FIRST 5 CONTRA COSTA
CHILDREN AND FAMILIES COMMISSION

2011 Strategic Plan Update
Approved, December 5, 2011

Introduction

The Contra Costa Children and Families Commission approved the most recent First 5 Contra Costa strategic plan in October 2009, designed to guide its priorities and investments from 2010 through 2015. This plan was developed in the midst of the emerging economic recession, the ongoing erosion of public funding for children's programs, climbing foreclosure and unemployment rates, and a growing number of families struggling to make ends meet. Given these conditions, our plan demonstrated a commitment to provide a consistent level of funding for our effective programs over a five-year period, despite a significant decline in Proposition 10 revenue.

To make up for the decline in revenue and to maintain funding for programs, the plan called for the use of most of our long-term sustainability fund – funds we had intentionally set aside to sustain programs in later years as revenue declined. Over $30 million was to be expended from the sustainability fund by 2015, leaving $8 million for a small reserve fund. Combined with our expected revenue, we planned to invest $77.5 million over five years to provide our county's most vulnerable children with a solid foundation before kindergarten. Upon completion of the five-year plan, and the near depletion of the sustainability fund, we anticipated it would be necessary to significantly reduce our budget starting in 2016.

In the strategic plan we stated: "A sudden drop in consumption, an additional tobacco tax, or a new ballot initiative could very quickly change the revenue outlook." A new "revenue outlook" has indeed emerged and the Commission is forced to update our strategic plan and make considerable changes as a result.

Updated Strategic Plan

This document provides an update to our 2010-15 strategic plan in response to external events since the plan was last adopted. It is not intended to entirely replace the 2010-15 plan, as most of the plan's elements are still relevant, including:

- Vision, mission and strategic principles
- Strategic results areas, goals and objectives
- Initiatives and strategic directions

This update provides new demographic information related to children and families, a new long-range financial plan, and expenditure reduction targets for the four years from FY 2012-13 through FY 2015-16. This document also identifies within our current Initiatives those core priority areas we will continue funding long-term, and those we will fund as long as possible.

This document reflects the decisions First 5 Commissioners made at two planning retreats, which took place in July and October 2011.

A Current Snapshot

In the last decade, and even in the two years since the Commission adopted its last plan, Contra Costa has continued to grow and has faced economic turmoil. Preliminary 2010 Census data show significant changes in the County since 2000, particularly in growth in the South and East regions of the County. While the County's overall population grew by 11% over the decade, the South and East regions grew by 32% and 29% respectively. The City of Brentwood itself grew by 121%; San Ramon increased by 61%, and Oakley by 38%. Conversely, and as the economy has worsened, in the last two years the cities of Pinole, El Cerrito and San Pablo have lost population.

Contra Costa remains a county of wide disparity in wealth, one in which economic statistics create a positive outlook for the County overall, but mask many families who struggle to make ends meet in a region that remains a very expensive place to live and raise a family. In the last three years in Contra Costa County, the cost of child care has increased by 25%, unemployment has increased by 74%, and the number of Cal Fresh (food stamps) recipients by 123%. Meanwhile, wages rose by only 2%.

Median household income in Contra Costa (2009) stands at $75,742, well above the California median of $58,925. But a family of four in Contra Costa with one school-age and one preschool-age child would have to earn $69,069 annually to cover basic costs including housing, food, transportation, child care, health care, and taxes. Almost 10% of Contra Costa residents live below the federal poverty level. Last year, nearly 75% of families served in First 5 programs earned $30,000 or less, and of those, 48% earned less than $15,000.

The Challenge: Assembly Bill 99

In April 2011, California Governor Jerry Brown signed Assembly Bill 99, which allows the state to take nearly $1 billion of voter-approved Proposition 10 tobacco tax revenues. AB 99 requires First 5 commissions to remit half of their Prop 10 fund balance as of June 30, 2010 to the state, which translates to a loss of $23,488,904 for First 5 Contra Costa. Currently, no use for those funds has been identified in the State budget.

In its initial response to AB 99, the Commission adopted a "step-down" approach to reducing expenditures to the level of ongoing Proposition 10 revenue by fiscal year 2015-16. The initial step was a 14% reduction in Proposition 10 expenditures in the 2011-12 budget, eliminating over $3 million in expenditures for program, staff, and administrative costs.

Following the enactment of AB 99, twelve First 5 commissions challenged its legality, charging that such a sweeping change to the structure of Proposition 10 should have been taken to the voters; that it uses Prop 10 funds to supplant state General Funds, which is explicitly prohibited by law; and that it bypasses local control over local revenues. Voters have consistently supported Proposition 10 over the years, most recently with Prop 1D in May 2009.

The legal arguments of the AB 99 lawsuit were heard in Fresno Superior Court on August 30, 2011. With the judge's decision not expected until the end of November, and with an appeal likely by either side, the Commission may not know the ultimate outcome for AB 99 until the end of the 2011-12 fiscal year or later.

The Commission, then, is challenged by the circumstances revolving around the fund balance we had expected to use to fully sustain our programs through the 2014-15 fiscal year. Instead, the Commission must immediately reduce budget expenditures each year to the point of exhausting the fund balance by 2014-15.

Long-Range Financial Plan

In response to the passage of Assembly Bill 99, the Commission adopted in April 2011 a "step-down" approach to reducing its expenditures over the next four years. After the last step, Commission expenditures will be tied to revenue only; the fund balance to augment tax revenue will be exhausted. The Commission completed its first step, a reduction of $3.11 million, with adoption of the FY 2011/12 budget.

Given the uncertainty introduced by the legal challenge to AB99 and expenditure savings in the 2010/2011 fiscal year, the Commission modified its April projections to allow for no expenditure reduction in the 2012/13 year, as opposed to the 15.2% drop previously anticipated. By doing so, the Commission will have time to learn the ultimate outcome of the legal challenge to AB99 before making any additional significant cuts. At its October 3 meeting, the Commission adopted the following expenditure targets for the fiscal years through FY 2015-16.

PROJECTED REVENUE AND TARGETED EXPENDITURES, FY 2011/12 – FY 2015/16

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Prop 10 Revenue -- LAO 2009 Est.	8,462,369	8,205,829	7,842,146	7,581,003	7,368,000
Fund balance drawdown	3,555,675	3,932,215	1,957,854	918,997	0
Expenditure target (Prop 10 funds only)	12,138,044	12,138,044	9,800,000	8,500,000	7,368,000
Reduction in expenditure from previous year	14%	0.00%	19.26%	13.27%	13.32%

Currently, 87% of the overall budget is devoted to program expenditures (evaluation accounts for 5% and administration for 8%). This percentage may drop as the overall budget decreases due to fixed costs that will cause the administrative portion of the budget to increase. Applying the current proportions to the 2015-16 targeted expenditure ($7,368,000) yields $6,410,160 for program expenditure, 64% of the current level of program funding.

Proposition 10 tax revenue is expected to continue to decline in the years beyond 2015 as tobacco consumption continues to drop. The Commission will need to continue to adjust financial and strategic plans based on ongoing revenue forecasts.

As the Commission is forced to reduce its budget in the future, staffing and expenses will need to be reduced proportionally. Reducing or eliminating program activities will result in corresponding staff reductions or redistributions. The Commission should be careful to ensure that First 5 will continue to meet its compliance obligations.

Core Priority Areas

In order to better guide future funding decisions, the Commission has identified "core" priority areas. Core areas would most likely continue to receive funding from First 5 in FY 2015-16 and in subsequent years, although some reduction in funding will be necessary as our budget decreases.

The core areas were selected based on their success so far, their match with the planning elements prioritized at the Commission's July 2011 retreat, and their potential for long-term impact or legacy. As a set they represent the range of activities that First 5 has historically invested in, from general population level education to high intensity intervention. They also have a high likelihood of blending with other resources or activities and can be easily reduced or increased depending on resources.

While the Commission may wish to sustain as long as possible the programs not deemed "core", these programs will be first in line for restructuring, reduction, or elimination in the future. Because of the uncertainty and outcome of the AB 99 lawsuit and $1.1 million in cost savings achieved in fiscal year 2010/11, the Commission will not reduce budget expenditures in fiscal year 2012-13. Any reductions, restructuring, or elimination of funding for these programs would not begin until 2013-14 and beyond.

"Core" Priority Areas

Preschool Makes a Difference (Early Care and Education -- ECE)

ECE Professional Development (ECE)

First 5 Centers (Family Support -- FS)

Mental Health Therapeutic Services (Early Interventions -- EI)

Children at Risk of Stress or Trauma (EI)

Health Promotion (Community Information and Education -- CIE)

"As Long as Possible" Programs

Raising A Reader (ECE)

Home Visiting (FS)

Inclusion Consultation (EI)

Mental Health Consultation (EI)

Medically Vulnerable Infants (EI)

Parents of Children With Special Needs (EI)

Parents With Disabilities (EI)

Developmental Screening (EI)

Training and Consultation (All initiatives)

New Parent Kit Distribution (CIE)

I&R (211) (CIE)

Tigo (CIE)

Communications (CIE)

Community Engagement (CIE)