

## PROPOSITION 1D

### CHILDREN'S SERVICES FUNDING

#### Legislative Initiative Amendment

#### 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 twenty 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 eighty 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 did not interfere with local commission activities. Any borrowed funds would have to be repaid with interest.

## FISCAL EFFECT

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

**State General Fund Savings.** Proposition 1E 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.

## WHAT A YES OR NO VOTE MEANS

A **YES** vote means a portion of funds previously approved by the voters to support early childhood development programs will be redirected temporarily to pay General Fund costs for

existing programs for children up to age five and to help balance the budget.

A **NO** vote means the Children and Families Trust Fund will continue to receive funding dedicated to early childhood development programs as approved by the voters and other budget reductions or revenue increases will help balance the budget.

### **SUPPORTERS SAY**

- Proposition 1D will not permanently shift First 5 funds from their original purpose, but merely redirects those funds on a temporary basis to help solve California's current budget crisis and prevent further cuts in services to children.
- By temporarily redirecting a portion of First 5 funds to health and social service programs for children now paid for by the state's General Fund, Proposition 1D is consistent with Proposition 10's original intent of helping children under age 5.
- State and local First 5 commissions are sitting on almost \$2.5 billion in unspent funds that can be used to offset the deep cuts to health and social service programs that were made to close California's budget gap.

### **OPPONENTS SAY**

- Proposition 1D is a stopgap measure that does nothing to address the state's fiscal crisis—and by taking funding from existing First 5 programs, it will result in other costs to the state as well as to local agencies.
- This measure violates the will of the voters by cutting programs specifically approved by the voters in Proposition 10.
- Proposition 1D will cut funds for community-based programs for children and families in every county in California, and agencies now receiving First 5 funds will have to reduce their programs and services for children.

### **SUPPORT AND OPPOSITION**

Ballot arguments in support are signed by Robert J. Baldo, Executive Director, Association of Regional Center Agencies.

Ballot arguments in opposition are signed by Pamela Pimental, R.N., 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.

### **PRO**

Budget Reform Now: [http://www.cabudgetreformnow.com/?\\_c=xuh34ocxze1whw](http://www.cabudgetreformnow.com/?_c=xuh34ocxze1whw)

California Teachers Association:

<http://www.cta.org/issues/current/May+19+Special+Election+Initiatives.htm>

California Taxpayers Association: <http://www.caltax.org/>

## CON

No on 1D: <http://www.noonproposition1d.com>

California Federation of Teachers: <http://www.cft.org/>

California Family Resource Association: <http://www.californiafamilyresource.org/>

## FOR MORE INFORMATION

California Secretary of State: <http://www.voterguide.sos.ca.gov/>

Legislative Analyst's Office: <http://www.lao.ca.gov>

Campaign Finance Information: <http://cal-access.sos.ca.gov/campaign/>

Ballotpedia: [http://ballotpedia.org/wiki/index.php/California\\_2009\\_ballot\\_propositions](http://ballotpedia.org/wiki/index.php/California_2009_ballot_propositions)

California Budget Project: [www.cbp.org](http://www.cbp.org)

EdSource: <http://www.edsource.org/election09.html>