

MOTION/ACTION: Commissioner Duterte moved that the Commission approve the consent calendar. The motion was seconded by Commissioner McKeever.

DISCUSSION: None.

PUBLIC COMMENT: None.

VOTE: The motion was approved by a unanimous vote of the members present.

Agenda Item 13 – Adjournment

Commissioner McKeever moved for adjournment of the commission meeting. The motion was seconded by Commissioner Duterte and was approved by a unanimous vote of the members present.

The next scheduled Commission Meeting is January 26, 2011, in Sacramento.

AGREEMENT RATIFICATION

| Contract No. | Contractor Name | Description of Services | Total Amount | Date Executed | Authority |
|-------------------------|---------------------------------------|---|---------------------|----------------------|---|
| CFF 7223 Amendment 1 | Holiday Inn, Capitol Plaza | Zero dollar amendment to extend term of Agreement for one year to June 30, 2011 | \$0 | December 31, 2010 | Executive Director First 5 California |
| CFF 7242 | Sacramento County Office of Education | Professional and technical expertise and resources to support the Early Learning Advisory Council (Executive Order S-23-09) | \$2,000,000 | July 1, 2010 | Commission Approved April 21, 2010 Agenda Item 8 |
| CFF 7228 | ALOM Technologies, Corporation | Fulfillment, warehouse, and distribution services for the First 5 California Kit for New Parents | \$15,000,000 | November 2, 2010 | Commission Approved April 21, 2010 Agenda Item 10 |

| Purchase Order No. | Vendor Name | Description of Procurement | Total Amount | Date Processed | Authority |
|---------------------------|--------------------------------|--|---------------------|-----------------------|--|
| CFF 4536 Amendment 4 | Eclipse Solutions, Inc. | Zero dollar amendment to transfer unexpended funds in FY 09/10 to FY 10/11 | \$0 | September 15, 2010 | Executive Director First 5 California |
| CFF 4608 Amendment 1 | Shooting Star Solutions, LLC. | Zero dollar amendment to extend term end date for one year to December 31, 2011 | \$0 | December 13, 2010 | Executive Director First 5 California |
| CFF 4700 | Sharp Electronics Corp. | Multiple year mandatory CMAS maintenance agreement #1S-05-36-20 for office copiers | \$8,472 | November 18, 2010 | Executive Director First 5 California |
| CFF 4706 | Allied Network Solutions, Inc. | Purchase of information technology equipment and software | \$7,909 | November 4, 2010 | Executive Director First 5 California |
| CFF 4711 | Sandhill Software Development | Information technology system documentation and maintenance services | \$150,000 | December 20, 2010 | Executive Director First 5 California |
| CFF 4714 | Fruitridge Printing | First 5 Annual Report printing and duplication services | \$6,551 | December 10, 2010 | Executive Director First 5 California |