AGENDA ITEM: 12
DATE OF MEETING: January 23, 2014
ACTION: ________
INFORMATION: ____X___

SMALL POPULATION COUNTY FUNDING AUGMENTATION

SUMMARY OF REQUEST

Staff will present a new funding methodology and an accountability framework for the allocation of augmentation funds to small population counties as well as related training and technical assistance funds beginning in Fiscal Year (FY) 2014-15 and ending FY 2016-17.

BACKGROUND

During the implementation of Proposition 10, it was evident to the State Commission the statutory funding for county commissions pursuant to Health and Safety Code 130105 did not provide adequate funding for counties with a small proportion of births to fully operate a commission or effective First 5 programs. To ensure Proposition 10 was truly a statewide effort that impacted the life of every young child in California, the State Commission authorized additional funding to small population counties beginning in FY 1999-00. The additional funding is referred to as the Small Population County Funding Augmentation (SPCFA).

Multiple funding mechanisms for small population counties have been proposed since the inception of Proposition 10; however, a mechanism agreed upon by all interested parties has yet to be achieved. The State Commission authorized various funding approaches for small population counties from inception through FY 2010-11, with a Commission-approved $3.5 million cap per fiscal year. By FY 2010-11, approximately $39 million in small population county funding, including an annual $200,000 minimum guarantee to the smallest population counties, administrative augmentation, and travel allowance to approximately 31 eligible counties, was authorized and disbursed. This funding mechanism was determined to be unstable due to the lack of clear eligibility criteria. By the end of this funding mechanism's reign, more than one-half of the State's counties were eligible for small population county funding. Due to the expanded eligibility, the annual $3.5 million dollar augmentation was spread so thin and the impact in each county had diminished.

The Small Population County Workgroup (Workgroup), consisting of representatives from large, medium, and small counties; First 5 California; and the First 5 Association of California, was created in 2007 to consider options to resolve the ongoing small population county funding issues. In 2009, First 5 California contracted with NewPoint

Group, a business management consulting company, to develop and present various funding scenarios, one of which was adopted by the State Commission in April 2010 and took effect beginning FY 2011-12. This current funding mechanism is based on the following criteria:

1. Provides small population county augmentation funds to 16 small population counties with a percent of State births equal to, or less than, 0.10 percent.

2. Provides total small population county funding each fiscal year, equal to 32 percent of First 5 California's Unallocated Account revenue for the previous fiscal year.

3. Allocates funds between counties based on a two-component formula algorithm utilizing normalized inverse birth rates and normalized service populations.

4. Includes a built-in mechanism to promote small population county accountability and performance.

NewPoint Group's funding mechanism continues to be used to calculate the SPCFA since that mechanism has no expiration period or date. The formula parallels the cigarette and tobacco tax revenue trend, which has been decreasing over the years. Table 1 demonstrates the declining total augmentation available for counties with small populations since inception of NewPoint Group's formula through FY 2016-17. Projected years are based on estimated revenues.

TABLE 1
SPCFA Disbursements Using NewPoint Group Funding Mechanism

Fiscal Year	SPCFA
2011-12	3,057,407
2012-13	2,995,574
2013-14	2,894,688
2014-15	2,782,042
2015-16	2,687,443
2016-17	2,617,043

Actual SPCFA Disbursement
Projected SPCFA Disbursement

SMALL POPULATION COUNTY WORKGROUP PROPOSAL

In July 2013, the small county representatives of the Workgroup provided First 5 California with a proposal to replace the formula developed by NewPoint Group. The proposal includes a fixed, graduated baseline formula that is determined by the number of births in each county. First 5 California would be responsible for funding the difference between the annual tax revenue allocated to each county and the pre-determined baseline amount. The minimum baseline is $275,000 for counties qualifying with 1 to 50 births, and increases by $25,000 for each 50 births, as represented in Table 2.

TABLE 2
Small Population County Funding Augmentation Proposed Baseline Formula

Number of Births	County	2011 Births	Proposed Baseline
1-50	Alpine	6	$275,000
	Sierra	23	
51-99	Modoc	87	$300,000
100-150	Trinity	123	$325,000
	Mono	132	
151-200	Plumas	156	$350,000
	Mariposa	165	
201-250	Inyo	213	$375,000
251-300	Amador	269	$400,000
301-350	Del Norte	300	$425,000
	Calaveras	302	
	Colusa	326	
	Lassen	337	

Number of Births	County	2011 Births	Proposed Baseline
351-400	Glenn	391	$450,000
401-450	Tuolumne	430	$475,000
451-500	Siskiyou	472	$500,000
701-750	Lake	715	$625,000
	Tehama	728	
751-800	Nevada	761	$650,000
	San Benito	772	

Note: The formula includes intervals from 501-700 births, at the same rate of increase, but were not included for ease of reading.

The proposed formula also increases the number of small counties receiving the SPCFA by four, to a total of 20 counties. Prior to NewPoint Group's formula, funding was provided to approximately 31 eligible counties. NewPoint Group's criteria of using state births equal to, or less than 0.10 percent, reduced the number of counties qualifying for the SPCFA to 16. The proposed funding methodology qualifies a county for the SPCFA if the county's number of births is 1,000 or less, which First 5 California believes is reasonable eligibility criteria.

DISCUSSION

Justification for Recommended Approach

Forecasting is a difficult task for counties with small margins of error in their budgets. The formula recommended by NewPoint Group compounds this issue as it is very complex and sensitive to small changes in number of births. A minor change to a county's number of births can result in a large fluctuation, relative to budget size, for some of the counties. The complexity also made it difficult for the small population counties to use the formula as a predictive tool for long-term financial planning. The fluctuations are demonstrated in

Attachment A – Small Population County Funding Augmentation by Fiscal Year, which displays the SPCFA received by each of the 16 counties eligible for the augmentation over the course of three fiscal years. The baseline approach would mitigate the fluctuating budget concern and give the counties the ability to support and sustain core programs over the term of the SPCFA.

First 5 California is aware all county commissions are affected by the continually decreasing revenue, but cuts to smaller budgets are typically more operationally debilitating than the equivalent percentage cut to a larger budget. For large county commissions, the funding decrease may force difficult decisions about reducing programs. For small county commissions, the funding decrease may force difficult decisions about core program operation and sustainability. Small counties have attempted to alleviate the impact of the reductions by collaborating with neighboring counties on programs, streamlining operational costs, leveraging funds, and spending down fund balances. At some point, however, the funding will not be enough to support operations.

First 5 California believes that if the SPCFA funding methodology remains the same, it will be increasingly difficult for several small counties to fulfill Proposition 10 legislative and programmatic requirements.

<u>SPCFA Accountability Framework</u>

All participating counties shall enter into a Local Area Agreement that clearly outlines the use of the SPCFA funds, the specific programs to be funded both by SPCFA and local Proposition 10 revenues, and the outcomes expected as a result of such investments. Counties receiving the SPCFA will be required to use evidence-based, promising practice, or a high quality local model to ensure the highest likelihood of measurable improvement in key child indicators. Additional reporting specific to the SPCFA and the Core and Focused Investment Areas outlined in Attachment B – Small Population County Funding Augmentation Accountability Framework will be required to receive funding.

FISCAL IMPACT AND PLAN FOR IMPLEMENTATION

<u>SPCFA</u>

The baseline formula proposed by the Workgroup will result in additional total investment by First 5 California of approximately $4,742,433 over the term of the proposed SPCFA. The fiscal year breakdown and comparisons with the NewPoint Group formula are displayed in Table 3.

TABLE 3
Estimated SPCFA Overview by Fiscal Year

Fiscal Year	Estimated SPCFA (Workgroup) Cost	Increase Over NewPoint Group
2014-15	$4,147,901	$1,365,859
2015-16	$4,254,917	$1,567,474
2016-17	$4,426,143	$1,809,100
	Total Increase	**$4,742,433**

The amounts displayed in the “Estimated SPCFA (Workgroup) Cost” column in Table 3 were calculated by inputting the estimated revenue for the Unallocated Account and the three-year average of each small county’s “Number of Births” and “Normalized Service Populations” into the Formula Calculation Table provided by NewPoint Group for FYs 2014-15 through 2016-17. The Formula Calculation Table used for the FY 2013-14 SPCFA can be found in Attachment C – Fiscal Year 2013-14 Small Population County Funding Augmentation Calculation.

Table 4 displays the increase of revenue over the estimated amount for FY 2013-14 (both SPCFA and tax revenue) for each of the counties if the proposed SPCFA is adopted.

TABLE 4
Revenue Impact of Proposed SPCFA by County

County	FY 2013-14 Total Projected Rev	Baseline Amount	Increase/Decrease
Alpine	$252,295	$275,000	$22,705
Sierra	$269,961	$275,000	$5,039
Modoc*	$313,679	$300,000	($13,679)
Trinity	$281,685	$325,000	$43,315
Mono	$292,810	$325,000	$32,190
Plumas	$294,741	$350,000	$55,259
Mariposa	$289,846	$350,000	$60,154
Inyo	$314,853	$375,000	$60,147
Amador	$352,627	$400,000	$47,373
Lassen	$367,113	$425,000	$57,887
Colusa	$368,098	$425,000	$56,902
Calaveras	$379,955	$425,000	$45,045
Del Norte	$385,762	$425,000	$39,238
Glenn	$415,781	$450,000	$34,219

County	FY 2013-14 Total Projected Rev	Baseline Amount	Increase/Decrease
Tuolumne	$438,641	$475,000	$36,359
Siskiyou	$463,703	$500,000	$36,297
Lake**	$495,453	$625,000	$129,547
Tehama**	$504,499	$625,000	$120,501
Nevada**	$527,462	$650,000	$122,538
San Benito**	$535,117	$650,000	$114,883

*Modoc may receive less total revenue initially according to the formula proposed by the Workgroup. The anomaly is a result of the current funding mechanism's sensitivity to number of births. This issue was discussed during a Workgroup meeting in November 2013.

**Lake, Tehama, Nevada, and San Benito will experience a larger revenue increase as they were not included in NewPoint Group's formula.

Counties will be locked in to the initial baseline level for the entire period of the proposed augmentation, regardless of the number of live births in subsequent years.

Seventy-five percent of the estimated SPCFA to be funded by First 5 California will be disbursed to the small counties included in this proposal no later than July 31 of each year. The remaining augmentation will be disbursed once June's tobacco tax revenue has been transferred and an accurate determination of each county's annual tax revenue can be made, which should be no later than August 31 of each year.

All SPCFA funds will come from the Unallocated Account, which currently has a fund balance of $9,892,798 in FY 2013-14. Additional information regarding the fund balance can be found in the Financial Plan, Agenda Item 11.

ATTACHMENTS

A. Small Population County Funding Augmentation by Fiscal Year
B. Small Population County Funding Augmentation Accountability Framework
C. Fiscal Year 2013-14 Small Population County Funding Augmentation Calculation
D. Map of Proposed 20 Small Population Counties Eligible for the SPCFA

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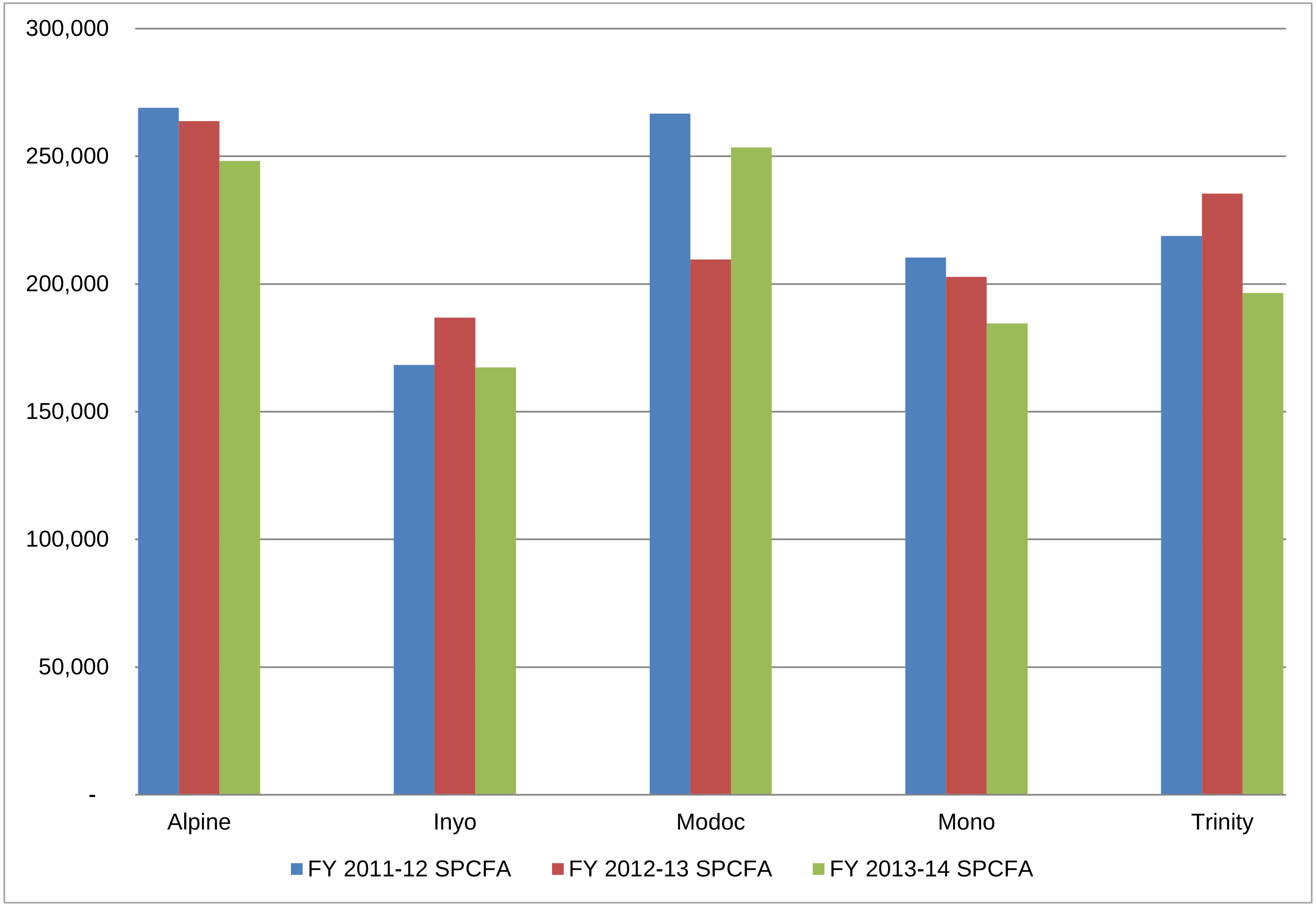
Small Population County Funding Augmentation by Fiscal Year

This chart demonstrates fluctuations encountered by some of the small population counties during the three fiscal years NewPoint Group's funding methodology has been utilized.



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Small Population County Funding Augmentation Accountability Framework

The goal of the Small Population County Funding Augmentation (SPCFA) is to support the success of small counties in their work and to ensure Proposition 10 is truly a statewide effort that impacts the life of every young child in California. All participating counties shall enter into a Local Area Agreement (LAA) that clearly outlines the use of the SPCFA funds, the specific programs to be funded both by SPCFA and local Proposition 10 revenues, and the outcomes expected as a result of such investments. The goal of the LAA will be to provide specific and measureable evidence of the local commission's efforts to meet the requirements of Health and Safety Code 130100-130155. The final reporting requirement will be determined through consultation with the Small Population County Augmentation Workgroup (Workgroup).

Specifically, the LAA will be developed to mirror the following description of local strategic plans as outlined in Health and Safety Code 130140 (1) C (iii): The county strategic plan shall, at a minimum, include the following: a description of the goals and objectives proposed to be attained; a description of the programs, services, and projects proposed to be provided, sponsored, or facilitated; and a description of how measurable outcomes of such programs, services, and projects will be determined by the county commission using appropriate reliable indicators. In order to be deemed complete, county strategic plans will need to describe how programs, services, and projects relating to early childhood development within the county will be integrated into a consumer-oriented and easily accessible system.

To support the LAA, participating counties will be expected to provide the following:

1. Detailed descriptions and benchmarks for currently funded programs (such as scopes of work, project descriptions, etc.);

2. A current strategic plan; and

3. An annual evaluation report which includes progress towards meeting the specific outcomes of each funded program.

Counties receiving the SPCFA will be required to use evidence-based, promising practice, or a high-quality local model to ensure the highest likelihood of measurable improvement in key child indicators. Local models must meet benchmarks for program quality and evaluation design. Results areas for key indicators include: family functioning, child development, child health, and systems of care. Key indicators will be jointly developed by the Workgroup will align to the extent possible with other major federal and state programs and evaluations (e.g. California Home Visiting Program, Help Me Grow, and Race to the Top-Early Learning Challenge [RTT-ELC]).

First 5 California will work with the First 5 Association (Association) and the Workgroup to identify a list of program models that have proven successful and implementable in rural and other small population settings. As much as possible, strategies and programs funded will align with current state and federal initiatives. Potential models include Help Me Grow, Parents as Teachers, Raising a Reader, Nurturing Parenting, California Center on the Social Emotional Foundations for Early Learning (CCSEFEL), Early Head Start, Healthy Families America, and Nurse-Family Partnership. For programs in the health area, the use of trained practitioners or paraprofessionals will suffice as evidence of quality design.

In addition, the use of SPCFA funds will need to meet the guidelines under Core Areas A and B (Successful Local Systems and Measuring Outcomes and Progress) and Focused Investment Area C (Promoting Early Learning and Healthy Development Outcomes for Children).

Core Areas – A and B
Counties must address in their LAA all of the criteria under A and B.

A. Successful Local Systems
All criteria under Core A are required.

1. Local Administration

   Counties can utilize a percentage of the Small County Augmentation funds to accomplish the work set forth in the local area agreement and SOW. Small counties are required to demonstrate compliance with regulatory audit requirements through annual independent audits, including administrative costs not to exceed 25 percent.

2. Fiscal Systems Stability

   Counties will be expected to implement fiscal systems that ensure full compliance with First 5 reporting requirements as articulated in the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act. Counties will be expected to work to address any deficiencies by the State Controller's Office and/or any findings by independent auditors.

   First 5 California will work with the Association throughout the augmentation period to provide training and technical assistance (T&TA) geared toward strengthening of internal systems.

3. Continuous Quality Improvement/Training & Technical Assistance

   First 5 California will work with the Association and the Workgroup to explore ways to provide new opportunities for technical assistance in each of these three areas: fiscal, evaluation, and program. T&TA will be targeted for small county commissions, using webinars, the small county summit, and other venues. Counties will be required to participate in some T&TA efforts, when applicable, both as TA providers whenever possible, and as participants when needs have been identified.

4. Local Service Systems Integration

   Counties will demonstrate work with community partners and available state and/or federal programs to integrate service systems, develop new partnerships, and other activities to build a stronger system of services and support for children prenatal through age five.

B. Measuring Outcomes and Progress
All criteria under Core B are required.

1. Evaluation

   Counties will provide annual evaluation reports for all programs funded by First 5 California, which may be a single evaluation report for all county commission activities. First 5 California and the Association will work on the development of evaluation requirements and a tool kit of effective evaluation tools and outcome reporting measures for county commissions to use in funded programs and will assist counties in adopting such tools.

2. Strategic Plan

   Counties will be expected to provide evidence of a recently adopted Strategic Plan. T&TA will be developed to support Strategic Planning efforts in counties where needed.

Focused Investment Area – C
Counties must address in their LAA a minimum of one of the criteria in Focused Investment Area C.

C. Promoting Early Learning and Healthy Development Outcomes for Children

1. Developmental and Health Needs

   Counties can focus on implementing programs or strategies to identify and address the behavioral, developmental, and health needs of children prenatal through age five, to improve school readiness, and to target more intensive strategies and supports to children with high needs[1] (e.g., Help Me Grow, Health Care, Oral Health, Children's Health Initiative, and CCSEFEL).

2. Engaging and Supporting Families

   Counties can focus on engaging and supporting families through a variety of school readiness, parent engagement, and home visiting strategies (e.g., Strengthening Families, Parenting Education, Family Resource Centers, Home Visiting, and School Readiness Playgroups).

3. High-Quality Early Learning

   Counties can help drive local quality improvement efforts for early learning and development programs by supporting the implementation of the RTT-ELC Quality Continuum Framework within the core areas of Child Development and School Readiness, Teachers and Teaching, and Program and Environment.

4. Early Educator Support and Effectiveness

   Counties can provide access and support for local early educators to meet benchmarks outlined in the RTT-ELC Quality Continuum Framework by participating in some of the training opportunities offered through other First 5 California programs including, those through the Early Education Effectiveness Exchange and online trainings such as *Classroom Assessment Scoring System*™ (*CLASS*™) overview, *CLASSrooms*™, and *My Teaching Partner (MTP*™).

[1] The term "children with high needs" comes from the federal RTT-ELC application and is defined as: "Children from birth through kindergarten entry who are from low-income families or otherwise in need of special assistance and support, including children who have disabilities or developmental delays; who are English learners; who reside on "Indian lands" as that terms defined by section 8013(6) of the ESEA; who are migrant, homeless, or in foster care; and other children as identified by the State. California includes infants and toddlers and "children receiving protective services through the local county welfare department as well as children identified by a legal, medical, social service agency or emergency shelter as abused, neglected or exploited or at risk of abuse, neglect or exploitation."

Fiscal Year 2013-14 Small Population County Funding Augmentation Calculation

On July 20, 2011, the California Children and Families Commission approved the change to establish a minimum birthrate threshold of 10 live births in the inverse birthrate calculation to strengthen the equitable distribution of funds to the 16 eligible small population counties.

FORMULA CALCULATION TABLE

FY 2012-13 Actual Unallocated Account Revenue

Total Revenue	$9,045,900.73 (Taken from Preliminary Calstars Report G04 dated 8/12/13)
32%	$2,894,688.23

		Eligiblity Determination		Two-Component Variable Formula[2]								Projected FY 2013-14 SPC Revenue		
		2011	Birthrate	Normalized Inverse Birthrates				Normalized Service Populations[3]						
	County	Births	<0.10 Percent	Percent	Inverse	Inverse %	Normalized	Pop 0-5	Percent	With Cap	Normalized	F5 CA SPC Funding	Projected County Revenue	Estimated Total Revenue
1	Alpine[1]	10	0.0020%	0.27%	373.60	6.25%	14.02%	72	0.30%	0.30%	0.40%	$248,119.86	$4,175.00	$252,294.86
2	Sierra	23	0.0046%	0.62%	162.43	6.25%	14.02%	163	0.67%	0.67%	0.90%	$253,955.90	$16,005.00	$269,960.90
3	Modoc	87	0.0173%	2.33%	42.94	5.44%	12.21%	647	2.66%	2.66%	3.58%	$253,486.84	$60,192.00	$313,678.84
4	Trinity	123	0.0245%	3.29%	30.37	3.85%	8.63%	725	2.98%	2.98%	4.02%	$196,442.33	$85,243.00	$281,685.33
5	Mariposa	132	0.0263%	3.53%	28.30	3.59%	8.04%	914	3.75%	3.75%	5.06%	$198,339.70	$91,506.00	$289,845.70
6	Mono	156	0.0311%	4.18%	23.95	3.03%	6.81%	1035	4.25%	4.25%	5.73%	$184,603.88	$108,206.00	$292,809.88
7	Plumas	165	0.0329%	4.42%	22.64	2.87%	6.44%	1068	4.39%	4.39%	5.92%	$180,271.50	$114,469.00	$294,740.50
8	Inyo	213	0.0424%	5.70%	17.54	2.22%	4.99%	1259	5.17%	5.17%	6.97%	$167,331.28	$147,522.00	$314,853.28
9	Amador	269	0.0536%	7.20%	13.89	1.76%	3.95%	1705	7.00%	6.25%	8.43%	$166,136.06	$186,491.00	$352,627.06
10	Lassen	300	0.0598%	8.03%	12.45	1.58%	3.54%	1917	7.87%	6.25%	8.43%	$159,051.23	$208,062.00	$367,113.23
11	Colusa	302	0.0602%	8.08%	12.37	1.57%	3.52%	2133	8.76%	6.25%	8.43%	$158,644.09	$209,454.00	$368,098.09
12	Calaveras	326	0.0649%	8.73%	11.46	1.45%	3.26%	2325	9.55%	6.25%	8.43%	$154,148.07	$225,807.00	$379,955.07
13	Del Norte	337	0.0671%	9.02%	11.09	1.40%	3.15%	2033	8.35%	6.25%	8.43%	$152,301.41	$233,461.00	$385,762.41
14	Glenn	391	0.0779%	10.47%	9.55	1.21%	2.72%	2597	10.67%	6.25%	8.43%	$144,743.04	$271,038.00	$415,781.04
15	Toulumne	430	0.0857%	11.51%	8.69	1.10%	2.47%	2815	11.56%	6.25%	8.43%	$140,464.84	$298,176.00	$438,640.84
16	Siskiyou	472	0.0940%	12.63%	7.92	1.00%	2.25%	2935	12.06%	6.25%	8.43%	$136,648.21	$327,055.00	$463,703.21
		3,736		100.00%	789.20	44.58%	100.00%	24,343	100.00%	74.17%	100.00%	$2,894,688.23	$2,586,862.00	$5,481,550.23

[1] Minimum birthrate threshold is 10 births. Actual birthrate for Alpine County is 4 births.

[2] The two-component variable formula caps both variables at 6.25% prior to normalization with a 60% weight for Normalized Inverse Birthrate and 40% for Normalized Service Populations

[3] P-3 State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2010. Sacramento, California, September 2012

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