FIRST 5 CALIFORNIA
CHILDREN AND FAMILIES COMMISSION

April 21, 2010

Holiday Inn Capitol Plaza
300 J Street
John Q Ballroom, 16th Floor
Sacramento, CA 95814

MINUTES

Agenda Item 1 – Call to Order and Chair's Welcome
Chair Joe Munso called the meeting to order.

Commissioners Present: Joe Munso, Chair
Molly Munger, Vice Chair
Conway Collis
Patrick Duterte
Joyce Iseri
Casey McKeever
Maria Minon, M.D.

Ex Officio Members Absent: Anne McKinney
Kim Belshé

Chair Munso welcomed commission members and announced the resignation of Commissioner Eleni Tsakopoulos-Kounalakis who recently assumed her new position as US Ambassador to Hungary.

Chair Munso announced the departure of two former State Commissioners Carla Dartis and Sumi Sousa, whose appointed terms had expired. The departures of Commissioners Dartis and Sousa left First 5 California with three vacancies, which have been recently filled by new appointees. Chair Munso welcomed newly appointed Commissioners Conway Collis, Casey McKeever and Joyce Iseri. Conway Collis, Vice President of Advocacy and Chief Government Affairs Officer for the Daughters of Charity Health System, was appointed to the Commission by Assembly Speaker Karen Bass to replace Sumi Sousa. Casey McKeever, Administrative Law Judge for the Department of Social Services, was appointed by Senate pro Tempore Darrell Steinberg to replace former Commissioner Eleni Tsakopoulos-Kounalakis. Joyce Iseri, an independent consultant with more than 30 years experience in health and human services issues, was also appointed by Senator Steinberg to replace Carla Dartis. Chair Munso also announced newly appointed Ex Officio member Bonnie Reiss, who replaced Glen Thomas Secretary of Education. Secretary Reiss has delegated Anne McKinney as her designee.

DISCUSSION: None.
PUBLIC COMMENT: None.

Agenda Item 2 – Executive Director's Report
Kris Perry, Executive Director, commented on the role of First 5 California during a time of enormous economic challenges where many families with young children are struggling in times of uncertainty and financial hardship. Ms. Perry provided the following comments:

- Every year, more than 550,000 children are born in California. There are more children in the 0 to 5 age range in California than in any other state.
- California also has the largest number of children living in poverty with limited access to the resources needed to succeed in life.
- When voters passed Proposition 10 in 1998, California became the first state with a mandate to improve the health and well-being of children in their earliest years.
- Now, many years later, other states have put the necessary resources and policy attention behind maximizing a child's potential.
- First 5 began evaluating its programs several years ago during the development of First 5 California's Strategic Plan. First 5 sought new ways to integrate a strategic funding model that is streamlined and evidence-based, focusing on the health and development for young children, empowering parents with the resources they need, and enhancing the skills of early childhood educators.

Public Education and Policy Activities

- The California Early Learning Quality Improvement System (ELQIS) Advisory Committee, created in 2008 by Senate Bill 1629 (Steinberg), began its second year of deliberations and will complete its work and final report to the Legislature at the end of this year.
- The Advisory Committee is responsible for developing recommendations for a statewide early childhood education quality improvement system and continues to focus on the major points of discussion based on recommendations from its subcommittees.
- In November 2009, the Governor signed an Executive Order that created the California State Advisory Council on Early Childhood Education and Care (ELAC).
- ELAC is charged with developing a statewide early childhood education plan that maximizes federal funding and addresses issues including workforce development and data collection.
- It includes the 13-member ELQIS Advisory Committee plus five additional members to be named by the Governor. ELAC will be chaired by the Secretary of Education, the State Superintendent of Public Instruction, and the Chair of First 5 California, or their designees. Chair Munso designated Kris Perry to sit on the ELAC on behalf of First 5 California.
- In order to be eligible for federal funding under the American Recovery and Reinvestment Act of 2009, ELAC must submit a funding application to the federal government by August 1, 2010.
- ELAC will hold its first meeting on May 4, 2010.

Migrant Education Even Start Program
Ms. Perry provided a few highlights and recognized a significant 6-year collaboration with the Migrant Education Even Start Program (MEES), which expired on December 31, 2009. Ms. Perry reported on the following outcomes:

- Direct service time to migrant children and their caregivers increased by 30%.

- Children enrolled in the First 5 California funded MEES expansion program scored significantly higher than their same-age comparison group, both in average score and in the "at-risk" status on the Brigance Preschool Development Screens.
- Teachers served the whole family by giving parents tools and resources to enhance their work with their children, especially in the area of family literacy.
- Migrant children and their families remain a priority for services and First 5 will keep the needs of this and other special needs populations in mind as staff develops the Child Signature Program requirements. Ms. Perry assured the Commission that First 5 is committed to continuing to work with this population in its future efforts on early learning.

Public Education and Outreach

- April is National Autism Awareness Month. First 5 California's public education and outreach efforts focused on educating the public about autism and its related issues.
- On April 6, Ms. Perry discussed Autism Awareness at length on the monthly segment of "First 5's Top 5" on Sacramento's KCRA-My58 TV.
- Commissioner Minon and Ms. Perry recorded a Radio News Release about Autism Awareness Month that aired on English general market and Spanish-language market radio stations throughout the state.
- Dr. Hyun Park, a noted pediatrician in the Los Angeles area, represented First 5 California and conducted an interview about the aspects of autism on Spanish-language TV station Univision Los Angeles.

DISCUSSION: None.

PUBLIC COMMENT: Adriana Simmons, a representative of the MEES program, thanked the Commission for the valuable help and assistance First 5 has provided to the MEES program. As a result of First 5's funding and support of MEES, school readiness and parent education services were provided to approximately 19,800 migrant and seasonal farm worker families. A statewide test to measure the school readiness of children in MEES reflected a 20.6% increase. Ms. Simmons hoped the Commission would give MEES an opportunity to apply for future funding. She said that First 5 funding had covered 23% of the services that were provided. Without First 5 funds, many families will lose access to services. Ms. Simmons asked that the Commission not forget the needs of California's migrant workers and their families who have very little access to support or services.

Agenda Item 3 – First 5 Association of California Report

Sherry Novick, Executive Director of the First 5 Association, provided an update on Association activities and described the structure and functions of First 5 county commissions.

- County commissions are autonomous and focus on meeting local needs. This accounts for their vitality, but creates challenges in aggregating and describing their achievements.
- The Association and individual county commissions meet frequently with members of the Legislature to highlight what commissions are doing in each legislator's own district.

- County commissions have been asked to contribute to state programs threatened by budget deficits, but as county agencies, their priority is to deploy their resources to address needs as they emerge locally.
- County commissions have increased funding for safety net services, such as housing and food assistance, and are thinking creatively about how to respond to the loss of state-funded services without violating non-supplantation provisions of Proposition 10.
- Last year, county commissions began dipping into their fund balances as tax revenues decreased, consistent with their long-term financial plans.
- Evaluations show that multi-year initiatives are paying off. The Los Angeles Times featured an article on significant improvements in the school readiness of children who participate in First 5-funded Los Angeles Universal Preschool, especially English language learners.
- The First 5 Association is working to bring "lessons learned" by local commissions to the attention of policy-makers.
- The Association participates on ELQIS workgroups, will convene a symposium on kindergarten readiness observation tools in May, and is helping to link local commissions with the Department of Public Health to discuss the new federal home visiting funds.

County commissions appreciate the role of the State Commission, which has historically ensured the "state wideness" of First 5 by augmenting small population counties, providing matching grants to encourage implementation of like-programs in multiple counties, and producing the *Kit for New Parents,* which is used widely throughout the state.

DISCUSSION: Commissioner Duterte expressed the importance of leveraging additional federal dollars and asked if Ms. Novick was able to obtain that information from county commissions. Ms. Novick said they try to keep track of First 5 dollars that are brought in at the county level as they are a match for Title 19. Although Ms. Novick said she had a chart that reflects that information, she said it is hard to aggregate it at a point in time as reimbursements come after the fact. Ms. Novick said she would put together a chart within the next couple of months when they finish their information gathering and share that information with First 5 California commissioners.

Commissioner Minon thanked Ms. Novick for putting together a chart and noted the importance of federal dollars. She said it was important to point out if other counties have also leveraged with other foundations. Ms. Novick said in particular that the California Endowment has a place-based strategy and works very closely with county commissions in all of those locations.

Commissioner McKeever wanted to know how much collaboration was being done among counties, not necessarily when there is statewide support, but rather the pooling of resources from various counties to try to address problems more broadly than within individual counties. Ms. Novick said the way the statute is constructed, some of the counties have to spend their dollars on children in their county, for the purposes of children in their county, and according to their own strategic plan. County commissions are audited to ensure they can point out how the strategic plan links to everything they do, which creates some barriers to easy sharing. Some counties have had joint county projects, particularly foundation funded projects, where a number of counties work together. Counties share their expertise and most of the sharing between counties takes place when county commissions are doing similar activities. In the area of federal fund leveraging, some counties have put together workshops for other counties. Ms. Novick thinks that the economics of the situation will push county commissions with more resources to look at ways to support those with fewer resources.

Commissioner McKeever asked if there was a resource document that contained a list of county commission programs and financial data that would allow one to compare what is going on within each county. Ms. Novick said it is difficult to have that sort of compendium as the information is so huge. She recommended visiting county commission web sites to get a sense of personality and the range of county programs. Ms. Novick said she has a vast list of all funded programs that the Association solicited from its members. She indicated that a report can be produced on specific kinds of programs. Although it would be a little overwhelming to look at the whole list, Ms. Novick said that information could be shared as well.

Commissioner McKeever asked if individual programs provide reports to the state on county activities. Ms. Perry said the State Commission is required to submit an annual report. First 5 California does collect data from county commissions. However, the data collected does not include the level of information requested from Ms. Novick. Ms. Novick referred to a section in the State Commission annual report that contains a high level overview of information on county activities.

Commissioner Duterte said he believes the Commission should look favorably upon programs that are combined and recommended moving away from siloed funding. He expressed the importance on working with county commissions and becoming one kind of commission that serves kids 0 to 5 instead of a state commission and county commissions.

PUBLIC COMMENT: None.

Agenda Item 4 – Committee Reports
Program Committee
Sarah Neville-Morgan, Deputy Director of Program Management, reported that the Program Committee met to discuss the support of the ELAC application, the Educare quality early learning model, smoking cessation, and CARES program agenda items.

DISCUSSION: None.

PUBLIC COMMENT: None.

Agenda Item 5 – Legislative Update
Marsha Jones, Deputy Director of External and Governmental Affairs, provided a brief review of the First 5 California structure and how the Commission tracks bills.

First 5 California tracks several levels of bills that reflect the intent of its Strategic Plan and are consistent with the Proposition 10 implementing statute. These bills either directly relate to Proposition 10 financing or mandates, directly relate to Proposition 10 tobacco use prevention and cessation, and policy changes that improve services for young children.

- Level 1 - Bills that directly relate to Proposition 10 financing or mandates
- Level 2 - Bills that relate to tobacco cessation and policy changes that improve services for young children
- Level 3 - Bills that relate more generally to the well-being of young children and their families

Ms. Jones explained how the Commission's Legislative Committee takes positions on behalf of the Commission. In light of the current budgetary shortfalls, a primary consideration for the Legislative Committee is to determine if a bill is likely to pass due to General Fund fiscal pressures.

The Legislative Committee took formal positions on the following legislative bills:

- Oppose – SB 1109 (Cox) would have redirected Proposition 10 revenue for children's health care upon voter approval. This bill failed passage in the Senate Health Committee.
- Support – AB 2592 (Buchanan) would create a statewide Early Learning Quality Rating Scale pilot program to assess quality and support programs in providing better early learning environments. The bill intends to put into statute the recommendations of the ELQIS Advisory Committee.

  First 5 California will be part of stakeholder conversations with the sponsor of AB 2592, Preschool California, to address the fiscal impact on the California Department of Education.

First 5 will continue to closely monitor policy proposals, budget hearings, and the potential impact of any Proposition 10 related issues in the Governor's May Revise.

DISCUSSION: Commissioner Collis suggested the Commission be more proactive as it identifies important legislative priorities by soliciting information from county commissions, focusing on two to four major legislative initiatives, and initiate priorities as opposed to simply reacting. He said First 5 should become more involved as the staff of the Commission has enormous expertise on the legislative process. As part of being more proactive and involved in the legislative process, Commissioner Collis said it might also serve a function in terms of educating the Legislature about the reality of surplus funds or lack thereof. He said it would be valuable for the Commission to take into account what is being funded by county commissions and suggested ways the Commission might be supportive and help advocate for them.

Ms. Jones said that, historically, the Commission has not sponsored bills, but could do so, and agreed it would be useful to blend efforts with county commissions. Chair Munso also explained that the Legislative Committee was empowered several years ago to decide on Commission positions because it often is not practical to wait for the whole Commission to meet. Ms. Perry said the role of the Legislative Committee could be discussed further in July when new committee assignments are made.

Commissioner McKeever did note that it is a major undertaking to sponsor legislation and that should be given careful consideration. Commissioner Collis clarified that he was not referring to issues in which legislation would affect Proposition 10 or the Commission itself, but rather focusing on the substantive policy issues affecting the children who it is our mission to serve.

PUBLIC COMMENT: None.

Agenda Item 6 – Financial Overview
Terry Miller, Chief of Administrative Services, presented the Commission with a quarterly update on revenue projections, changes to the revenue and commitment plan, and financial change conditions.

<u>Leveraged Funds</u>
At the January Commission meeting, the Commission asked First 5 California staff to expand its financial reporting to include information on leveraged funds achieved with First 5 California funding each fiscal year. Ms. Miller provided Commissioners with a historical summary of expenditures that resulted in leveraged funds for First 5 California initiatives and projects.

First 5 California leveraged funds through partnerships with county commissions, federal, state and local governments, and private and public foundations.

Over the last several years, First 5 California expended approximately $375 million for initiatives and projects that leveraged approximately $816 million. Collectively this represents a total of $1.2 billion in funding for programs and services that benefited children ages 0 to 5 and their families.

<u>Revenue Projections</u>
Ms. Miller reminded Commissioners that at the January Commission Meeting, she informed them that revenue projections for FY 2009/10 would likely decrease at a steeper rate than prior years. Contributors to this decrease in revenue received include:

- Successful public outreach efforts and smoking cessation programs
- The increase in the federal tax on cigarettes and other tobacco products to fund the federal Children's Health Insurance Program, and
- The state's current economic challenges

Moneys placed in the California Children and Families Trust Fund are transferred to the state and county accounts monthly. When comparing actual revenues received between years on a monthly basis, First 5 is able to identify significant revenue variances from annual projections.

Total actual revenue received in FY 2008-09 for the same time period for FY 2009-10 have decreased approximately 11.5% between these two years. This rate of decrease could rise or fall depending on actual revenue received for the remaining four months of this fiscal year.

Adjusted Revenue Projections

First 5 California's financial reports used for planning purposes have historically been based on revenue projections. Projections are based on data provided by the Department of Finance and the Commission approves expenditures based on unassigned funds available.

First 5 is experiencing a steeper decline in revenue in FY 2009-10 than projected. The Board of Equalization expects that revenues should continue to decrease at approximately 3% hereafter, which has been the historic rate of decline used in forecasting formulas.

Planning Scenarios

Ms. Miller provided two 4-year planning scenarios to show how funds in each of the Commission accounts will decrease based on current and proposed funding commitments. The adjusted revenue projections provided the Commission with a more realistic picture of projected revenue for planning purposes.

Planning Scenario 1 showed the decrease if the Commission contributes $50 million for the Early Start Program, administered by the Department of Developmental Services (DDS), for FY 2009-10, and $55 million for the Healthy Families Program for FY 2010-11.

Planning Scenario 2 included a continuation of the $81.4 million in FY 2009-10 for the Healthy Families Program in FY 2010-11.

Revenue

The Commission has historically maintained sufficient fund balances to successfully meet all multi-year program and operational commitments.

Since FY 2008-09, First 5 California has assisted the State in supporting budget solutions that have aligned with its mission, yet these commitments accelerate the decrease in First 5 account balances.

Each of the scenarios Ms. Miller presented was based on revenue projections. Based on the economy and with an additional one million people receiving unemployment, First 5 may continue to experience steeper revenue declines than the 3% projected. First 5 included a 15% revenue reserve on projected revenue to account for fluctuations in revenue.

Each of the scenarios includes new large cash commitments to support Healthy Families and DDS programs that could result in deficit account balances. Also, the timing of the release of those funds could quickly deplete the cash balances in First 5 accounts, which will pose additional challenges to ensure First 5 maintains its fiscal soundness. If the Commission funds both of those programs, 44% of its current-year program funds will be going to state budget solutions.

Expenditures

Ms. Miller provided information on First 5 California's statutory funding structure and its six separate accounts, which are managed independent of each other. Authorization of expenditure commitments that would require multiple accounts to meet the authorized amount requires Commission approval to document and justify the percentages or amounts charged to each account.

Year end balances in each account have typically been used to encumber contracts and other legal obligations for the upcoming fiscal year. However, state and county policies prohibit the encumbrance of funds using revenue not yet received.

Ms. Miller explained that both planning scenarios could result in insufficient account balances at the end of this fiscal year. In both planning scenarios, deficit account balances begin to show in FY 2010-11. Without sufficient funds on July 1 of any particular fiscal year for any of the six accounts, Commission approval would be needed to transfer obligated funds from other accounts to the Unallocated Account to meet First 5's contractual obligations.

DISCUSSION: Commissioner McKeever asked if the Commission originally approved the initial allocation to support the Healthy Families Program and how it was determined from which accounts funding would be allocated. Ms. Miller confirmed that the Commission both the funding and the allocation from the accounts based on balances in those accounts at that time.

Commissioner McKeever asked if the transferring of funds was under existing bylaws. Ms. Miller explained that information is listed under existing statute. Kim Gauthier, Chief Counsel, further explained that AB 1422, which was passed last year, amended the relevant Health and Safety Statute to provide First 5 California with the ability to move money to the Unallocated Account to the extent it was not needed in other accounts. With regard to the bylaws, First 5 California spends money as approved by the Commission out of the accounts as directed by the Commission.

Commissioner Iseri asked if First 5 had discussions with the Department of Finance (DOF) with regard to the difference in revenue projections. Ms. Miller said First 5 has had conversations with DOF to try to understand the decline in revenue. In addition, First 5 had conversations with the Board of Equalization who also helps produce some revenue fiscal forecasts and who talks extensively with DOF.

Commissioner Iseri asked if it was typical to maintain a 15% reserve. Ms. Miller explained that this level of reserve is what is recommended and advised by the Government Financial Officers Association for governmental accounts that experience this rate of fluctuation of tax revenue. Commissioner Iseri asked if the 15% reserve could be used if there was a deficiency in any of the six accounts. Ms. Miller said the purpose of the reserve is to help with the fluctuations in the accounts and use the reserve to meet those variances if needed.

Commissioner Duterte asked what the process would be to delegate authority to Ms. Perry to move money to the Unallocated Account. Ms. Gauthier said she would look in to the issue as the current statute states that the transfer of money is upon Commission approval and it is unlikely the Commission can delegate an authority specifically assigned to it in statute.

PUBLIC COMMENT: None.

Agenda Item 7 – Early Start Program Funding Request
Chair Munso introduced representatives of the Department of Developmental Services (DDS) who requested First 5 California approve a contribution of $50 million to fund the Early Start Program.

Last year, the Governor vetoed $50 million for the Early Start Program and recommended the DDS seek the funds from First 5 California. The regional centers that operate the program have continued to fund it fully, using money advanced to them for other services. As the fiscal year nears an end, DDS will be left with a hole in its budget and may be forced to end services to a large number of clients.

- About 40% of the population is referred to Early Start annually and that amount is increasing, partly because of effective referral programs at the county level.
- In the current year, California's 21 regional centers project they will serve approximately 80,000 infants and toddlers ages 0 to 5.
- Only about 20% of the 80,000 served by Early Start will stay in the regional center system after age 3.
- Those over age 3 are served under the Lanterman Act, under which all developmentally disabled Californians have a right to services.
- Those under age 3 who have significant developmental delays or are at risk of a developmental delay or disability receive services through the Early Start Program.
- Those under 3 whose delays are not significant enough to qualify for Early Start are referred to a new Prevention Program for assessment and referral to community resources to the extent they exist.
- According to DDS officials, 60% of the babies referred to Early Start will likely ultimately be diagnosed on the autism spectrum.
- DDS does not consider the Commission's contribution to be supplantation because the previous funding ended when the Governor vetoed the $50 million last year, only children new to the program will be covered, and the program is growing at a rate that exceeds the request.

MOTION/ACTION: Commissioner Minon moved that the Commission approve funding of up to $50 million in Fiscal Year 2009-10 to pay for new regional center services provided to new children ages 0 to 5 in the Early Start Program, the Prevention Program, and pursuant to the Lanterman Developmental Disabilities Service Act. The motion was seconded by Commissioner Collis.

DISCUSSION: Commissioner McKeever asked what will happen next year since this covers only the current fiscal year. Chair Munso said the Commission will have to wait for the Governor's May Revise budget to see what will be requested.

Commissioner Collis agreed there was no option but to approve the request, but urged the Commission to encourage the Legislature and Administration not to view First 5 merely as a way to make up for cuts, but rather to find creative ways to bring in new funds and recognize First 5's responsibility to supplement, not supplant. Chair Munso agreed with Commissioner Collis and recommended the Commission look at ways to position First 5 as a good business partner while also meeting the demands of the population it serves.

PUBLIC COMMENT: Sherry Novick said county commissions appreciate the importance of Early Start and noted that many commissions are funding services for children who previously were eligible for Early Start services, but now are being referred to the Prevention Program. County commissions and the Association are working with advocates to prevent these children from falling through the cracks.

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

Agenda Item 8 – California State Advisory Council on Early Childhood Education and Care

Sarah Neville-Morgan, Deputy Director of Program Management, requested Commission approval to fund the operating costs of the Early Learning Advisory Council (ELAC) and quoted excerpts from the Governor's ELAC Executive Order.

- California's leaders and residents recognize the value of high quality early learning experiences in preparing young children for success in school and life.
- Early childhood development requires a comprehensive, coordinated approach to a child's care and learning experiences.
- Research has documented that investment in comprehensive, high quality early education can save money by preventing future expenditures on remedial education, incarceration, and cash assistance.

In 1998, voters approved Proposition 10 the intent of which is that strategies be integrated, comprehensive, and collaborative to enhance optimal childhood development and to ensure that children are prepared and ready to enter school.

Similarly, overall responsibility of the ELAC is to facilitate the development or enhancement of high-quality systems of early learning designed to improve school readiness. The ELAC will work to strengthen state-level coordination and collaboration among the various sectors and settings of early childhood programs in California.

Ms. Neville-Morgan provided additional information on the ELAC and commented on the following:

- The Federal Improving Head Start for School Readiness Act of 2007 requires states to establish ELACs in order to receive their share of the $100 million in federal funds.
- In November of 2009, Governor Schwarzenegger issued the Executive Order that established the ELAC.
- California's share of the federal funds is approximately $10.65 million over three years to improve coordination and collaboration among Head Start, state preschool, and other early education programs.
- States are required to provide 70% of the total approved grant amount.
- First 5 California has a leadership role on this council and will serve as tri-chair, along with the Secretary of Education and the Superintendent of Public Instruction.
- First 5 California already plays a leadership role in the ELQIS Advisory Committee and also provides operational funds for it.
- Governor Schwarzenegger appointed the California Department of Education (CDE) as the lead agency for ELAC and the Superintendent of Public Instruction has formally requested First 5's support for ELAC.

- Funding applications are due by August 1, 2010, and must include an explanation of California's strategy to improve coordination and collaboration among Head Start agencies, preschool programs, and other early childhood providers.
- Enhanced coordination will help California expand access so that early learning programs can serve more needy children.
- ELAC will plan for and ensure that California's application meets federal requirements making it competitive for other funds.
- First 5's support would be used to cover ELAC administrative and operational costs.
- Federal funds would be used to facilitate the development or enhancement of high quality systems of early learning designed to promote school readiness.
- ELAC could address other statewide and First 5 priorities, including supporting a Kindergarten Readiness Observation Assessment tool.

MOTION/ACTION: Commissioner Collis moved that the Commission approve funding of up to $2 million from July 1, 2010, through June 30, 2013, to support the work of the California State Advisory Council on Early Childhood Education and Care. The motion was seconded by Vice Chair Munger.

DISCUSSION: Commissioner Duterte asked if CDE is sufficiently committed to the council, since they are not committing any funds. Commissioner Iseri asked if CDE could share the cost of the ELAC and the funds that will be received by the state. Camille Maben, Director of the Child Development Division at the California Department of Education, said CDE is covering part of the administrative costs but cannot cover more than that. Ms. Neville-Morgan indicated that the Packard Foundation was also helping to assist with some consultant level funding.

Vice Chair Munger said it did not matter if the new federal funds go to CDE as they will still go to children. She emphasized the importance of California having an operating ELAC to compete with other states for future funds.

Ms. Perry said because the Commission is one of 3 tri-chairs of the ELAC, it now carries an additional responsibility for its success. By funding the operating costs of the ELAC, they will assure that most of the $10.65 million goes directly for services to children.

Commissioner Collis said Ms. Perry will have to prevail if the budget results in people scrambling for money, including the new federal funds.

PUBLIC COMMENT: Patty Siegel, Director of the California Child Resource and Referral Network, supported the recommendation and voiced concern regarding areas of the ELAC required in the federal law that are not currently encumbered in the ELQIS, specifically addressing accessibility to quality child care services.

Ms. Maben and Vice Chair Munger assured the Commission that the ELAC will focus on increasing access, as well as improving quality, in order to reach more children.

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

Agenda Item 9 – Educare Quality Early Learning Model
Kris Perry, Executive Director, and Sarah Neville-Morgan, Deputy Director of Program Management, described Educare and plans to establish three to four Educare Centers in California.

Many research studies and recommendations from scientists all over the world stress the importance of early learning. Recent findings from decades of evaluation show:

1. The key to successfully address the needs of young children is to implement evidence-based quality practices.
2. The quality of early childhood investments will determine their rate of return.
3. Responsible investments focus on effective programs that are staffed appropriately, implemented well, and improved continuously.
4. Effective high quality programs have a cluster of characteristics in common that include skilled staff, high teacher to child ratios, a language-rich environment, and safe physical settings.

Ms. Perry described Educare as a state-of-the-art, evidence-based, full-day, full-year program that embodies a quality investment to produce core school readiness outcomes for at-risk children ages 0 to 5 and their families.

First 5's partnership with Educare has been ongoing and has allowed California to begin statewide discussions and collaboration with other partners. Educare is the model of high quality and results that set the standard for care most vulnerable children should be receiving.

Ms. Perry showed a powerful video clip that illustrated the significance of the first five years and how quality early childhood programs can change the course of a child's life.

Ms. Neville-Morgan shared more detailed information on Educare and its emphasis on public and private collaborations, outstanding results and how these programs close the achievement gap.

- The Buffett Early Childhood Fund and the Ounce of Prevention Fund joined forces in 2000 to work with local public and private partners in communities across the country to establish Educare schools that become part of a growing consortium known as the Bounce Learning Network.
- Each Educare Center in the Bounce Learning Network is a unique public/private partnership that provides comprehensive early learning services to at-risk children and families.
- Educare better prepares all at-risk children for success in school and life by intentionally serving as a catalyst for broader local change.
- The power of the Educare Model is due largely to the combination of these core features functioning together in a comprehensive, intentional, and sustained way to achieve a high quality early childhood program that helps children grow up safe, healthy and eager to learn.

Educare partnerships are unique in that they bring together public and private entities.

- Philanthropic Partner – leads the privately funded Educare capital campaign, engages other funders, hires a local evaluator, and shares governance.
- Program Partner – typically a Head Start or Early Head Start provider, implements the core components of the Educare model and shares governance.
- Public Schools Partner – provides operating dollars, land and other support, and shares governance.

It is only through the blending of funds that Educare programs can offer the highest quality to children, families and the community. State funds from First 5 California would combine with private dollars from foundations and corporations to bridge the funding gap.

The David and Lucille Packard Foundation funded WestEd to conduct a 2-phase feasibility study of Educare in California. WestEd completed its study and is now beginning to develop planning grants that will go to three to four potential communities, which will be announced in June 2010. The planning process will include working with local county commissions.

The selection process was designed to ensure that Educare centers will be located in geographically diverse regions of California and that programs will be located in areas that ethnically represent California's diverse population.

Educare sites radiate out to provide benefits to children, families, and providers beyond those directly involved in the program, set the standards of care for meeting the needs of high risk children, and influence policy-makers. Ms. Neville-Morgan provided further detailed information on Educare Models.

- Educare programs involve Head Start and Early Head Start, school districts, state and local government, and private funders.
- Each classroom provides a Bachelor-degreed teacher, an assistant teacher with at least an Associate degree, an aide from the community, and is supervised by teachers with Master's Degrees in early childhood and special infant/toddler training.
- Each Educare Center employs family support staff and social workers to ensure that each family's comprehensive needs are addressed.
- Teachers are compensated similarly to K-12 teachers to ensure staff retention.
- Educare ratios coincide with the future and the vision of ELQIS and QRIS plans at the highest levels of quality.
- Small class sizes and high staff/child ratios vary starkly from typical programs, where group size is only dictated by square footage and three teachers might have 36 preschoolers in a classroom.
- Primary care is in place and each member of the teaching team is responsive to every child.
- Children remain with the same teaching team from program entry until transition to preschool or kindergarten.
- Parents are engaged in ongoing communication about their child's developmental screenings and assessments.

- Language and literacy, social-emotional development and numeracy and problem-solving skills are evident in the curriculum, program planning, supervision of teaching staff, and all work with families.
- Specialized consultants collaborate with staff to provide support and training with a focus on child health and nutrition.

<u>Evaluation and Outcomes</u>
While children from high-risk populations, such as those served by Educare Centers, typically score far below the national average and are usually developmentally several months behind their more advantaged peers, evaluation findings reveal promising results in preparing at-risk children from 0 to 5 for later academic achievement.

While all children are positively impacted by Educare, those who enter the program at an early age receive the greatest benefits. Evaluation data shows that children with the longest time in the program do the best, surpassing the national mean in school readiness scores.

MOTION/ACTION: Commissioner Duterte moved that the Commission approve that First 5 California be named as a public partner in the public-private Educare Quality Early Learning Model, and beginning in Fiscal year 2011-12 fund up to $2 million a year for three years to support Educare programs and evaluation. This funding commitment is necessary now to leverage a $40 million private capital campaign led by our philanthropic and business partners. The motion was seconded by Commissioner Iseri.

DISCUSSION: Commissioner Minon asked about the cost per child. Ms. Neville-Morgan said it is approximately $20,000 per child annually, which is the amount currently being spent in California for full-day full-year programs.

Commissioner Iseri asked how many children are served at each site. Ms. Neville-Morgan said that typically each site serves 200 children and described it as an intensive place-based effort looking at changing a community and benefits radiate out for a greater change throughout the state.

Commissioner Duterte asked where the programs will be in order to ensure they benefit the children with highest needs. Ms. Neville-Morgan assured the Commission the Educare centers will be in geographically diverse areas that represent California's population in communities with the greatest need.

Commissioner McKeever acknowledged Educare as a rich program and asked what the hope is for broad replication. Ms. Neville-Morgan said it will serve as a place-based pilot; how it looks will be influenced by its location and the population being served; and it will be part of a national evaluation.

Commissioner Iseri asked who will determine the location of the sites. Ms. Neville-Morgan said that the Commission is partnering with the Packard Foundation and the Buffet Early Childhood Fund and final decisions will be based on stringent criteria.

PUBLIC COMMENT: None.

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

Agenda Item 10 – *Kit for New Parents:* Authority to Release Invitation for Bid
Vernettia Syphax, Contract Manager for the *Kit for New Parents*, requested the Commission approve the release of an Invitation for Bid to secure a three-year agreement for the production and distribution of the *Kit for New Parents (Kit)*.

The *Kit* provides essential information and functions as a critical first step in educating parents and caregivers about the care, health and education of children ages 0 to 5.

Impact and Outcomes
First 5 California has distributed more than 3 million *Kits,* free of charge, to California residents since its launch in 2001. It has been one of First 5's most successful and highly visible programs.

A four-year study conducted by the University of California, Los Angeles and Johnson & Johnson Institute found cost benefits to parents who referred to the *Kit's What to Do When Your Child Gets Sick* book when treating common childhood ailments at home. Some of the findings included:

- Reduced medical costs averaging $554.00 in annual savings
- Increased parental confidence in health care decisions
- Quicker response to early signs of illness
- Decreases in costly emergency room or physician visits
- Fewer missed workdays due to kids being sick and children had fewer missed days of school

Federal Reimbursement
First 5 California receives federal matching funds to distribute the *Kit* to Medi-Cal beneficiaries who become new parents through an agreement with the Department of Health Care Services (DHCS).

According to the latest statistics from DHCS, in 2005 there were nearly 252,000 births to Medi-Cal beneficiaries, which represents 46% of the total births in California. Federal reimbursement is based upon that percentage and there is no funding cap for federal reimbursements of the *Kit*. First 5 expects the 300,000 proposed *Kits* to target Medi-Cal beneficiaries, with the potential to receive matching funds for all *Kits* produced.

Although First 5 California has been the sole funding source of the *Kit* for nearly 10 years, challenging budgetary times make it difficult to continue producing and distributing the *Kit* at current levels.

Recommendation and Cost Comparison
An internal Commission staff committee reviewed the *Kit* and recommended ways to produce it more cost effectively. They proposed to include fewer items in the *Kit*, reduce the size and produce it in a smaller box, and make as many components of the *Kit* available on-line as possible.

The cost of the current *Kit* is $21.61 per boxed set. At current production rates of 475,000 *Kits* per year, the annual cost is about $10.2 million. The proposed redesigned *Kit* will cost $15.78 per boxed set. First 5 proposes a maximum production of 300,000 *Kits* per year, resulting in a total annual cost of about $4.7 million, with a related cost savings of $5.5 million a year. The lower-cost, equally effective *Kit* will demonstrate First 5 California's commitment to innovation and working to meet the needs of our target population.

MOTION/ACTION: Commissioner Minon moved that the Commission approve the release of an Invitation for Bid for up to $15 million over three years for the production and distribution of the revised *Kit for New Parents* beginning August 1, 2010, through July 31, 2013. The motion was seconded by Commissioner Collis.

DISCUSSION: Commissioner Duterte expressed concern that the new program would exclude distribution to 175,000 families. Ms. Perry said they would be directed to the on-line version, and the distribution would focus on hospitals where 46% of most Medi-Cal births occur.

Chair Munso said the State Commission has done a lot as it relates to trying to step up to being a funding partner in the state budget crisis. Although it is more difficult for the counties to do that, Chair Munso asked if county commissions would be willing to reimburse the State Commission for costs related to producing the *Kit* as it is a critical piece to outreach efforts among county commissions.

AMENDED MOTION/ACTION: Commissioner Minon moved that the Commission amend the motion to approve the release of an Invitation for Bid for up to $15 million over three years for the production and distribution of the revised *Kit for New Parents* beginning August 1, 2010, through July 31, 2013, which Invitation for Bid should also consider a *Kit* production ranging from 300,000 per year to 475,000 per year (to explore options of the *Kit* being expanded with outside funds such as from county commissions.) The motion was seconded by Commissioner Duterte.

DISCUSSION: Commissioner McKeever asked if the $15 million includes the Title 19 reimbursements the Commission will receive. Ms. Perry said $15 million is the whole cost that the Commission has to pay up-front and does not account for reimbursements it will receive.

Commissioner Collis asked in the future to see proposals that compare the impact of different strategies in order to provide Commissioners with context for their decisions.

PUBLIC COMMENT: Darrell Lake, a parent from Sacramento, spoke in favor of all parents having access to the *Kits* and told of the benefit he and his family received from the *Kit*.

Jennie Tasheff (First 5 Sonoma) asked if the reduced size of the *Kit* will limit the ability of county commissions to supplement it with local information. Ms. Syphax said it will still have some extra room, but may not accommodate all of the items the county commissions currently add.

Francine Rodd (First 5 Monterey) emphasized the importance of the *Kit* to county commissions, which use it in one-on-one outreach to parents, including before the child is born. She noted that besides low-income parents, commissions target hard-to-reach and geographically isolated parents. She said the Association appreciated Ms. Perry's invitation at the previous day's Association meeting to serve on a joint committee regarding the roll-out and content of the new *Kit.*

Donita Stromgren (First 5 Yolo) said small county commissions may be challenged if they need to purchase *Kits* because they are currently diverting much of their revenue to supporting the local safety net.

Debra Payne (First 5 Sacramento) said the Baby Friendly hospitals in Sacramento use the *Kit* in place of baby formula packs. It would be difficult for them to limit distribution to Medi-Cal births.

Jennifer Long (First 5 Colusa) cautioned the Commission not to assume all parents have access to on-line resources. In Colusa County most low income families do not have internet access, or at best have dial-up service which won't allow easy access to the on-line *Kit.*

Chair Munso said the Commission wants to work with county commissions and hopes they can assist financially with the *Kit* production.

Commissioner Duterte said it's important for the State Commission staff to engage with the county commissions regarding content as well.

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

Agenda Item 11 - Comprehensive Approaches to Raising Educational Standards (CARES) Plus to Close the Early Learning Achievement Gap Impacting Children 0 to 5

Kris Perry, Executive Director, and Sarah Neville-Morgan, Deputy Director of Program Management, requested Commission approval to support CARES Plus in order to increase the quality of early learning programs for children 0 to 5 and their families.

Ms. Perry expressed how crucial it is to strengthen state-level coordination and collaboration among the various sectors and settings of early childhood programs in California to improve school readiness. Ms. Perry said workforce is one of those sectors. She reminded Commissioners that teacher effectiveness is among the most important factors impacting the quality of pre-kindergarten programs.

Ms. Neville-Morgan provided information based on 2008 data:

- The average wage for those working in child care centers is $9.32 per hour
- For preschool teachers, it is $15.48 per hour
- Elementary school teacher's salaries are more than double that, at $34.63 per hour
- The median salary of a CARES participant working in a family child care facility is $20,000 per year

Ms. Neville-Morgan expressed how First 5 California addressed this issue, as well as other issues impacting the early learning workforce. She commented on the following:

- Access to safe, stable care environments in the first years of life provides crucial developmental support to children in all families needing child care.
- 72% of children under the age of 5 are in non-parental care arrangements.
- Although early educators play an important role in supporting healthy development, the quality of early learning facilities, the programs, the teacher's education, training and compensation remain remarkably low.
- Nationally, nearly 60% of licensed facilities fail to meet the most basic guidelines for quality.
- California's workforce includes approximately 130,000 people who educate and care for about 750,000 young children.
- Among center staff, wages are low and job turnover is high.
- The average annual salary for centers' highest-paid teachers with a Bachelor's Degree or higher degree is around $34,000, nearly $16,000 less than that of the average California public school kindergarten teacher, who typically works a shorter year and earns better benefits.
- California's Early Childhood Educator (ECE) workforce is ethnically and linguistically diverse, far more closely reflecting the ethnic distribution of the state's young children than K-12 public school teachers.

<u>Background on Original CARES Program</u>
In an effort to address the urgent statewide need to improve the quality and stability of the early learning workforce, First 5 California launched CARES in FY 00/01 as a matching-funds program with 44 county commissions.

- State Commission approval for CARES funding concluded in December 2009.
- During its tenure, CARES gained national recognition from organizations including Head Start, Zero to Three, and the Center for Law and Social Policy as a model for increasing the quality and stability of the early learning workforce.
- From July 1, 2000, through December 31, 2008, First 5 California and the county commissions collectively invested over $224 million in the CARES program.
- First 5 California's $50.23 million investment leveraged over $174 million from local county commissions.
- One strength of the CARES Program is local flexibility in determining some of the parameters around stipends to meet local needs.

<u>Positive Impact and Outcomes</u>
From the start of the CARES program through 2008:

- Approximately 87,000 stipends were provided to early learning educators.
- More than 36,000 early educators participated in CARES.
- 39% speak Spanish and 40% of participants were Hispanic. These demographics are important as they reflect how the CARES Program impacted a diverse group of educators reflective of the children and families they serve.
- An estimated 170,000 children per year were impacted by their teachers participating in CARES.

- Annual first-time applications for permits doubled from 4,000 to 8,000 in the time CARES was in operation.
- Several major evaluations of CARES found it to be successful and indicated that professional development activity and educational levels increased among a large and varied group of early childhood educators, retention of the workforce improved, and county-level professional development infrastructures were strengthened.
- CARES program participants were more than twice as likely as non-participants to remain in the same center over a 2-year period.
- Participants accumulated an average of nearly 6 more early care and education units than non-participants. Participants were three-and-a-half times more likely to obtain a Child Development Permit and twice more likely to move up to a higher level than non-participants.
- Additionally, local evaluations provided additional feedback on the success of CARES in areas such as increased resources and motivation in working toward a degree, increased likelihood of CARES participants staying in the field and continuing their education, and improved earnings for family child care providers and center teachers.

CARES Plus Program

Implementation of the CARES Plus Program will allow First 5 California to build on the organizational infrastructure and positive momentum created by the original CARES Program throughout the state.

It also will position First 5 to potentially adopt and support recommendations from the Governor's newly enacted ELAC and the ELQIS Advisory Committee that are is working on a Quality Rating and Improvement System (QRIS) plan to include workforce development.

CARES Plus supports the professional development and preparation of an effective, well-compensated workforce through the provision of incentives, academic support, higher education articulation, and a Web-based Registry. It builds on lessons learned from the past 9 years of the original CARES Program and other recent national workforce efforts, and includes core elements necessary for a successful workforce development system.

CARES Plus will include:

- Stipends to incentivize early childhood educators to increase their education and professional development and obtain degrees
- Academic support and advising to help participants negotiate the maze of educational requirements
- Higher education quality pathway partnerships
- Competencies-based career ladder and certification system
- The Early Learning Workforce Web-Based Registry and on-going program evaluation and accountability
- Program training and technical assistance

CARES Plus builds on successful components of the original CARES Program like incentives and providing academic support. CARES Plus also:

- Integrates Early Childhood Educator Competencies
- Integrates CDE's Infant/Toddler and Preschool Foundations
- Includes an Early Learning Workforce Registry
- Emphasizes degree attainment to increase participant intentionality and program accountability

MOTION/ACTION: Commissioner McKeever moved that the Commission approve funding of up to $12 million a year for three consecutive years from July 1, 2010, through June 30, 2013, to support the Comprehensive Approaches to Raising Educational Standards (CARES) Plus Program. The motion was seconded by Commissioner Duterte.

DISCUSSION: Commissioner Duterte said closing the salary gap is critical to recruit and retain a skilled and educated ECE workforce.

Commissioner Iseri asked why the cost is 1/3 higher than the last year of CARES. Ms. Neville-Morgan said the additional funds will be used to develop the registry, facilitate the work on the academic pathway, revise the Child Development Permit matrix, and develop course content related to diversity, dual language learners, and infant/toddler curriculum.

Chair Munso asked if First 5 looked at the impact/outcome of kids who are in centers with teachers in the CARES Program. Ms. Neville-Morgan said unfortunately no as that data is more costly to obtain. However, it is a topic that is being discussed at part of longitudinal evaluation efforts moving forward. First 5 has been obtaining that information by proxy in which other research has shown that as educational levels increase, teacher effectiveness improves, which improves child outcomes.

PUBLIC COMMENT: Nineteen members of the public spoke in support of the proposal, representing county offices of education, the Higher Education Ad Hoc Public Policy Group (community colleges and CSUs), the Bay Area Council, Los Angeles Universal Preschool, and current and past CARES participants.

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

Agenda Item 12 – Administrative Contract Approval
Terry Miller, Chief of Administrative Services, requested Commission approval to grant the Executive Director or Chief Deputy Director authorization to enter into a multi-year interagency agreement with the Department of Finance, Office of State Evaluation and Audits.

Ms. Miller said the agreement was mission critical for First 5 to accomplish its annual financial audit.
While the annual costs for auditing services currently fall within the Executive Director or Chief Deputy Director's $150,000 signature authority, a multi-year agreement exceeds that authority.

MOTION/ACTION: Commissioner Iseri moved that the Commission grant the Executive Director or Chief Deputy Director the authority to:

1. Amend the current agreement (CCFC 7112) to increase the maximum contract amount up to $150,000 in Fiscal Year (FY) 2010-11 to ensure sufficient funds are available to reimburse the Department of Finance (DOF) for actual expenses incurred for the completion of the First 5 California FY 2009-10 financial audit and for services performed between January 2011 and June 2011 for preliminary FY 2010-11 audit work.

2. Authorize the Executive Director or Chief Deputy Director to enter into multi-year agreements on a continuous basis with the DOF for an amount not to exceed $150,000 for each fiscal-year audit.

   The motion was seconded by Commissioner Minon.

DISCUSSION: None.

PUBLIC COMMENT: None.

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

Agenda Item 13 – Annual Report Guidelines Adoption
Terry Miller, Chief of Administrative Services, requested the Commission to approve First 5 California's proposed Annual Report and School Readiness Guidelines for implementation by county commissions beginning with the FY 2010-11 reporting period.

The California Children and Families Act of 1998 requires each county commission to submit on or before November 1 of each year its audit and report to the State Commission for inclusion in the State Commission's consolidated report. Counties are required to submit audit and report information in a format prescribed by the State Commission.

Approval of the guidelines must occur prior to the fiscal year during which the Guidelines must be used by county commissions. The evolutionary development of these Guidelines resulted from collaborative efforts with the Evaluation Technical Advisory Committee. There are three areas of change in the Guidelines.

1. The fiscal reporting section is amended to incorporate new financial fund balance reporting and governmental fund type definitions detailed in Statement No. 54 issued by the Governmental Accounting Standards Board in February 2009.

   The First 5 Association of California has engaged the services of the Governmental Financial Officers Association to revise the Financial Management Guide referenced in the Audit Guidelines to provide county commissions information on how to effectively implement Statement 54 fund balance reporting requirements.

2. First 5 incorporated a Supplemental Report of State Funds for counties receiving funds from First 5 California in the Guidelines. Counties have prepared this in the past and some counties are currently under contract to provide this information in their annual audits through program Local Area Agreements and funding terms and

conditions. Most all current and future Local Area Agreements will require an audited accounting of First 5 California program or project funds in the county's annual audit.

3. County demographic worksheet instructions have been updated to require consistent reporting of the Most Compelling Service Outcome data by counties. Receipt of this information electronically will assist First 5 California in providing additional detail in the annual report and other requested ad hoc reports.

   MOTION/ACTION: Commissioner Minon moved that the Commission approve the proposed Annual Report and School Readiness Guidelines for Implementation Beginning with Fiscal Year 2010-11. The motion was seconded by Vice Chair Munger.

   DISCUSSION: None.

   PUBLIC COMMENT: None.

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

Agenda Item 14 – Smoking Cessation Contract and Funding Approval
Sarah Neville-Morgan, Deputy Director of Program Management, requested Commission approval to continue co-funding the California Smokers' Helpline.

First 5 California's contract with the University of California, San Diego (UCSD) to provide tobacco cessation services through the California Smokers' Helpline expires on June 30, 2010.

Ms. Neville-Morgan requested the authority to enter into a new contract with UCSD for $3 million over 3 years. The contract will continue funding at the same level provided for the Smokers' Helpline for the last 9 years and will allow First 5 staff to carefully integrate tobacco cessation activities with its signature programs.

Ms. Neville-Morgan reaffirmed that the proposed UCSD contract amendment is to continue providing assistance to pregnant smokers, smoking parents, and caregivers of young children. The Helpline is the only ongoing tobacco cessation activity First 5 currently funds. Ms. Neville-Morgan noted that continued funding at this time would avoid a substantial reduction in the capacity to serve First 5-targeted callers.

> **MOTION/ACTION:** Vice Chair Munger moved that the Commission approve funding of up to $3 million to contract with the University of California San Diego for a period of three years from July 1, 2010, to June 30, 2013, to continue joint funding with the California Department of Public Health for operation of the California Smokers' Helpline and outreach activities targeting parents and caregivers of children ages 0 through 5. The motion was seconded by Commissioner Duterte.
>
> **DISCUSSION:** Commissioner Collis asked how this expenditure compares to other strategies. Chair Munso agreed it would be reasonable to have comparative cost information. Ms. Neville-Morgan stated that calls are not onetime calls but rather

each caller receives follow-up calls in multiple intervals to check on progress and continue to provide assistance.

Chair Duterte noted that experience with Baby First in Solano County has shown tobacco to be one of the most difficult addictions to overcome. He said the Helpline is one more way to help and pointed out the cost savings every time someone quits, saying that both the parent and child benefit.

PUBLIC COMMENT: Representatives of the Department of Public Health spoke in support of funding the California Smokers' Helpline and reported that the smoking rate in California has dropped to about 13%. First 5 California's contribution will help draw more people into the cessation service.

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

Agenda Item 15 – Small Population County Augmentation Request
Terry Miller, Chief of Administrative Services, requested the Commission approve a revised funding mechanism for small population county funding.

Ms. Miller provided an overview of the small population county augmentation as follows:

- At the time Proposition 10 was passed by the voters and during the early implementation of the California Children and Families Act, it became clear to the Commission that the statutory funding formula for counties did not provide adequate funds for low birth rate counties to operate effective First 5 programs. Recognizing that Proposition 10 was intended to be a statewide effort, and validating the importance of implementing First 5 program services geographically across the state, the Commission has continuously provided additional funding to small population counties since Fiscal Year 1999-2000, while trying to find a solution to the statutory funding limitations.

Ms. Miller identified reasons why an updated small population county funding model is needed and commented on the following:

- The status quo funding approach for small population counties has been maintained over the years, not because either First 5 California or county commissions were satisfied with this approach, but because there has never been an agreed upon and/or viable alternative.
- Over the last two years, the current State Commission authorization for small population county funding has been insufficient to fully implement the current funding mechanism.
- In November 2007, the State Commission authorized up to $3.5 million annually for small population county funding through FY 2011-12. Currently, approximately 31 counties are eligible for funding under the existing small population county funding formula. From the inception of the Commission through FY 2010-11, First 5 California will have disbursed approximately $39 million to support SPC funding.

Small Population Workgroup
The State Commission supported the formation of a small population county workgroup and authorized First 5 California staff to secure expertise to support the development of a new funding formula.

The Workgroup included representatives from small, medium, and large counties, the First 5 Association of California, and First 5 California staff. Between February 2007 and October 2007 the Workgroup convened regularly dedicating a significant amount of time to surveying small population counties and to developing and testing a variety of funding options. The Workgroup considered at least ten different funding scenarios. These funding approaches were based on various assumptions about small population county administrative costs, expected contributions from the counties, and the expectation of a shared funding solution.

After almost a year of meetings, the Workgroup did not reach consensus on a recommendation for funding formula changes.

However, the Workgroup reached general agreement on several key issues, including:

- First 5 California's commitment to consider approaches that could include small counties in future program-related funding endeavors
- A commitment among local county commissions to explore creative mechanisms to provide additional support to small counties within the existing statutory structure
- First 5 California's acknowledgement of the Workgroup's request to revisit the issue of a baseline funding level in the future

NewPoint Group
First 5 California contracted with NewPoint Group in November 2009, to secure additional expertise and resources to achieve an equitable and sustainable funding mechanism for the allocation of funds to small population counties beginning in FY 2011-12.

First 5 established five objectives for the Small Population County Funding Augmentation Assessment Project. These objectives were to develop a funding mechanism for small population counties that can:

1. Be funded over the long-term – reflecting declining tobacco tax revenues
2. Provide additional funds to counties with low birthrates that do not receive sufficient funds under the statutory birth rate allocation to operate effective First 5 programs
3. Provide resources to assist small population counties in addressing costs associated with the small population county rural characteristics.
4. Meet, to the maximum extent possible, the project's baseline principles and assumptions
5. Be simple to understand, be equitable, be transparent, and be easy to implement.

The information represented in this agenda item is based on work performed by NewPoint, with input and choices by the SPC Workgroup that supported the formation of the final recommendation brought forth today.

Ms. Miller reviewed a *Report of Findings* that provided further background and support for the recommended approach as follows:

- *History of Small population County Funding* – provides an overview of the current small population county funding mechanisms, and Commission efforts related to small population county funding.
- *Project Need and Challenges* – summarizes problems with the current small population county funding mechanism, and key challenges of developing a new funding mechanism.
- *Baseline Principles and Assumptions* – provides guiding principles and assumptions to direct development of specific funding alternatives. NewPoint developed with the Workgroup's input 18 principles and assumptions directing the development of the funding mechanism. They are organized in four key categories: Efficiency, Equity, Inclusivity, and Accountability.
- *Components of Funding Mechanisms* – describes project research, and discusses the four basic components, and various options considered, in developing the recommended approach.
- *Recommended Funding Approach* – provides a detailed description and analysis of the recommended funding approach.

Ms. Miller informed the Commission that the recommended funding mechanism requires no changes in legislation or bylaws governing First 5 California and does not preclude the local county commissions from also contributing to the small population county funding challenges and solutions. Ms. Miller noted that historical Commission meeting notes have encouraged county participation in the solution.

Ms. Miller reported that staff has completed work on this project and requested the Commission consider and adopt the small population county funding mechanism.

> **MOTION/ACTION:** Commissioner McKeever moved that the Commission implement the Small Population County funding formula effective July 2011, as follows:
>
> - Provide small population county funds to only 16 small population counties with their percent of State births equal to, or less than, 0.10%
> - Provide total small population county funding, each fiscal year, equal to 32% of First 5 California's Unallocated Fund revenues for the previous fiscal year
> - Allocate these funds between counties based on a two-component formula algorithm utilizing normalized inverse birth rates and normalized service populations; and
> - Include a built-in mechanism to promote small county accountability and performance
>
> The motion was seconded by Commissioner Duterte.
>
> **DISCUSSION:** Commissioner Duterte encouraged small population counties to create joint programs.

PUBLIC COMMENT: Sheila Kruse (First 5 Tuolumne) said rural counties have worked across borders on programs such as oral health, but because of the geographic distances, it is often most efficient to staff projects locally. Many First 5 staff work part-time for First 5 and part-time for other agencies. Rural commissions are all reducing staff and will continue to seek ways to operate most efficiently.

Ellen Vieira (First 5 Plumas) thanked the Commission for its continued support and thanked staff for working collaboratively to resolve this problem. She said small population counties are looking forward to participating in First 5 California Signature Programs.

Jennifer Long (First 5 Colusa) said her county has an advantage because it is close to Sacramento and has been able to participate in collaborations, such as the multi-county Children's Health Initiative, where First 5 Sacramento pays the bulk of the administrative costs. However, most small population counties are only near other small, rural counties.

Lindsay Dunckel (First 5 Nevada) said her county is one that will lose its allocation altogether, amounting to 13% of its revenues, which increases the importance of First 5 Nevada's potential participation in the new Signature Programs.

Ms. Perry thanked the NewPoint Group and the workgroup for their concerted efforts that resulted in the proposal.

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

Agenda Item 16 – Consent Calendar
The Commission considered approval of the consent agenda items:

- January 27, 2010, Commission Meeting Minutes
- Ratification of the following agreements: CCFC 6976 A4, 7183, 7184, 7220, CFF 4536 A3, 4668, 4674
  MOTION/ACTION: Commissioner Minon moved that the Commission approve the consent calendar. The motion was seconded by Vice Chair Munger.

  DISCUSSION: None.

  PUBLIC COMMENT: None.

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

Agenda Item 17 – Adjournment
Commissioner Duterte moved for adjournment of the commission meeting. The motion was seconded by Commissioner Minon and was approved by a unanimous vote of the members present.

The next scheduled Commission Meeting is July 14, 2010, in Sacramento.