

**First 5 Stabilization Fund
Responses to First 5 California Staff Questions
July 16, 2024**

Policy / Proposal Questions

- ***Please further define what you mean by emergency stabilization. Please define the terms.***
 - When the Stabilization Fund proposal was created the word “emergency” was only meant to refer to the *timing urgency* of need to stabilize the 58-county First 5 Network given the well-documented and unprecedented revenue declines in Proposition 10 affecting direct services to children and families and diminished staffing and capacity to coordinate, plan, and leverage other resources.
 - Proposition 10 revenue declines are exacerbated by state and local county budget cuts impacting many of these same families. For example, this year’s state budget deficit has resulted in funding delays to child care slots, continuous Medi-Cal eligibility, Children and Youth Behavioral Health Initiative (CYBHI) grants, Office of Child Abuse Prevention (OCAP) grants, and the loss of CalWORKS Home Visiting funding due to underutilization. These examples will all have a negative impact on local communities, the scale of which is unknown at this time.
 - In addition, there is considerable uncertainty at the federal level with the 2024 election on the horizon that may further exacerbate all of these issues.
 - The purpose of the Stabilization Fund could be described as:
 1. *Ensuring critical local services provided by First 5 County Commissions and their community partners are maintained to the extent possible, and cuts to services for young children, their families and providers are minimized.*
 2. *Ensuring First 5 county commissions have a stable infrastructure that allows them to leverage additional funding, continue to meet long-term obligations, and provide time, space, and resources to plan for long-term sustainability. This description is also aligned with work currently being conducted by First 5 California contractor Cathy Senderling.*
 - It should be noted that county commissions also play a key role in supporting community responses to emergencies that may cause imminent danger (e.g. wildfire, high heat advisories, flooding, mass shootings, public health emergencies). County commissions’ ability to help respond to these emergencies is further diminished due to rapidly declining revenue and instability.

- **For the purposes of exact understanding please define in specific detail the emergency (or emergencies, county by county) that necessitates emergency funding.**
 - As described above, the word “emergency” refers to the *timing urgency* of need to stabilize the 58-county First 5 Network given the well-documented and unprecedented revenue declines in Proposition 10 affecting direct services to children and families and diminished staffing and capacity to coordinate, plan, and leverage other resources by First 5 county commissions.
 - Foundational principles of equity recognize that each county has its own unique circumstances, challenges, needs, assets, and opportunities and are entitled to their own definition of self-determination and solutions that are tailored to their local children and families. Proposition 10 statute states that *“the intent of this act to emphasize local decision making, to provide for greater local flexibility in designing delivery systems.”* Therefore, we recommend the opportunity for each First 5 county commission to define their own specific needs for funding directly to First 5 California. This can happen through the Stabilization Fund application process.
 - During input sessions with county commissions there were different categories of funding needs discussed. For example, county commissions can apply to the Stabilization Fund based on one or both of these categories;
 - **Program support:** *this includes programs and services that have recently been cut or will be cut without additional funding. This support recognizes the unique and key role First 5 county commissions play as trusted program funders, direct service providers, and service gap-fillers – that at times, has even included the repairing of aging capital infrastructure.*
 - **Infrastructure support:** *this includes activities that support basic First 5 county commission operations, long-term financial and program planning, system-building and coordination, and leveraging non-Proposition 10 dollars or services. This support recognizes the unique and key role First 5 county commissions play in communities as conveners, connectors, and agents of systems change.*

Fiscal Questions

- **Noting the collective First 5 reserve funding, what role will reserve funding play in this emergency funding plan?**
 - There is no collective *reserve* funding of First 5 county commissions. Following sound financial practices, each county commission has a necessary *fund balance* based on required long-term financial planning to meet contractual obligations, community needs, and predicted declines in Proposition 10 revenue.
 - Larger counties serving more children and families have larger fund balances. For example, 20 percent of county commissions account for 80 percent of statewide aggregate of fund balances, primarily based on the larger number of children and families they represent/serve.¹

¹ FY22-23 First 5 California Annual Report fund balance data by county

- The First 5 Association is eager to discuss and formulate with First 5 California staff the parameters of the Stabilization Fund requirements for local First 5 counties and what role fund balance may play in those parameters.
- Two things to note: 1) county commission funds have been statutorily distributed based on birth rates – a clear formula that recognizes county by county needs – and not to a collective pot. 2) County fund balances may also include monies from non-Proposition 10 sources, e.g. local sales tax, local philanthropy, or other state and federal grants for that particular community.
- During input sessions with county commissions there was general support around determining Stabilization Fund distribution via several factors (see below). One factor was applying a ratio of fund balance to annual Proposition 10/56 revenue, e.g. a “run rate” to recognize the proximity to depletion of fund balances for county commissions.
- ***Your proposal requests \$25 million. Is this a one time or ongoing request? What will be the return on investment (ROI), diversity, equity, and inclusion (DEI) considerations, and impact? How is this supplementing and not supplanting current programming?***
 - This is a one-time request for support to provide short-term stability to First 5 county commissions.
 - During input sessions with county commissions it was recommended that counties have flexibility in how long they have to spend any Stabilization Fund grant amounts based on their community needs.
 - The ROI may be different based on individual county needs. The collective ROI could be categorized in distinct categories, e.g. children and families served, systems change support, leveraging other funding, etc.
 - Any REDI principles could be required as part of the application process.
 - County commissions may need to supplant revenue that was recently lost due to Proposition 31 and years of declining revenue creating unstable First 5s programs and infrastructure in communities. That is the core purpose of urgent stabilization funding. However, Proposition 10’s “no supplantation” clause does not apply to the Stabilization Fund as it would not supplant state or local *General Fund* dollars. From Prop 10 Statute: “No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.”
- ***Please help us understand how these emergency funds are not backfill or unfunded liability.***
 - The Stabilization Fund proposal is addressing an unprecedented reduction in Proposition 10 revenue (accelerated by Proposition 31) and the subsequent impacts to local children, families, nonprofits, the ability to leverage other funding, and the entire First 5 infrastructure across the state of California.
 - The First 5 Association is open to working with First 5 California on the definition of unfunded liability.

- ***What other funding sources has the Association explored for this proposal?***
 - The First 5 Association has engaged state leaders to request a \$100M state general fund allocation to address the community impacts of the unprecedented Proposition 10 revenue decline. Although there was legislative support for the request, the state budget deficit realities prevented this request from moving forward.
 - Additionally, some legislators have inquired about having local First 5s seek funding from First 5 California versus asking for funds from the state general fund.

- ***How will the \$25 million be allocated to the counties? Will it be dispersed to all 58? Will it be dispersed based on birth rate like Prop 10?***
 - The First 5 Association would be eager to co-create the disbursement formula, application process, formulas, guidelines, caps, etc. with First 5 California. We understand there will be a need for an application including minimum guidelines, definitions, and a possible cap of funding per county.
 - The First 5 Association proposes that all 58 counties be eligible to apply to this fund (but not required to) and counties can request funding amounts based on their local needs.
 - During input sessions with county commissions regarding allocations and disbursement to counties, several factors were discussed:
 - 1. Applying a ratio of fund balance to annual Proposition 10/56 revenue, e.g. a “run rate.” This factor could recognize the proximity to depletion of fund balances for county commissions.
 - 2. Utilizing existing birth rates per county in combination with a “run rate” factor described above.
 - 3. Utilizing other factors such as a percentage of recent cuts to programs, services, nonprofits, staffing, and internal capacity.

- ***Why do you believe First 5 California is the right funder for this proposal considering we have the same issue of declining revenue and other financial obligations, including to the counties?***
 - The stability, impact, and success of First 5 California is directly tied to the stability, impact, and success of First 5 county commissions. The Stabilization Fund demonstrates First 5 California’s leadership and can be viewed as a “win” for the state. With so much economic and political uncertainty, we must strengthen local infrastructure and minimize any further cuts on direct services for young children, families and providers and this support will do that.
 - Stabilization funding can support county commissions to focus on longer term Network development and sustainability strategies inclusive of First 5 California, rather than county commissions dedicating so much time and attention to covering immediate revenue deficits and uncertainty year after year.

- First 5 California has been a key partner and supporter of local First 5s having historically provided funding to county commissions;
 - *Foundational funding to 21 small population counties*
 - *Program focused funding to counties, e.g. IMPACT, Home Visiting Coordination, early literacy programs*
 - *Emergency funding and supplies to counties to address the COVID-19 pandemic and the recent refugee crisis*

- Proposition 10 statute expressly states that First 5 California can “enter into any contracts and allocate funds to *county commissions* as necessary or appropriate to carry out the provisions and purposes of this act.” While First 5 California allocates funding to numerous organizations, no other organizations other than county commissions are specifically mentioned in the statute related to allocation of First 5 California funds.

- First 5 California has a \$134M fund balance in FY23-24 and projected fund balance of \$67M in FY 27-28.² For scale, First 5 California’s fund balance is more than the *combined* fund balance of 43 county commissions with the lowest fund balances in the state.³

² https://www.cfc.ca.gov/pdf/commission/meetings/handouts/5_22_2024/Item%20-%20Attachment%20B%20-%20May%202024%20Fund%20Condition%20Summary.pdf

³ FY22-23 First 5 California Annual Report fund balance data by county