



July 23, 2020

**INFORMATION ITEM**

**SUBJECT: FIRST 5 CALIFORNIA PROPOSITION 10 AND FISCAL DISCUSSION**

**SUMMARY OF THE ISSUE**

First 5 California held a Budget Retreat on June 22, 2020, to provide Commissioners with information regarding the status of agency fund accounts based on future revenue projections, and the current and future work of First 5 California as it relates to the 2019–24 Strategic Plan. At the conclusion of the meeting, it was decided to schedule a Part 2 of the budget retreat to complete the items on the original agenda. Background information is consistent with the information presented in Part 1 of the Budget Retreat.

The objectives for the Budget Retreat Part 2 are consistent with Part 1 and include the following:

1. Discuss current and proposed investments in light of COVID-19, the state’s recovery efforts, and First 5 California’s 2019 Strategic Plan
2. Provide direction to First 5 California staff to bring forward specific information and/or proposals for future consideration

**BACKGROUND OF KEY ISSUES**

In order to provide historical context for Commissioners, the following are statutory and programmatic summaries of the Act (as it relates to their role as Commissioners and the guidelines from which they operate as a commission) as well as previous and current program and policy investments.

**Intent of the Act**

First 5 California was created in 1998 with the passage of Proposition 10, a state ballot initiative passed by California voters. Prop 10 secured a new and dedicated funding stream through tobacco tax revenue to support early education and health programs, services, and resources specifically for young children prenatal through age 5 and their families. It was enacted into law as the California Children and Families Act of 1998

("the Act") in Health and Safety Code Sections 130100–130155.

It is the intent of the Act to facilitate the creation and implementation of an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development and to ensure that children are ready to enter school. This system should function as a network that promotes accessibility to all information and services from any entry point into the system. It is further the intent of the Act to emphasize local decision making, to provide for greater local flexibility in designing delivery systems, and to eliminate duplicate administrative systems.

The programs authorized by the Act shall be administered by the California Children and Families Commission and by local county children and families commissions. In administering the Act, the state and county commissions shall use outcome-based accountability to determine future expenditures.

### **Commission Composition**

The state Commission is composed of seven voting members and currently one non-voting ex officio member from the Secretary of the Health and Human Services Agency. The voting members are selected from persons with knowledge, experience, and expertise in early child development, child care, education, social services, public health, the prevention and treatment of tobacco and other substance abuse, behavioral health, and medicine (including, but not limited to, representatives of statewide medical and pediatric associations or societies), upon consultation with public and private sector associations, organizations, and conferences composed of professionals in these fields.

The Governor shall appoint three members of the state Commission, one of whom shall be designated as chairperson. One of the Governor's appointees shall be either a county health officer or a county health executive. The Speaker of the Assembly and the Senate Rules Committee shall each appoint two members. Commissioners shall serve for a period of four years, and no appointee shall serve for more than two four-year terms.

### **Powers and Duties of Commission**

The powers and duties of the state commission shall include, but are not limited to, the following:

1. Providing for statewide dissemination of public information and educational materials to members of the general public and to professionals for the purpose of developing appropriate awareness and knowledge regarding the promotion, support, and improvement of early childhood development.
2. Allocating funds to county commissions as necessary or appropriate to carry out the provisions and purposes of the Act.
3. Making recommendations to the Governor and the Legislature for changes in state laws, regulations, and services necessary or appropriate to carry out an integrated

and comprehensive program of early childhood development in an effective and cost-efficient manner.

### **Trust Fund Accounts**

Twenty percent of moneys from the Act (the other eighty percent go to county First 5 county commissions) are allocated and appropriated from the California Children and Families Trust Fund to separate accounts of the state commission for expenditure according to the following formula:

1. Six percent shall be deposited in a **Mass Media Communications Account** for expenditures for communications to the general public utilizing television, radio, newspapers, and other mass media on subjects relating to and furthering the goals and purposes of the Act, including, but not limited to, methods of nurturing and parenting that encourage proper childhood development; the informed selection of child care; information regarding health and social services; the prevention and cessation of tobacco, alcohol, and drug use by pregnant women; the detrimental effects of secondhand smoke on early childhood development; and to ensure that children are ready to enter school.
2. Five percent shall be deposited in an **Education Account** for expenditures to ensure that children are ready to enter school and for programs relating to education, including, but not limited to, the development of educational materials, professional and parental education and training, and technical support for county commissions.
3. Three percent shall be deposited in a **Child Care Account** for expenditures to ensure that children are ready to enter school and for programs relating to child care, including, but not limited to, the education and training of child care providers, the development of educational materials and guidelines for child care workers, and other areas.
4. Three percent shall be deposited in a **Research and Development Account** for expenditures to ensure that children are ready to enter school and for the research and development of best practices and standards for all programs and services relating to early childhood development established pursuant to the Act, and for the assessment and quality evaluation of those programs and services.
5. One percent shall be deposited in an **Administration Account** for expenditures for the administrative functions of the state Commission.
6. Two percent shall be deposited in an **Unallocated Account** for expenditures by the state Commission for any of the purposes of this act provided that none of these moneys shall be expended for the administrative functions of the state Commission.

The Act provides that funds that are not encumbered or expended within a fiscal year

shall revert to and remain in the same account for the next fiscal period, and also provides that funds not needed for the specific account may be transferred to the Unallocated Account.

### **Appropriate Use of Prop 10 Funds and Past Legislative Action to Redirect Funds**

All moneys raised pursuant to taxes imposed by Prop 10 shall be appropriated and expended only for the purposes expressed in the Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service. No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.

During the 2011–12 session, the Legislature took action to redirect funds from the First 5 accounts to be used by the state to address lost health and human services as a result of the recession. Assembly Bill 99 was passed, and signed by the Governor, to divert \$50 million of state funds, and \$950 million in county funds, for this purpose. The state did not challenge the legislation, and \$50 million was transferred from First 5 California accounts to the state.

The counties, on the other hand, filed a lawsuit, challenging the legality of AB 99 on a number of grounds. In November 2011, a court held that Proposition 99 was illegal by violating the expressed purposes of the Act on numerous bases, including the supplantation prohibition.

### **Advisory Committees**

The state Commission is authorized to establish one or more advisory committees to provide technical and professional expertise and support for any purposes that will be beneficial in accomplishing the purposes of the Act. Each advisory committee shall meet and shall make recommendations and reports as deemed necessary or appropriate.

The state Commission currently has seven advisory committees (Executive, Fiscal, Legislative, Program, Public Education and Outreach, Research and Development, and Strategic Planning) that historically consisted of two members from the Commission that provide guidance and recommendations to First 5 California staff within those committees. As of 2019, the Public Education and Outreach Committee consists of four members, thereby constituting the need for a meeting in which the public is noticed and allowed to attend.

### **First 5 California Strategic Plan**

The 2019 Strategic Plan represents a blueprint for the state Commission's investments and the agency's primary programs, partnerships, services, outreach efforts, and advocacy. The plan builds on the strengths of First 5 California's 2014 Strategic Plan, while reflecting current direction from the Commission.

First 5 California's administrative resources and declining revenues are key challenges for the Commission's future work. Despite these challenges, however, its efforts and investments strive to be the most impactful and achievable. The Commission continues to support and advocate for the strong start young children deserve to optimize early childhood health and education.

Through the Act, the Strategic Plan uniquely positions First 5 California to collaborate with the Governor, Legislature, and other partners to engage in outreach and communication to the public about the importance of investing in early childhood to optimize future life success. A fundamental objective of First 5 California remains to ensure all parents giving birth in this state, and particularly those living in poverty, receive critical information about early brain development in their babies' first months and years of life, along with providing them with comprehensive information about what they can do to shape and enhance their children's physical, emotional, and educational well-being and future.

### **First 5 California Investments**

Historically, First 5 California has invested in the following key focus areas:

#### **I. Early Learning and Care**

Investments in high-quality early learning and care are essential to ensure kindergarten readiness and lifelong success. Families must have access to both high-quality early learning and care for their young children and to the information and support they need to promote and optimize their children's development and learning, both inside and outside the home.

In partnership with local First 5 county commissions, county offices of education, and other state and local partners, First 5 California and the California Department of Education have developed a quality rating and improvement system (QRIS) — a framework to guide the state's early learning improvement efforts. First 5 California's funding through First 5 IMPACT (Improve and Maximize Programs so All Children Thrive) supports early learning and care programs to achieve high-quality standards with proven effectiveness factors, engages more families in the early learning process, and helps ensure more of California's children enter school with the skills, knowledge, and dispositions necessary to be successful. The state Commission has continued that investment through the approval of IMPACT 2020 and its continued commitment to improve the state's system of early learning and care while also increasing support for non-state subsidized providers and family child care.

Prior to First 5 IMPACT, First 5 California has funded programs and research to improve the quality of early learning programs through the following:

1. The Power of Preschool program increased child developmental assessment scores and parents indicated a high level of satisfaction with the program.
2. The Child Signature Program funded quality essential staff to ensure access to needed services by high-risk children and families participating in early learning

and care programs. Sites met high standards for quality of physical environment and interaction between teaching staff and children. Children showed improvements in development, especially in classrooms with access to quality essential staff.

3. First 5 California co-funded a multi-year study examining the impact of Transitional Kindergarten (TK) on school readiness at kindergarten entry. Results indicated TK students in California are better prepared for kindergarten than their non-TK counterparts. Specifically, TK students have better problem-solving skills, mathematics knowledge, and literacy skills. The TK program also greatly improved the English language skills for children whose primary language is not English.

## **II. Effective Teacher Interactions**

First 5 California is dedicated to supporting teacher and provider effectiveness, and high-quality early learning programs for children from birth to age 5 by providing professional development and coaching to support effective adult-child interactions, and support to meet standards for educational qualifications.

Effective and high-quality adult-child interactions have life-long effects on a young child's potential to succeed. Research shows children engaged in warm and responsive adult-child interactions and in positive experiences demonstrate greater social competence, fewer behavior problems, and optimal development.

Positive, supportive teacher-child interaction is a key element of high-quality early learning settings. Through the CARES Plus program, First 5 California provided 16,000 early educators with multiple resources to help in their professional development. These resources included training, coaching, stipends, and higher education courses to facilitate more effective teacher-child interactions. The goals of the program were to increase teacher effectiveness and help them develop professionally. Participants receiving coaching and/or training showed the greatest improvements in teacher quality ratings between the fall and spring.

## **III. Positive Parenting**

Families are their child's first and most important teachers and role models, with critical relationship building and brain development occurring in the first few years. Yet, studies continue to show that many parents and caregivers have limited understanding of the importance they play in their children's learning. How parents engage with their children is a more powerful predictor of their child's success than other family background variables, including income, family size, and level of parental education.

First 5 California's investments promote strong families and thriving relationships while also optimizing children's healthy development. First 5 California and First 5 county commissions support evidence-based family strengthening programs designed to build on communities' existing values, strengths, and resources. These resources provide community-based supports for parents and caregivers to be

emotionally healthy, maintain safe and nurturing environments, and participate in their child's early learning and development. In addition, these programs support high-quality early learning experiences at home to ensure children enter school ready to succeed.

First 5 California's parent website provides families with vital information about their role in shaping their child's future and links to early learning resources. First 5 California's Talk. Read. Sing.<sup>®</sup> campaign includes messages geared toward parents, encouraging them to talk, read, and sing with their babies, toddlers, and preschoolers in order to build warm relationships and stimulate brain development in the first years of their children's life. Research shows 87 percent of parents surveyed recalled seeing or hearing a message about the campaign. Almost three quarters of the parents increased the amount of time they connected with their children, and nearly 40 percent used the First 5 California website to obtain additional information. Additionally, between 2003 and 2012, the percent of parents who sang, read, or went out with their children on a daily basis increased significantly and the number of children with health insurance coverage and access to dental care increased for low-income families.

#### **IV. Child Health**

First 5 California is dedicated to ensuring the health and well-being of children ages 0 to 5, and that starts even before they are born. According to the Surgeon General, smoking is the most preventable cause of poor pregnancy outcomes in the nation. Nicotine damages fetal brain cells making learning, attention, and behavior problems more likely as children grow. Infants exposed to tobacco products are more likely to be born small and preterm, and are three times more likely to die of Sudden Infant Death Syndrome.

Despite having the second lowest smoking rate in the country, over half of California's children are exposed to tobacco smoke. This second-hand smoke is especially dangerous to babies and young children because of their developing lungs and is linked to increased diseases, including asthma and ear infections. While you can't see it, third-hand smoke is a toxic residue that lingers and sticks on surfaces—from people's hair to clothes to curtains, carpets, and furniture—long after someone has stopped smoking. Babies and toddlers are especially prone to damaging exposure from crawling on the floor and putting things in their mouths.

First 5 California invests in the California Smoker's Helpline to provide resources and support for pregnant and parenting caregivers of children 0 to 5 to quit smoking. These nationally proven resources include counseling services and educational materials translated into multiple languages about the dangers of e-cigarettes and health implications for children and families.

The hotline (1-800-NO-BUTTS, [www.nobutts.org](http://www.nobutts.org)) provides individuals with information and tools to help them quit smoking. In 2015–2016, the helpline provided services to over 4,000 parents of children between the ages of 0 and 5 years, as well as pregnant women. In the CARES Plus program, early childhood educators completed an online course about smoking cessation, tobacco effects, and skills to

encourage parents to quit smoking. Almost 80 percent of educators found the training useful and indicated increased confidence and knowledge to talk with parents or coworkers about the effects of smoking and providing resources for quitting smoking.

Additionally, First 5 California has provided funding for the annual California Health Interview Survey (CHIS) to assess the well-being of the state's children. CHIS is the nation's largest state health survey and a critical source of data on Californians as well as on the state's various racial and ethnic groups. Policymakers, researchers, health experts, members of the media, and others depend on CHIS for credible and comprehensive data on the health of Californians.

## **V. Public Education and Outreach**

Public education and outreach is one of the primary functions of the state commission. In fact, the largest percentage of funds (six percent) from the California Children and Families Trust Fund to First 5 California is allocated to the Mass Media Communications Account. Three of the primary public education and outreach efforts of First 5 California currently underway include the following:

### **1. Talk. Read. Sing.® campaign**

In March 2014, First 5 California launched the first iteration of the Talk. Read. Sing.® campaign. The campaign messaging, along with critical information on early brain development and recommended parent activities for talking, reading, and singing with their children, is delivered across California through a multi-media approach that includes television ads, radio spots and interviews, a parent website, social media, digital media, sports team promotions, and blogs. The messaging has been provided in multiple languages (15 in total), including specific targeting for hard-to-reach populations.

An evaluation of the campaign conducted by NORC of the University of Chicago revealed a significant impact of the campaign on providing parents with valuable information and influencing their interactions with their children in positive ways.

The newest iteration of the Talk. Read. Sing. It changes everything® campaign includes a vibrant mix of live action, showing parents engaging verbally with their young children, combined with an original song and some fun animation. The three new animated ambassadors (a talking parrot, a reading owl, and a songbird) continue to reinforce the three important engaging activities parents and caregivers need to do with their children every day to ensure strong brain development – starting from birth.

The new ads took flight February 27, 2017, across a variety of multi-lingual media, and will continue throughout the year. The ads are being broadcast on TV, radio, online (including digital ads, social media, including the First 5 California Parent Website), and on resource materials distributed on the First 5 Express.



## **2. *Kit for New Parents***

Another First 5 California flagship program to inform and inspire the public is the *Kit for New Parents*. Since its initial release in 2001, more than 5 million *Kits* have been distributed in partnership with First 5 county commissions.

The *Kits* provide helpful information and resources for the well-being of children that new parents can have at their fingertips. Most of the *Kits* are sent home from the hospital with new moms.

## **3. *First 5 Express***

The *First 5 Express* is First 5 California's traveling public education and outreach exhibit that visits all 58 counties in the state during any given year. The *Express* provides an opportunity for in-person engagement, educational activities, and communication of targeted messaging with young children and their families.

The *Express* currently serves as the premier hands-on experience for Talk. Read. Sing.<sup>®</sup> education and one-on-one interaction. It provides parents, caregivers, and teachers with information, tools, and motivation to carry out talking, reading, and singing at home.

## **VI. *Advocacy and Policy***

First 5 California advocates directly to state and federal policy makers for the strong start all children deserve, with an emphasis on children prenatal through age 5 and their families, to optimize early childhood development and reduce childhood poverty. First 5 California's 2019 Strategic Plan and authority granted under Proposition 10 require First 5 California to be a policy leader and partner in order to bring innovation in children's policy to scale throughout California. First 5 California's state and federal policy work is guided by its Children's Policy Agenda, aligned to the three Strategic Plan priority areas of Child Development, Child Health, and Family Functioning, as well as the latest in research and innovations by its First 5 partners.

### **SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION**

The First 5 California State Commission met in June 2020 to level-set with First 5 California staff regarding the history of Proposition 10, the role of the Commission, and the status of agency fund accounts based on future revenue projections. The July 23, 2020, Budget Retreat will provide a continuation of that discussion and center around the current Strategic Plan and the state of First 5 California's fund accounts, as well as provide staff with input on how to meet the goals of the current Strategic Plan.

## **FISCAL ANALYSIS**

Outcomes from the Budget Retreat may inform or alter future work and related costs depending on the suggestions from the Commission. However, there are no direct costs associated with the item itself.

## **ATTACHMENTS**

- A. First 5 California 2019–2024 Strategic Plan
- B. First 5 California Organizational Chart
- C. First 5 California Projects Summary Table
- D. First 5 California Fund Accounts Summary
- E. First 5 California Financial Plan