



AGENDA ITEM: 13
DATE OF MEETING: October 21, 2009
ACTION: X
INFORMATION: _____

Kit for New Parents

SUMMARY OF REQUEST

At the Commission meeting on July 15, 2009, the Commission authorized up to \$16 million and an 18-month extension of the current contract with ALOM Technologies for the *Kit for New Parents (Kit)*. Following that Commission action, First 5 California submitted a Non-Competitive Bid justification (NCB) to the Department of General Services (DGS) for approval. DGS would not approve the NCB as written and asked First 5 California to resubmit the NCB with revised language that removed the 18-month contract extension and revised the dollar amount to reflect an amount sufficient to only fund the necessary services and *Kit* production for the existing contract that ends on April 30, 2010.

Therefore, staff is bringing back to the Commission a request to increase the current ALOM contract by up to \$5 million for the continued production and distribution of one of First 5 California's most successful and visible products, the *Kit*, through April 30, 2010.

BACKGROUND

Approval of this request would reaffirm prior authorization for funds, given by the Commission for the same purpose, to continue production and distribution of the *Kit for New Parents*. Five million dollars will fund production of the following:

- 231,372 total *Kits* through April 30, 2010
- 38,562 *Kits* per month (462,744 per year)
- Cost per *Kit*: \$21.61 (average of basic and custom *Kit* cost)
- Cost per month: \$833,324.00
- **Total cost: \$4,999,944.00** (\$833,324 x 6 months)

The funds for the current contract were exhausted as of September 30, 2009. At the present time, ALOM Technologies has ceased production of all *Kits* due to lack of funds.

ALOM will continue shipping its remaining inventory of *Kits* (the shipping is covered by the *Kit* production cost) and taking orders for future shipments. Remaining *Kit* inventory is as follows:

- 5,000 English-language *Kits*. It is anticipated, based on historical distribution rates, that this supply will last until the end of October 2009.
- 32,260 Spanish-language *Kits*. It is anticipated, based on historical distribution rates, that this supply will last until December 2009.
- The current supply of Asian-language *Kits* will last through April 2010.

Even with Commission approval of this request, there will be up to a two-month delay in filling orders for the English-language *Kit* (the most widely distributed *Kit*) due to lack of funds at the present time. With funds now exhausted, the vendor no longer is able to procure raw materials for the *Kit* and all production has ceased. Production will need to be ramped up to maximum levels to meet demand and to avoid another lapse in service until contract expiration.

Without Commission approval, production and distribution of the *Kit for New Parents* will be delayed until a new contract is put in place.

***Kit* History**

- The *Kit for New Parents (Kit)* was released in 2001 as a first-of-its-kind comprehensive education resource distributed at no cost to California residents.
- The *Kit* (available in English, Spanish, Cantonese, Korean, Mandarin, and Vietnamese) often functions as a critical first step to educate parents about the care, health and education of children from 0 to 5 and to inform them about the services provided by First 5 California, as well as the county commissions.
- Through partnerships with First 5 county commissions, the *Kit* reaches local organizations ranging from hospitals and clinics to churches, foster care services, preschools, and community colleges.
- The *Kit* received an award in February 2009 from the Association of Maternal and Child Health Programs (AMCHP) as one of the top Promising Practices in the field of Maternal and Child Health.

In May 2007, First 5 California launched a redesigned version of the *Kit* in English and Spanish. The new *Kit* was an immediate hit with county partners, and demand after its formal release was significantly higher than the level anticipated in the new contract.

There are varied reasons for the current *Kit* funding shortfall. First, the amount of *Kits* produced annually closely aligned with the number of live births in California.

Table 1
Live Births in Comparison to *Kits*

Year	Live Births Per Year	<i>Kits</i> Built Per Year
2007-08	566,137*	550,095
2008-09	551,567*	479,323

Source: Department of Finance Demographic Research Unit

The *Kit* production numbers, while filling the public need, exceeded the number of *Kits* projected per year for production in the contract. The \$23,000,000 funding amount is based on 350,000 built per year. The contract language, which states “a projected minimum of 350,000 *Kits* produced each year,” does not cap the production amount to this figure. *Kits* are produced according to demand as per the contract language. This calculation contributed to the funding shortfall.

The advertising campaign launched by First 5 California with the introduction of the redesigned *Kit* was extremely effective. Demand increased faster than anticipated due to this campaign and due to the *Kit*'s attractive and more compact packaging. In addition, the inclusion of the *Advice for New Parents* book, which includes information about a child's development from ages 0 to 5, expanded the *Kit* audience to include caregivers and grandparents (in addition to new parents) and contributed to the increase in demand for the popular item.

First 5 California strives to provide information to all parents, caregivers, and grandparents of children from 0 to 5, including immigrants who may have limited access to resources due to language barriers. The introduction of Asian-language and Spanish-language *Kits* expanded First 5 California's ability to reach immigrant communities. In support of its outreach to California's increasingly diverse population (shown in Table 2), First 5 California ramped up *Kit* production in recent years to respond to the increased demand.

Table 2
California 0 to 5 Population by Ethnicity

Year	Asian	White	Hispanic	Pacific Islander	Black	American Indian	Multirace	Total
2007 Population	319,767 10%	945,202 29%	1,638,900 50%	10,980 0%	166,197 5%	8,394 0%	160,075 5%	3,249,515 100%
2008 Population	333,997 10%	954,794 29%	1,649,586 50%	12,087 0%	171,338 5%	9,903 0%	137,621 4%	3,269,326 100%
2009 Population	345,838 11%	962,712 29%	1,665,658 51%	13,252 0%	177,363 5%	11,531 0%	114,519 3%	3,290,873 100%
2010 Population	357,637 11%	97,104 29%	1,688,623 51%	14,408 0%	184,666 6%	13,244 0%	91,297 3%	3,321,979 100%

Source: Department of Finance Demographic Research Unit

The \$5 million requested will fund the remainder of the current contract to accommodate the recent higher-than-anticipated demand for *Kits* from the public and county commissions.

STRATEGIC PLAN

Continued funding of the *Kit for New Parents* will provide direct support for First 5 California's strategic plan Strategy 3.1, “Targeted Media – Educate Californians about

the healthy development of children and the importance of the first five years using a broad range of media strategies.”

Kit for New Parents funding also provides support to the following objective:

- Objective 3.1.2 – Develop and implement a comprehensive, grassroots public education campaign.

STAFF RECOMMENDATION

Staff recommends increasing the current ALOM contract by up to \$5 million through April 30, 2010. This will allow continued production and delivery of *Kits* to the public, county commissions, and their partners.

Pros:

- First 5 California preserves level of service to county commissions.
- During these times of economic hardship, counties and the families they serve are looking for low-cost assistance. The *Kit for New Parents* is a valuable service provided by First 5 California at no cost that many organizations, hospitals, educational programs, parents, and caregivers throughout the state have come to rely on.
- Continuation of this high-profile program helps First 5 California remain a credible resource during this time of fiscal uncertainty and public scrutiny.
- The *Kit* is praised universally and has been studied throughout the country. The *Kit* recently won an award from the Association of Maternal and Child Health Programs (AMCHP) as one of the top Promising Practices in the field of Maternal and Child Health. This public recognition for First 5 California serves as positive reinforcement and an example of a great return on the investment in this program.
- First 5 California is currently in the process of re-evaluating the *Kit* for potential redesign and has formed an internal committee to analyze current materials, delivery systems (including electronic), and customer needs pertaining to the *Kit*. In January 2010, First 5 California will return to the Commission with a request to solicit bids and authorize new funding needed to continue production of the *Kit for New Parents*.
- The *Kit* is perceived statewide as one of First 5 California’s most visible outreach tools.

Cons:

- There is considerable cost to fund the contract: Up to \$5 million.
- We are spending more funds than we had originally anticipated.

- Funds added to this contract could possibly be diverted to fund another First 5 California program.

FISCAL IMPACT

First 5 California funding for the *Kit for New Parents* will come from the Education Account as described more fully in the attached Funding Request Fiscal Detail form.

ALTERNATIVES CONSIDERED

Additional funds not added to existing ALOM contract.

Pros:

- No additional funds spent.

Cons:

- Dwindling *Kit* supplies will cause a major disruption in service to counties.
- The *Kit* would no longer be available to the majority of new parents and caregivers in California (the Asian-language *Kits* and some counties' customized *Kits* would still be available).
- County commissions, hospitals, and educational organizations dependent on the *Kit* as part of their outreach and parent education program will be left without an important tool.
- There is no plan in place for First 5 California to provide families with alternate means for accessing the information that is currently provided in the *Kit* to parents.
- The sudden lack of *Kit* availability may have a negative effect on relationships with parents and families, county commissions, and other stakeholder organizations.
- Without an amendment to this contract for additional funding, basic English-language *Kits* will be unavailable beginning in November 2009 and basic Spanish-language *Kits* will be unavailable beginning in December 2009.

FUNDING REQUEST FISCAL DETAIL

Title of Request:		Amendment of ALOM Contract for Additional Funding			<input checked="" type="checkbox"/> Contract <input type="checkbox"/> Program Disbursement <input type="checkbox"/> Special Disbursement	
Amount of Current Agreement:		Up to	\$23,000,000.00	Expenditures to Date:	\$22,600,485	
Current Term of Agreement:		May 1, 2007	Through	April 30, 2010		
		Fiscal Year Detail				
			FY 09-10			
New Amount Requested:		Up to	\$5,000,000	\$6,491,867		
Total Amount of Agreement:		Up to	\$28,000,000			
Percent of Available Fund Balance Affected by Agreement			4.11			
Proposed Funding Term:			Through			
First 5 California Account Name:		Education	Account Number	0634	Fund Availability Confirmed	<input checked="" type="checkbox"/> Yes By: _____
Statutory Purpose: Health and Safety Code 130105(a)(1)(B)		Section 130105(d)(1)(B) states, "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. . . "				
Do our funds leverage others?	<input checked="" type="checkbox"/> Yes (explain) <input type="checkbox"/> No	Commission Funds		Reimbursed Funds		Total Funds
		\$28,000,000		\$3,972,425		\$24,027,575
<p>The California Department of Health Care Services (DHCS) compensates First 5 California for the federal share of the actual expense of producing and distributing the <i>Kit for New Parents</i> to Medi-Cal eligible beneficiaries. First 5 California receives funds through an interagency agreement (03-76097) with DHCS to offset the cost of kits distributed. First 5 California is eligible to receive \$2,160,395 for FY 2007/08 and \$1,812,030 for FY 2008/09. The figures for FY 2009/10 reimbursement have not been determined.</p>						
Key Deliverable Descriptions					Deliverable Date	
Contractor must produce and/or procure all components of the <i>Kit</i> . All specifications must be followed unless changes are pre-approved by First 5 California Contract Manager.					Monthly Submissions	
Upon receipt of approved custom <i>Kit</i> items listed by county from First 5 California, Contractor will customize county <i>Kits</i> and will be compensated for the costs of customized <i>Kits</i> . The Contractor will receive, inventory, process, and distribute customized <i>Kits</i> in accordance with the basic <i>Kit</i> specifications and county requested specifications provided by the county and approved by First 5 California.					Ongoing	
Ship all orders within three business days of receipt of the order, using order receipt date or subscription delivery request date to determine shipping sequence, unless other arrangements are approved by First 5 California.					Shipped three business days of request	
Provide tracing and tracking for orders, using UPS, FedEx, U.S. Postal Service systems, including CASS (Coding Accuracy Support System), or any other approved carrier.					At time of shipment	