ITEM # 6

October 27, 2016

SUBJECT **SMALL POPULATION COUNTY FUNDING AUGMENTATION** **Strategic Priority Area 2. System and Network:** Provide leadership to the First 5 movement and the development of a support system serving children prenatal through age 5, their families, and communities that results in a sustainable and collective impact. **Goal 2.2. Resource Exchange and Stewardship:** Strategically fund and co-fund, align resources, facilitate the exchange of information and best practices, and seek new opportunities to maximize positive impact for children prenatal through age 5 and their families. **Objective 2.2.1:** Address diminishing revenue, ensuring the viability of F5CA and all 58 First 5 county commissions to serve children prenatal through age 5 and the First 5 movement.	☐ Action ☒ Information

SUMMARY OF THE ISSUE

This item provides an overview of the history of the Small Population County Funding Augmentation (SPCFA) program, including First 5 California's (F5CA) level of investment. The program is scheduled to sunset on June 30, 2017.

F5CA has financially supported small population counties since 1999. On April 24, 2014, the State Commission approved a funding methodology and accountability framework to continue the support of First 5 county commissions with small populations in their work[1]. The current funding approach reflects state and county input from a small population county workgroup (Workgroup) that came together to collaborate on the requirements of the current funding model.

[1] Refer to Table 4 in Attachment B for list of SPCFA counties.

SPCFA counties entered into Local Area Agreements (LAA), which mandated the following:

- Clearly outlined use of SPCFA dollars
- Identification of programs to be funded wholly or partially with SPCFA dollars
- Outcomes expected as a result of such investments

Counties were obligated to:

- Use SPCFA dollars pursuant to all statutory requirements for the expenditure of funds allocated only for the purposes authorized by the California Children and Families Act of 1998 (Act), in accordance with the county's approved strategic plan.
- Spend the majority of SPCFA dollars on direct services to children.

An SPCFA Accountability Framework (Attachment A) was developed and incorporated into the LAA to provide specific and measureable evidence of the local commission's efforts to meet the requirements of the Act, which specifies use of "outcome based accountability to determine future expenditures."

The criteria for SPCFA funding eligibility is based on a county's reported annual births not exceeding 1,000 in 2011. The annual baseline funding amount begins at $275,000 for counties with up to 50 annual births in 2011 and increases by $25,000 for each 50 births with the maximum annual SPCFA baseline funding being $650,000. Approximately $4.0 million annually is allocated to the program over the three year (FY 2014–17) investment. For detailed information regarding funding methodology, refer to Attachment B.

In January 2017, an Action Item will be presented to the Commission detailing key components of the proposed SPCFA program, corresponding funding, and recommendations for the level of investment moving forward in July 2017. F5CA will seek input from the First 5 Association of California and county commission representatives on the development of proposed future SPCFA program requirements and models for commission consideration. Discussion will focus on funding, eligibility criteria, accountability, term (number of years) of the funding agreement, and the context of declining tobacco tax revenue on funding availability.

RECOMMENDATION

This is an information-only item. F5CA staff is not requesting action at this time.

BACKGROUND OF KEY ISSUES

During the implementation of Proposition 10, it was evident to the State Commission the statutory funding for county commissions pursuant to HSC 130105 did not provide adequate funding for counties with a small proportion of statewide 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 augmentation funding to small population counties beginning in FY 1999–00. The additional funding was referred to as SPCFA.

Funding Approach

Development of the funding approach for SPCFA has historically been focused on the dollar amount allocated, with minimal accountability for performance. In prior funding terms, accountability focused on ensuring counties spent their SPCFA dollars to support effective local First 5 programs. Outcome results for the funding invested had not been a focal point of funding accountability. The current SPCFA program included a greater focus on investment in evidence-based programs that could demonstrate outcomes. Consequently, the qualitative review included as Attachment C is the direct result of increased accountability and reporting by SPCFA counties.

SPCFA Evaluation Findings

F5CA Staff conducted a qualitative review for FYs 2014–15 and 2015–16 on the performance of SPCFA counties. The findings suggest that most small counties are engaging in collaborative efforts with local agencies, and that funds are being applied to a wide range of programs, including evidence-based programs. Most counties identified programs and services for families and children as the most important areas for SPCFA funds. The most common technical assistance (TA) need identified was professional development. Finally, 58 percent of small counties have well-developed programs, evaluations, and collaborations. Specific details of the evaluation can be found in Attachment C.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

Multiple funding mechanisms for small population counties have been proposed since Proposition 10 went into effect. The State Commission authorized various funding approaches for small population counties from inception (1999) 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) had been 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 implementation, 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 that the impact in each county had diminished.

A Workgroup, consisting of representatives from large, medium, and small counties; F5CA; 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, F5CA contracted with the 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 (refer to Attachment B).

In July 2013, the small county representatives of the Workgroup provided F5CA with a proposal to replace the formula developed by NewPoint Group (refer to Attachment D). The Workgroup's proposal was adopted by F5CA, and represents the means by which SPCFA is currently funded.

Based on revenue projections at the time and three-year averages of historical data, the formula adopted and currently followed, was projected to result in an investment of $12,753,961 by F5CA from FYs 2014–15 through 2016–17. This amount was approximately $4,667,433 more than the projected amount using the prior methodology (refer to Attachment D).

FISCAL ANALYSIS

The funding allocation for this program is from the Unallocated Account. The fund amount, term (number of years) of the funding agreement, and criteria to qualify for a future funding cycle of this program is in the process of being determined and will be included in the January 2017 Action Item.

Information will be provided regarding the declining tobacco tax revenue (currently at 2.9 percent decline per year), the impact on available funding, and the disproportionate impact on First 5 counties not part of SPCFA. Additionally, the current year tobacco tax collected was higher than normal and not consistent with the historical declining trend. Therefore, to provide a more realistic projection of declining tobacco tax revenue, trend analysis may need to be adjusted to prevent an unreliable projection.

ATTACHMENTS

A. SPCFA Accountability Framework

B. Funding Methodology and Implementation

C. SPCFA Evaluation

D. Historical SPCFA Funding Methods and Investments

SPCFA Accountability Framework

The current accountability framework identifies program requirements for counties participating in SPCFA. Counties are required to fully or partially fund a minimum of one program with SPCFA dollars. In addition, the use of SPCFA funds must 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) as summarized below.

Requirements include the following:

Core Area A:

- Up to 25 percent of SPCFA dollars are allowed to be spent on local administration to support personnel and operating costs necessary to accomplish the work set forth in the LAA.

- Compliance with regulatory audit requirements through annual independent audits and use of the First 5 Financial Management Guide to determine appropriate definition and allocation of costs.

- Implementation of fiscal systems that ensure full compliance with First 5 reporting requirements (Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act).

- Participation in some T&TA efforts, when applicable, both as T&TA providers whenever possible, and as participants when needs have been identified.

- 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 5.

Core Area B:

- Submit annual evaluation reports for all programs funded by F5CA.

- Submit a recently adopted strategic plan that meets the requirements of HSC 130140 (a) (1) (C) (ii).

Core Area C:

- Implement programs that use evidence-based, promising practices, promising practices local model, or high-quality local models/frameworks (i.e., Program Standards) to ensure the highest likelihood of measurable improvement in key child and family indicators.

- Address a minimum of one of the following key indicators/focused investment areas: Developmental and Health Needs, Engaging and Supporting Families, or High-Quality Early Learning/Early Educator Support and Effectiveness in the program(s) funded by SPCFA to promote early learning and healthy development outcomes for children.

A Framework Implementation Plan (FIP) was developed for use as a multi-year High–Quality Plan with action steps to implement the investment requirements of the SPCFA LAA. It consists of three checklists and a High-Quality Plan template:

- Checklist for Core Area A. 1 – Fiscal Stability Plan
- Checklist for Core Area B.1 – Evaluation
- Checklist for Core Area B. 2 – Strategic Plan
- High-Quality Plan template – completed for each program funded by SPCFA

Submission of the following was required to receive funding as part of the current SPCFA:

- LAA Certification Checklist
- FIP
    - Current strategic plan
    - Current annual evaluation report which includes progress towards meeting the specific outcomes of each funded program
    - Current Fiscal Stability Plan – long-range financial plan
    - Detailed descriptions and benchmarks for each program funded by SPCFA
- Annual Performance Report (APR)

Funding Methodology and Implementation

Current funding uses a fixed, graduated baseline formula determined by the number of births in each county in 2011. F5CA is 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 4.

The formula qualifies a county for SPCFA if the county's number of births is 1,000 or less. This resulted in an increase to the total number of small counties receiving the SPCFA by 4, to 20 counties from the previous funding period where 16 counties were funded. SPCFA counties were locked in to the initial baseline level for the entire period of the current augmentation (July 1, 2014–June 30, 2017), regardless of the number of births in subsequent years.

Seventy-five percent of the estimated annual SPCFA funded by F5CA is disbursed to the small counties no later than July 31 of each year provided all reporting requirements have been satisfied. The remaining augmentation is 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 is usually no later than August 31 of the following year, and the county has complied with terms outlined in the LAA and all reporting requirements have been satisfied.

TABLE 4
Small Population County Funding Augmentation Current Baseline Formula

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

Number of Births	County	2011 Births	Current 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 current F5CA investment for the SPCFA is approximately $4.0 million annually over the three years (FYs 2014–15 through 2016–17) of the program. All SPCFA dollars come from the Unallocated Account, which currently has a fund balance of $12,722,466 in FY 2014–15, FY 2015–16 numbers are not yet available. Additional information regarding the fund balance can be found in the Financial Update, Agenda Item 9.

SPCFA Evaluation

Information was obtained from each county's strategic plan, annual reporting information in the online data system, APR (2015–16), annual evaluation report (2014–15), LAA, FIP, program descriptions, and website. Documents were available for 19 of the 20 counties for the purpose of this review.

Evidence of Collaboration

Based on the documents reviewed, substantial evidence exists to demonstrate a high level of collaboration across local agencies. Specifically, 74 percent of small counties identified clear collaborative efforts. It is important to note, the remaining 26 percent of counties may have well-developed, local networks, yet there is insufficient evidence in the documents reviewed to draw clear conclusions. This finding is further supported with responses from the 2015–16 APR, where 74 percent of small counties anticipate either no or low need for TA in this area during the upcoming fiscal year.

One example of a strong collaborative effort in Nevada County is the Community Collaborative of Tahoe Truckee (2014–15 Annual Evaluation Report). The goal of this collaborative is to integrate services, identify needs, share trainings, and advocate for families. This collaborative consists of 49 partner agencies, 27 of which focus on children between the ages of 0 and 5 and their families. Of the partners surveyed, 100 percent of attendees found the meetings to be either "valuable" or "very valuable."

Mono County demonstrated how data obtained from program evaluation was used to develop a new area of collaboration (2015–16 APR). Specifically, a decrease in the number of referrals for the Well Baby home visiting program between FY 2012–13, and FY 2014–15 was observed. After evaluating the sources of the referrals, a meeting was convened with the county's only Labor and Delivery, Pediatric, and Women's and Families clinic to collaborate and increase referrals.

Programs Overview

During FY 2015–16, approximately 20,000 children and 18,400 parents across 19 of the 20 SPCFA counties received services[1]. Counties implemented approximately 142 programs; 49 percent of these were funded either partially or fully using SPCFA dollars. Seventy-four percent of small counties implemented at least one evidence-based program, with 26 percent of all SPCFA-funded programs being evidence-based. These programs included Nurturing Parents Home Visiting Program, Raising a Reader, Help Me Grow, Mindful Schools, and Triple P.

SPCFA-funded programs were required to focus on one of three investment areas: High Quality Early Learning/Educator Support and Effectiveness, Engaging and Supporting

[1] It is important to note that totals may include duplicates.

Families, and Developmental and Healthy Needs. The percentage of these programs across 19 of the 20 counties can be seen in Table 1.

Table 1. Focused Investment Areas

Number of SPCFA-Funded Programs	Focused Investment Area
40%	High-Quality Early Learning/Early Educator Support and Effectiveness
35%	Engaging and Supporting Families
25%	Developmental and Healthy Needs

These findings suggest that, in spite of limited funds, the small counties were successful at distributing the funds across all three focused investment areas to optimize early childhood development. The most common area of focus was High-Quality Early Learning/Early Educator Support and Effectiveness. One example of an innovative program in this area was implemented in Calaveras County. Mindful Schools is an evidence-based program described as a “neuroscience approach to teach skills to teachers and children that improve attention, emotional regulation, adaptability, compassion, calming, and resilience.” (Calaveras County, 2015–16 Annual Evaluation Report). This pilot program was implemented at an elementary school where both teachers and children (pre-K through 6th grade) were trained on mindfulness. Teachers reported a better classroom environment and more effective teaching. The pre-K–K classroom teacher reported that it helped the children calm down and focus. When asked about mindfulness, comments from children in the pre-K–K class included, “helps me on the playground,” “helps me if I get mad,” and “helps me think.” Child discipline referrals decreased to 9 from 60 referrals the previous academic year, believed to be the result of improved interactions in children, and teachers being less reactive when responding to problem behaviors.

Counties were asked to rank nine areas where SPCFA dollars were most important (2015–16 APR). These areas ranged from programs, services, and strategies to local administration. Among these areas, two were identified as critically important for the majority of counties (i.e., ranking them as either their first or second priority; see Table 2.)

Table 2. Importance of SPCFA

Percent Ranked as Top 2 Priorities	Question: Thinking of Core Areas A, B, and C in the SPCFA Local Area Agreement (LAA), rank the areas where SPCFA funds were most important for your county. (Most important = 1 to least important = 9)
89%	Programs, services, and strategies that engage and support families
68%	Programs, services, and strategies to identify and address children's behavioral, developmental, and health needs
16%	Integration of local service delivery
11%	Improving fiscal systems and reporting for audit compliance
5%	Local administration, including personnel and other local operating costs
5%	Partnership development with local agencies
5%	Evaluation of local needs and program outcomes
0%	T&TA
0%	Strategic plan development and implementation

The area identified as most important for SPCFA dollars was "Programs, Services, and Strategies that Engage and Support Families." One example of this type of program is in Lake County. Along with 23 other local agencies (e.g., Lake County Tribal Health, Easter Seals, Lake County Office of Education), First 5 Lake implemented a parenting program for the past ten years (2014–15 Annual Evaluation Report). During FY 2014–15, 28 parenting courses were offered in both English and Spanish. Additionally, these courses were offered at several different locations, including a domestic violence shelter, jail, schools, and during home visits. Pre and post-tests with parents showed an improved understanding of children's needs and capabilities.

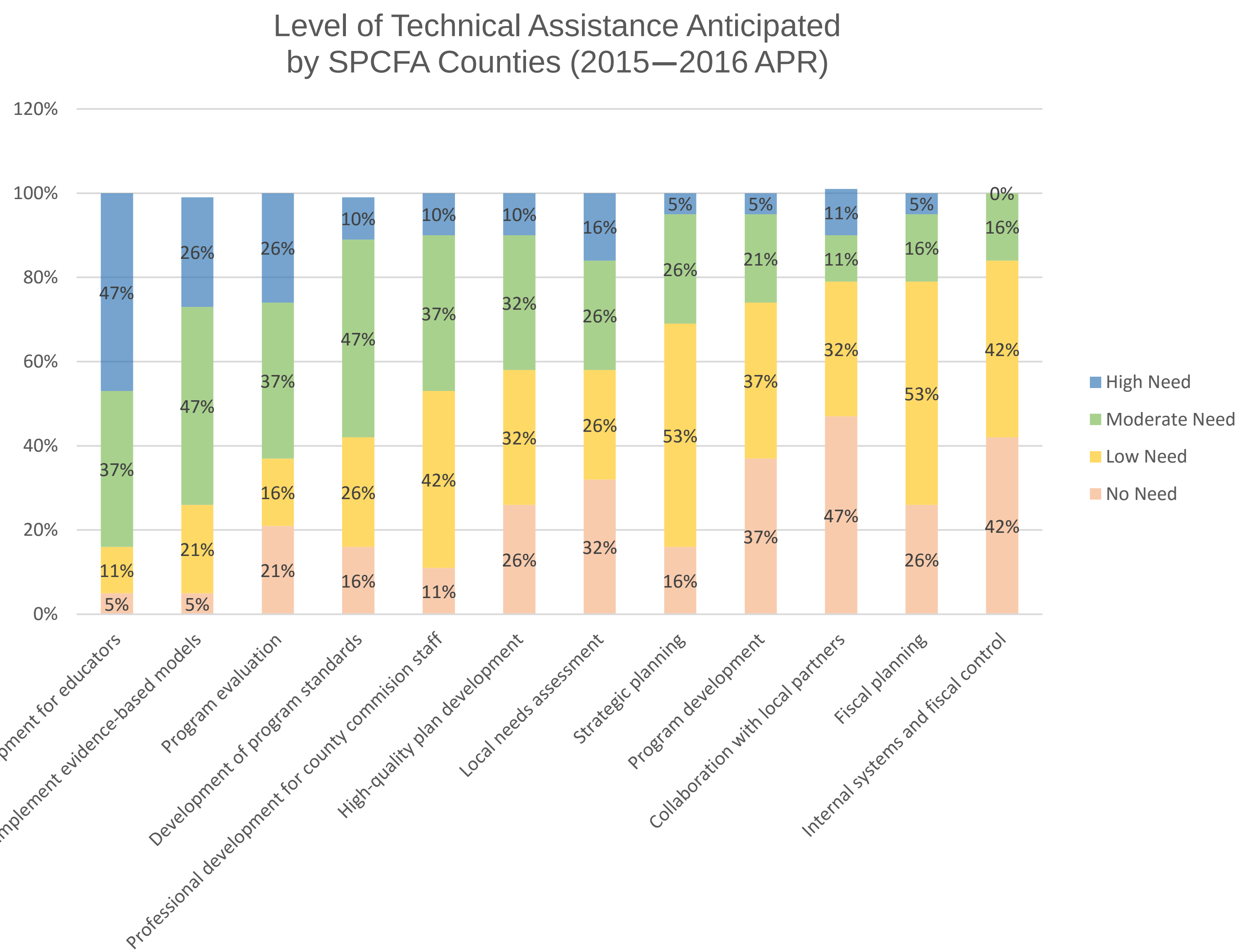
Another area where SPCFA dollars are important is children's health needs. Tuolumne County has maintained a Smile Keepers dental program for the past 13 years (2014–15 Annual Evaluation Report). In FY 2014–15, nearly half of all 3 and 4-year-olds in the county received oral health screenings and fluoride varnish. Tuolumne County has tracked the number of individuals with caries and found a decrease over time for pre-K children. Between 2003–07, 28 percent of children had caries; by 2014–15 only 11 percent of pre–K children had caries. This program is essential for low-income families and/or rural families as there are only three Denti-Cal dentists in the county, all located in the city of Sonora.

The SPCFA-funded counties were asked about the level of TA they anticipate needing during FY 2016–17 (2015–16 APR). Responses were ranked as "No Need," "Low Need," "Moderate Need," and "High Need." Findings are presented on Table 3. A more detailed breakdown of these findings presenting the percentage for all four responses is available for review in Figure 1.

Table 3. Level of Technical Assistance Anticipated

Percent Rated as High or Moderate Need	Question: Looking forward to 2016–17, indicate the level of technical assistance you anticipate may be needed by your county commission in the following categories:
75%	Professional development for early childhood educators/teachers/caregivers
70%	Training to implement evidence-based programs
63%	Program evaluation
53%	Development of program standards
47%	Professional development for county commission staff
42%	High-quality plan development
42%	Local needs assessment
32%	Strategic planning
26%	Program development
21%	Collaboration with local partners
21%	Fiscal planning
16%	Internal systems and fiscal control

Figure 1


Level of Technical Assistance Anticipated
by SPCFA Counties (2015—2016 APR)
120%
100%
80%
60%
40%
20%
0%
High Need
Moderate Need
Low Need
No Need
Professional development for educators
Training to implement evidence-based models
Program evaluation
Development of program standards
Professional development for county commision staff
High-quality plan development
Local needs assessment
Strategic planning
Program development
Collaboration with local partners
Fiscal planning
Internal systems and fiscal control
47%
37%
11%
5%
26%
47%
21%
5%
26%
37%
16%
21%
10%
47%
26%
16%
10%
37%
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42%

These findings suggest the highest areas of need are related to professional training for educators and county commission staff, training for implementing evidence-based programs, and program evaluation. One possible explanation for the high level of anticipated need may be the result of CARES Plus ending on June 30, 2016. However, several of the primary T&TA needs identified by counties should be addressed through implementation of IMPACT and its corresponding T&TA contract.

Evaluation Toolkit

To assist counties with program evaluation, F5CA developed an Evaluation Toolkit webpage. The Toolkit includes general evaluation resources, examples of evaluation studies, surveys and questionnaires, introductory statistics, and data management and statistical software. As part of the 2015–16 APR, county partners were asked if they had used the Evaluation Toolkit. Eleven reported using the Toolkit; of those, 10 found it helpful. F5CA will encourage more counties to use the Evaluation Toolkit, especially if they have not taken advantage of this resource.

Developed and Emergent Counties

Based on the documents identified previously, counties were classified as either “Developed” or “Emergent.” “Developed” counties demonstrated all of the following characteristics:

- Established relationships with multiple agencies within the county
- Well-designed program evaluation measures
- Clear reporting of the evaluation findings
- Implementation of evidence-based programs
- Programs which aligned with the goals identified in the strategic plan

“Emergent” counties demonstrated a need for improvement in at least two of the above areas. Based on these criteria, 58 percent of SPCFA-funded counties were identified as “Developed,” while 42 percent were “Emergent.”

Most counties provided sufficient documentation to demonstrate a basic understanding of program evaluation. Counties in the qualitative review identified as “Developed,” accurately recognized their own areas in need of TA. However, the areas needing improvement in these programs are generally not as extensive as the “Emergent” counties. Two different patterns appeared for TA needs for counties classified as “Emergent.” The majority of these counties were able to accurately self-identify the areas where TA was needed. These needs were often rated higher, indicating greater need relative to the counties classified as “Developed.” However, there also were “Emergent” counties who indicated low to no need for TA in most areas. However, findings from the qualitative review suggest that TA is needed for these counties. This difference between F5CA qualitative evaluation and the counties' own assessment of their TA needs may be the result of local county commission constraints. Another possible explanation may be that counties are not adequately communicating the findings necessary for F5CA to assess program evaluation.

Historical SPCFA Funding Methods and Investments

Newpoint Group Funding Methodology for FY 2011–14

Funding for FY 2011–12 was based on the following criteria:

1. Provided SPCFA dollars to 16 small population counties with a percent of State births equal to, or less than, 0.10 percent.

2. Provided SPCFA dollars each fiscal year, equal to 32 percent of F5CA's Unallocated Account revenue for the previous fiscal year

3. Allocated funds between counties based on a two-component formula algorithm utilizing normalized inverse birth rates (percent of statewide births) and normalized service populations

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

NewPoint Group's funding mechanism continued to be used to calculate the SPCFA since that mechanism had no expiration period or date. The formula paralleled the cigarette and tobacco tax revenue trend, which had been decreasing over the years. Table 5 demonstrates the declining total augmentation available for small population counties from inception of NewPoint Group's formula through FY 2016–17. Projected years were based on estimated revenues.

TABLE 5
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

The formula adopted for FY 2014–17 increased 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.

Fiscal year funding comparisons between the current funding methodology (Workgroup) and the Newpoint formula are displayed in Table 6 below.

TABLE 6
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 6 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 current funding methodology relative to Newpoint Group's formula leads to an estimated annual average increase of $1,580,811 across three fiscal years (Table 6).