

League of Women Voters of California

OPPOSES

Proposition 1D Diverting Children's Services Funding

PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET. Legislative Initiative Amendment

Note: The Background, Proposal, and Fiscal Effect sections are taken from the LWVCEF *In Depth* publication, based in part on the Legislative Analyst's Office analysis included in the Secretary of State's official *Voter Information Guide*.

BACKGROUND

Proposition 10, The California Children and Families Act, was enacted by the voters in 1998. The initiative imposes a tax on tobacco products to fund an expansion of early development programs for children up to age five that are commonly known as First 5 programs.

First 5 Programs Funded with Tobacco Taxes. The First 5 programs are funded by a state excise tax on cigarettes and on other tobacco products. The cigarette tax is 50 cents a pack. This revenue is deposited into the California Children and Families Trust Fund and is not subject to appropriation by the Legislature. Proposition 10 requires that these funds be added to, not replace, funding for existing programs. The Legislative Analyst estimates Proposition 10 revenues for 2009-10 of \$500 million and a decrease of about 3 percent a year in the future.

State Commission. The California Children and Families Commission is responsible for state-level administration of 20 percent of Proposition 10 funds. Programs funded by the commission include (1) school readiness, which targets children up to age five and their families in schools with a low academic performance score; (2) health access outreach services for those in existing programs and those who do not qualify for other state-supported health programs; and (3) information kits for new parents to help improve their parenting skills.

County Commissions. Commissions in each of California's 58 counties allocate the other 80 percent of Proposition 10 funds. While programs vary from county to county, each provides services in the following areas.

- Family functioning: education for parents; behavioral, substance abuse, and mental health services; and provision of basic needs—food, clothing, housing.
- Child development: preschool for three- and four-year olds; kindergarten transition services; and targeted intensive intervention for children with special needs.
- Child health, health coverage and access services, home visits for newborns, and prenatal care.

Unspent Funds. Proposition 10 requires that any revenues not spent in a fiscal year be carried over for use in subsequent years. As of June 30, 2008, the state commission had about \$400 million in unspent funds and the local commissions about \$2.1 billion.

Other State Programs for Children. Outside of these programs, the state currently administers a variety of health and human services programs serving children age five or younger. These include foster care, health programs like Medi-Cal and Healthy Families, state preschool, child care, and services for children with special needs. These programs are independent of the First 5 programs and are supported by the state General Fund.

THE PROPOSAL

Temporary Redirection of Funding. Proposition 1D amends the California Children and Families Act to allow temporary use of a significant proportion of Proposition 10 funds to pay General Fund costs for *existing* programs for children up to age 5. This would free up an equivalent amount of General Fund money for other purposes. Specifically, the measure would:

- Redirect up to \$340 million in available unspent reserves held by the state commission as of July 1, 2009.
- Redirect \$268 million a year from future Proposition 10 revenues for five years, from 2009-10 to 2013-14. Each year, \$54 million would come from state commission funds and \$214 million from local commission funds. During these five years, the redirected funds would be subject to appropriation by the Legislature.

Permanent Changes. This measure makes the following permanent changes:

- Sets new requirements regarding annual audits and reports.
- Changes allocation of the state commission's 20 percent of Proposition 10 revenues, deleting the allocation now provided for mass media communications (such as anti-smoking advertisements) and increasing the allocation for general program purposes. The measure also requires that each county commission receive at least \$400,000 each year.
- Allows counties to borrow local commission funds for the county's general fund if the transfer will not interfere with local commission activities. Any borrowed funds would have to be repaid with interest.

FISCAL EFFECT

Reduced Funding. Proposition 1D would reduce state commission funding by up to \$340 million on a one-time basis in 2009-10. It would reduce state and local commission funding by a total of \$268 million annually from 2009-2010 through 2013-14.

State General Fund Savings. Proposition 1D would achieve savings of up to \$608 million in 2009-10 and \$268 million annually from 2009-10 through 2013-14.

Other Potential Effects. These reductions in funding could result in other costs to the state, counties and schools to the extent that some children and families would rely on other health and human services programs instead of those now provided under First 5. The Legislative Analyst says that absent this measure, other budget reductions or revenue increases would be needed to address the state's severe fiscal problems, and that the fiscal effects of these or alternative budget-balancing solutions on state and local programs and state revenues are unknown.

LEAGUE POSITIONS AND DISCUSSION

A number of League positions that affect children can be applied in opposition to Proposition 1D:

- The LWVUS Early Intervention for Children at Risk position supports policies and programs that promote the well being, development and safety of all children.
- The LWVC Children and Family Issues Action Policy states that the League is committed to the principles that all children are entitled to safe, nurturing care and that caring for children is a societal as well as a family responsibility. The League supports programs and policies that would effectively coordinate and integrate services that meet basic human needs, prevent or reduce poverty, and promote self-sufficiency for individuals and families.
- The LWVUS Meeting Basic Human Needs position notes that access to health care includes preventative care, primary care, maternal and child health care, . . . and nutrition programs.
- The LWVC Child Care position supports policies, legislation and programs which meet the need for accessible, affordable and quality child care.
- The LWVC Education: Pre-Kindergarten through 12 position states that all children should enter school ready to learn to their fullest potential and supports school readiness programs, including universal access to preschools . . . , and outreach to and support for parents of young children to enable parents to contribute to their child's readiness to learn.

The LWVC State and Local Finances (SLF) Position in Brief supports “measures to ensure revenues both sufficient and flexible enough to meet changing needs for state and local government services” and calls for a “system of public finance that emphasizes equity and . . . adequacy.” The SLF position calls for adoption of designated earmarked funds and taxes only in those situations where social benefit significantly outweighs the loss of flexibility and for earmarking in all cases to be statutory rather than in the state constitution.

Discussion

Considering our general support for flexibility of revenues, in 1998 the League took a neutral position on the original Proposition 10, the California Children and Families Act that established the First 5 program and designated a revenue source for it. However, we later opposed the unsuccessful Proposition 28 of 2000, which would have repealed the Proposition 10 tobacco tax, because of the proven value of the First 5 early childhood programs.

In evaluating Proposition 1D in light of the various League positions, the LWVC board considered carefully the benefit provided by the First 5 program as well as the context of the entire package of measures on this May 2009 ballot. The decision to oppose Proposition 1D reflects the League's belief that it is short-sighted to raid First 5 funds— thereby causing reduction or elimination of crucial prevention and early intervention programs—in order to pay for other services. In addition, Proposition 1D imposes changes to the First 5 program that are unrelated to attempts to balance the state budget. We also object to the manner in which all the propositions were written without public input or scrutiny, and believe they are likely to create more budgetary difficulties in the long-term while providing only the illusion of improvement in the short-term.

SUPPORTERS

Signing the ballot argument for:

Robert J. Baldo

*Executive Director,
Association of Regional Center Agencies*

OPPONENTS

Signing the ballot argument against:

Pamela Pimental, R.N.

Maternal-Child Health Specialist

Pamela Simms-Mackey, M.D.

*Associate Director of Medical Education,
Children's Hospital & Research Center,
Oakland*

Leticia Alejandrez

*Executive Director,
California Family Resource Association*

The rebuttal to the supporters' argument was signed by Delaine Eastin, former California Superintendent of Schools; Georgene Lowe, R.N., Health Linkages Coordinator, Santa Barbara County; and Elizabeth Hiteshew, Coordinator, Early Childhood Education, UCLA Early Childhood Education Extension Division.

The rebuttal to the opponents' argument was signed by Javier V. Guzman, Principal Consultant, The California Latino Child Development Association, and Robert J. Baldo, Executive Director, Association of Regional Center Agencies.

Others opposing Proposition 1D include the LWVC; California Federation of Teachers; Child Abuse Prevention Center; California State PTA; American Academy of Pediatrics, California Chapter; California Pan-Ethnic Health Network; Health Access; California Association for the Education of Young Children; California Nurses Association; Children's Defense Fund—California; and the National Association of Social Workers.

RESOURCES

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What Would Proposition 1D Mean for California?, California Budget Project, April 2009,
www.cbp.org

Supporters: www.CaBudgetReformNow.com

Opponents: www.NoOnProposition1D.com and www.Stop1D.org. The campaigns opposing Prop. 1D and Prop. 1E have united; their joint Web site is www.noprop1d1e.com.

The three opponents' Web sites contain a variety of materials, including fact sheets and Q&A materials about Proposition 1D and the First 5 commissions; sample letters to the editor; and video and other multimedia resources.

www.cffc.ca.gov has information about the state and county First 5 commissions and their programs.

SAMPLE LETTER TO THE EDITOR

Note: Please adapt this letter to your own community and check your local newspaper's word limit for published letters.

Editor:

Proposition 1D on the May ballot would take \$1.6 billion from California's "First 5" programs for young children over five years and put it into the state's general fund.

County First 5 commissions provide health and education programs for children 0-5, tailored to their county's needs. Services include school readiness programs in low-performing school districts, preventative oral care and dental treatment, child abuse prevention, and health insurance for young children who need it.

These programs prevent costly, long-term problems, making good use of our government dollars.

Prop. 1D is a stopgap that won't address our underlying state budget crisis. Join the League of Women Voters in voting NO on Proposition 1D.

Sincerely,

(name of president)

President

League of Women Voters of _____

NO on Proposition 1D

Diverting Children's Services Funding

- Proposition 1D is a stopgap proposal. It will not address the problems underlying California's state budget crisis. It could require major cuts in First 5 early childhood development programs over the next five years, without providing significant relief from our long-term fiscal problems.
- Prop. 1D is part of a budget package that was negotiated behind closed doors without input or scrutiny by the public or even most legislators.
- Proponents of Prop. 1D would like to give the impression that this diversion of funds makes more money available for children's services, but in reality it would raid certain services to pay for others.
- Because tobacco consumption is declining, the impact of diverting tobacco tax funds from First 5 programs will increase over time. The California Budget Project estimates that by 2013-14, approximately 68 percent of First 5 annual revenues will be shifted to the General Fund.
- First 5 health and education programs for young children provide prevention and early intervention services that can eliminate long-term, costly problems and produce savings for state and local governments.
- Prop. 1D would make permanent changes in the First 5 program that are unrelated to attempts to address the budget crisis. For example, it requires a "base level of funding" of at least \$400,000 for every county First 5 commission, without regard to the actual number of young children in the county. The measure also makes county commission funds available for borrowing for other county uses.
- Prop. 1D would permanently limit the use of First 5 funds for health care and early education to "direct services." This could eliminate funding for important functions such as training preschool teachers and child care providers, recruiting and training pediatric dentists and other medical specialists, developing and renovating facilities, program evaluation and improvement, and leveraging federal funds for planning and administration.
- A cutback in First 5 funds could result in the loss of early child care and education jobs.
- A reduction in First 5 programs could result in increased demand for other health and human services, especially during this recession, and it may be difficult for county and city agencies and school districts that are facing their own budget cuts to respond.
- First 5 was established by an initiative that "did the right thing" in the eyes of many by providing a source of funding, while many other programs created by initiative have not. In a sense, it is being punished for having its own funding source, which is now targeted by Proposition 1D.



First 5 at Risk: What Prop 1D Will Do to California's Children and Families

Prop 1D was intended to reflect the "Big 5's" decision to divert 50% of First 5 funds for 5 years. But poor drafting and lack of public review resulted in a flawed ballot measure that undermines the work of First 5 commissions *way beyond the diversion of funds*.

- **Prop 1D redirects \$1.6 billion over 5 years from local communities to the State Budget and gives the Legislature total control over how it is spent.** Prop 1D takes \$268 million every year from First 5 Commissions. That's approximately 50% of their current revenue from the tobacco tax, but it's a percentage that will quickly grow as tobacco sales continue to decline over the next five years. **By 2012-13, First 5 commissions will be left with as little as 35% - 40% of their current funds.**
- **Prop 1D changes how First 5 Commissions receive their funding, filling the State's coffers *before* any money goes to the counties.** Currently First 5 Commissions receive and spend tobacco tax revenue on a monthly basis. Prop 1D will radically alter commission operations, potentially closing commission doors for months while they await their portion of the funds.
- **In an effort to win Sen. Cox's vote for the budget (which did not succeed), language was inserted that limits the use of First 5 funds to "direct services" even though direct services are only one aspect of First 5's investment in children – and not necessarily the investment that promises the greatest return.** Among First 5 programs at risk:
 - Developing and renovating facilities for preschools in underserved communities. First 5 provides one of the few sources for upgrading facilities to expand access to preschool and quality child care in urban and rural communities alike.
 - Training preschool teachers and child care providers. First 5's investments in quality preschool and child care have resulted in some of the highest quality early education in the nation. Communities could lose critical support for training educators, developing curriculum, and assisting in licensing and program quality improvement.
 - Children's Health Initiatives, which provide the state's largest and most stable source of health insurance to low income children ineligible for other programs. Because of CHIs, more than 80,000 children have obtained access to insurance and regular health care, nearly a fourth of them under the age of 6.

- Training and recruiting dentists and other providers. First 5 addresses the dearth of pediatric dentists and other medical specialists by funding training programs and recruitment strategies. First 5 also funds facilities – from mobile vans to multi-county clinics – to meet pediatric health and dental needs. None of these investments are “direct services.”
- Leveraging funds and coordinating services for young children. First 5 revenues leverage millions of dollars statewide in federal Medicaid funds for planning and administrative activities that increase access to health care for low income children. These activities – and these federal dollars -- will be eradicated by Prop 1D.

What Proponents of Prop 1D Are Saying: Misleading and Inaccurate Claims

Proponents of Prop 1D claim that the radical diversion of funds from First 5 to the state budget will have no negative impact because First 5 commissions “are sitting on unspent billions.” This cynically twists commissions’ responsible stewardship of precious dollars into a claim that is unfair and inaccurate. The facts:

- Nearly 57% of First 5’s statewide fund balance is tied up in multi-year initiatives. When First 5 commissions start a project, they believe in ensuring they have the funds to complete it.
- Nearly 38% is reserved for new initiatives and to sustain programs as tobacco revenues decline.
- Less than 6% is undesignated. These are the funds that make possible emergency expenditures, such as responding to natural disasters like last year’s fires in southern California, keeping provider organizations in business during state and county fiscal cut-backs, and expanding and stabilizing safety net programs to assist families suffering from the failing economy.

Unlike the State of California, First 5 Commissions are responsible stewards of their funds, planning and investing for the long term. Enactment of Prop 1D will punish children and communities for First 5’s conscientious management of public dollars.

Enactment of Prop 1D will undermine one of the few efforts in California to fund prevention and early intervention strategies that eliminate long-term and costly problems, in spite of undisputable evidence of their cost effectiveness. When times are tough, prevention funding is the first to go. Prop 1D will only worsen future budget problems.

If Prop 1D passes, what’s to keep the Legislature from taking the rest next time the State needs cash?

Protect Children and Families: Vote No on Prop 1D
Join the No on Prop 1D Campaign. Go to www.NoOnProposition1D.com