January 28, 2021

ACTION ITEM

SUBJECT: SMALL POPULATION COUNTY FUNDING AUGMENTATION (SPCFA) AUTHORIZATION

Strategic Plan Priority Area: II. Child Development
Goal: All children birth through age 5 have high-quality nurturing environments that ensure their learning readiness.

SUMMARY OF THE ISSUE

Staff will request $20 million for 4.25 years of funding authorization for the small population funding augmentation (SPCFA). In addition, staff will respond to questions raised by Commissioners at the October 2020 meeting.

Since the implementation of Proposition 10 in fiscal year (FY) 1999–2000, the State Commission has authorized additional funding to small population counties. The statutory funding formula for counties with a small population of births does not provide adequate funds to fully operate a commission and effective First 5 programs. First 5 county commissions in small population counties play a crucial role in programming for prenatal to five-year-old populations; without them, children in most of these counties would not have access to necessary services.The current funding cycle for SPCFA was authorized in January 2017 for $34.5 million over four years, and ends June 30, 2021.

RECOMMENDATION

F5CA recommends the Commission approve up to $20 million between April 1, 2021, and June 30, 2025, for the SPCFA program. This investment will include a new funding methodology and enhanced accountability for the allocation of augmentation funds to small population counties as well as funding to incentivize shared services and provide technical assistance.

BACKGROUND OF KEY ISSUES

Proposition 10 is designed to be a statewide effort that promotes, supports, and improves the early development of children ages 0 to 5 in every county in California. The Act asserts every county has the opportunity to develop a local commission if they are able to meet the goals, objectives, and accountability requirements of the Act.

However, the statutory funding (based on county birthrates) alone is insufficient for small population counties to operate a commission and implement effective programs. The F5CA Commission has approved funds for small population counties since its inception, enabling every county to operate a First 5 county commission. SPCFA enables small population counties to make Proposition 10 a statewide effort and ensure all children can be served.

During the current four-year funding term (FY 2017–18 through FY 2020–21), F5CA has provided approximately $4.5 million annually to augment revenue in the 20 smallest population counties.This cycle of SPCFA funding supported capacity-building around selection and implementation of evidence-based and evidence-informed programs, evaluation of effectiveness, and fiscal sustainability planning. As a result, SPCFA county executive directors (EDs) reported carrying out local systems building activities, as well as supporting programs in the areas of child health, family support and strengthening, and early learning and development. Small population counties bolstered their work by reaching out to one another for support, aligning local priorities with Quality Counts California, Help Me Grow, and other statewide efforts. In 2020, Child Trends summarized challenges and acocomplishments of small population counties in a report titled *Small Population County Funding Augmentation: County Experiences*, available at (http://www.ccfc.ca.gov/partners/investments.html#spcfa). The report also summarizes the evolution of SPCFA funding, requirements, and accountability over the last 20 years, and the type of evidence-based programs implemented by the small population counties.

It is current practice of F5CA to collaborate with small population counties and the Association on the development of proposed funding and program requirements for SPCFA. Meetings were held between June and December 2020 with a workgroup of small county representatives, First 5 LA (small counties requested this large county representative) and the Association to discuss options for future program requirements and other key components, including funding, eligibility, accountability, declining tobacco tax revenue, and term (number of years) of the funding agreement.

Eligibility and Funding

The proposed SPCFA eliglibility and funding criteria build upon the criteria guiding the current cycle of SPCFA (See Attachment A, page 1 for a comparsion between current and proposed.).

- **Eligibility.** It was agreed the formula that qualifies a county for the SPCFA program will continue to be based on the three-year annual average of 1,000 births or less. For this next cycle of SPCFA funding, F5CA will use the 2017–19 average of county births to determine eligibility. This increases the number of qualifying counties from 20 to 21 (see Attachment A, page 2).

  Mendocino is the 21st county to qualify for SPCFA. Figures on which eligilblity for the 2017 authorization were based showed Mendocino's average birth rate of 1,083 making them ineligible for the 2017 funding. However, beginning in 2017 and each year thereafter, Mendocino's annual birthrate has been below 1,000.

- **Funding.** New State contracting regulations prohibit F5CA from providing counties lump sum disbursements as it has in the past. Instead, counties must provide a budget for the agreement and invoice for actual expenses, which means each county's SPCFA amount must be determined before the agreement is executed.

  This is different from how F5CA currently funds SPCFA (see Attachment A, page 1 for comparison and details). Currently, SPCFA provides counties with a guaranteed annual predetermined baseline funding level between $275,000 and $750,000 depending on births (Baseline – Revenues = SPCFA funding). Counties receive 75% of the annual SPCFA funding at the beginning of the fiscal year based on projected revenues, and the balance once the revenues are known. For example, in 2011, Mono county had 156 births, which set their baseline at $350,000. In 2019–20, Mono county received $99,252 in combined Proposition 10, Proposition 56 and SMIF revenues. Therefore, Mono County received $250,748 in SPCFA funding that year (shown on Attachment A, page 3)

  In the next funding cycle, a predetermined amount of SPCFA funding no longer guarantees small population counties annual income. While the SPCFA contribution is fixed, income from tax revenues will fluxuate based on the counties births and overall decline in source revenues.

  Given these considerations, F5CA staff, the Association, and the SPCFA workgroup sought to identify a figure for SPCFA funding based on as much known information as possible. It was agreed annual funding for small population counties would be set as the three-year average of actual SPCFA between FY 2017–18 and FY 2019–20 (See Attachment A, page 3).

- **Contract Term.** The shift from lump-sum disbursements to monthly invoicing in arrears is a hardship for many small population counties; this shift creates a cash-flow challenge especially for the smallest counties where SPCFA funding is most of the county's income. F5CA proposes beginning SPCFA funding in April 2021 with an additional quarter-year of funding and a distinct deliverable (see below), thereby providing transition funding for counties to adjust to the new fiscal contracting processes (see Attachment A, page 4).

  The contract term will up to 3.25 years, with the option of extending an additional 12 months. The extension will include decisions made as a results of activities within the SPCFA accountability framework (see Shared Services, below). Staff are exploring the possibility of using grants to disburse SPCFA funding.

- **Funding for Technical Assitance and Efficiences.** Approximately $1.2 million (through June 2025) will be set aside to provide counties support to carry out the requirements of the Children and Families Act and specific activities within the SPCFA Accountability Framework.

SPCFA Accountability Framework

The accountability framework for this cycle of SPCFA funding addresses issues elevated by Commissioners during the October 2020 meeting.

SPCFA funds must be used to support programs and activities that promote the goals and objectives of the First 5 county commission’s strategic plan or the revision thereof, and the requirements of the Children and Families Act.

Small population counties will:

- Report SPCFA expenditures and services through the First 5 California Annual Report Data System by the deadline set by F5CA each year
- Carry out additional Equity and Impact Evaluation (see below) activities to understand the relationship between the local systems change activities and impacts on children, families, programs, and communities
- Seek to increase efficiencies by investigating and piloting shared services (see Shared Services, below)
- Align with IMPACT 2020, home visiting coordination, and other local efforts

Equity and Impact Evaluation

SPCFA funding promotes equity by enabling children and families in small population counties to receive essential services. Without the augmentation provided by F5CA, most small population counties would not have a local First 5 county commission. Many of these commissions play an essential role in funding basic services where none existed before, and overcoming geographic, technological, and resource barriers to help families access necessary services. Small population counties play a crucial role as effective conveners with the ability to bring partners to the table quickly to respond to issues effecting families with children ages birth through 5 years. Yet each small population county approaches their role differently depending on geography, political influences, staffing, and deep-rooted community and population factors.

While EDs report some data about their role, services, and recipients of local programs and services in Annual Reports, F5CA does not collect consistent data about the counties’ role as convener and systems change agent across its funded programs; nor does it collect information about how these activities transform thinking, practice, policies that reduce service barriers and improve equitable access for children and families.

In the upcoming funding cycle, all small population counties will engage in evaluation activities focused on understanding the relationship between organizational and system change efforts and intended outcomes and impacts. A key piece of this work will be to study outcomes and impacts through an equity lens. Counties will have access to evaluation technical assistance through a F5CA-funded contractor and will pilot a tool to help evaluate their systems change work currently in development by Child Trends (on retainer for evaluation support through June 2021) in collaboration with several small counties and F5CA staff. F5CA will seek a new evaluation contractor to continue supporting counties throughout SPCFA funding cycle, who will work with F5CA and small population counties to refine the tool. Use of this tool may be scaled statewide as part of F5CA's ongoing work to collect more comprehensive, equity-informed information about local systems impacts to tell a more complete First 5 story.

Within the first three months of the contract (or grant) execution, counties will be required to complete and submit the tool for at least one of their systems change activities. All small population counties will be able to request evaluation technical assistance to support them in completing this deliverable. Counties with contract/grant start dates of April 1, 2021, will receive technical assistance and support from Child Trends to carry out this requirement, while counties with contract/grant start dates of July 1, 2021, will receive support from a new evaluation technical assistance contractor.

Shared Services

As Proposition 10 funding declines, F5CA is looking at financial models that maximize revenues. Service sharing across counties may be a viable way for two or more local government entities to cooperate to provide a single service or set of services, without compromising relationships that are integral to program success. On the other hand, not all services are more cost efficient when shared. In some cases, costs rise as the service area broadens, and in other cases, it is not practical to share certain services because of local policy constraints or the potential for uninentended consequences. For example, in cases where the First 5 commission is under the county jurisdiction, moving an administrative function once carried out by the EDs to a shared service provider may lead the oversight agency to reduce the EDs time rather than reallocating that time to other work that is closer to the local commission's priorities.

Local First 5 county commissions have been sharing services for years. The First 5 Association recently asked small population counties to share their history of sharing services and the result of those efforts. There are several examples of where this has worked well:

- Some small counties report services provided by the Quality Counts California (QCC) Regional Training and Technical Assistance Hubs (Hubs). For example, several counties report having access to coaches and training to improve educator quality, which they would not otherwise have been able to provide.

- Calaveras, Tuolumne, and Amador counties frequently share administrative services for grant funding. Amador and Calaveras have been part of a successful Perinatal Wellness Coalition since 2015. As a collaborative, they are able to obtain new funding that benefits both counties. Most recently, Calaveras and Amador are collaboratively implementing the Dual Language Learner Pilot Funding, with Calaveras providing administrative lead and Amador providing the "boots on the ground." Amador county applied as fiscal lead agent for the home visiting coordination funding on behalf of Calaveras and Tuolumne.

- Several counties have negotiated cost saving agreements with their county for fiscal processing, human resources, and information technology, and other services eliminating or reducing the need for the First 5 to carry out those functions. However, some counties report relationships are changing and new county rules have made these agreements untenable to continue.

- The most often-stated and valued shared service identified by counties is the First 5 Association. Counties pay a fee and benefit from policy/advocacy support, communications (production and outreach) services, and limited technical assistance.

There are many more instances where shared services did not work out as planned, created additional work, or cost more, which made the service sharing impractical or inequitable.

In the upcoming cycle of SPCFA funding, small population counties will be required to participate in activities (e.g., participate in interviews, respond to inquiries) to explore share services models:

- Over the next six months, Child Trends will research shared services models across the country, interview small counties to understand their experiences more extensively (including cost-benefit and potential unintended consequences), and recommend several options for shared services.

- Staff will share the results of Child Trends' research with counties and the Association and identify several potential areas where service sharing could be a viable solution.

- F5CA will incentivize counties to engage in one or more of the identified shared services beginning no later than FY 2022–23 to give counties time to adjust existing contractual and staffing arrangements accordingly.

- Counties will work with F5CA and an evaluator to better understand if and how sharing services are creating efficiencies.

- F5CA staff will report to the Commission in FY 2023–24 the outcome of the exploratory period and incentivized shared services and propose which, if any, shared services should be included in SPCFA beginning FY 2024–25.

SUMMARY OF PREVIOUS COMMISSION DISCUSSION AND ACTION

Staff presented an information item at the October 2020 Commission Meeting and small population county EDs shared local successes and impact. The Commission last authorized funding for SPCFA in January 2017, for up to $34.5 million over a four-year period ending June 30, 2021.

FISCAL ANALYSIS

The $20 million is divided as follows:

- Up to $18,775,190 will be allocated to augmentation funding for small population counties over the 4.25 years.
- At least $1,224,810 will be allocated to incentivize shared services and engage contractors to support small population counties with implementing shared services and carrying out evaluation requirements.

Funding for SPCFA will be distributed across accounts between April 1, 2021, and June 30, 2025, as follows:

	Education (0634)	Research & Development (0637)	Unallocated (0639)	Total
Percent	40%	20%	40%	100%
FY 2020–21 (3 mo)	$441,768	$ 220,884	$441,768	$ 1,104,420
FY 2021–22	$1,889,558	$ 944,779	$1,889,558	$ 4,723,895
FY 2022–23	$1,889,558	$ 944,779	$1,889,558	$ 4,723,895
FY 2023–24	$1,889,558	$ 944,779	$1,889,558	$ 4,723,895
FY 2024–25	$1,889,558	$ 944,779	$1,889,558	$ 4,723,895
Total	$8,000,000	$4,000,000	$8,000,000	$20,000,000

ATTACHMENTS

A. Small Population County Funding Augmentation Eligibility and Funding Detail (April 2021 through June 2025)