

Arizona Early Childhood Development and Health Board

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
FUND SOURCES			
Other Non-Appropriated Funds	160,962,700	136,273,300	144,290,800
Federal Funds	1,587,800	9,400,400	7,477,800
TOTAL - ALL SOURCES	162,550,500	145,673,700	151,768,600

AGENCY DESCRIPTION — As authorized by a 2006 ballot initiative (Proposition 203), the Arizona Early Childhood Development and Health Board (ECDHB) is funded from an 80 cents per pack cigarette tax, plus taxes on other tobacco products. The board funds early childhood development programs and services for children prior to kindergarten and their families. The agency is also commonly known as “First Things First.”

Background

Early Childhood Development and Health Fund

Revenues from the tax are deposited into the Early Childhood Development and Health (ECDH) Fund and go into 2 accounts: 90% of funds are allocated to the Program Account and 10% of funds to the Administrative Costs Account.

Of the annual Program Account budget set by the board each year, 10% (or 9% of the statewide total) may be spent on statewide programs with the remaining funds allocated to the Regional Councils (81% of the statewide total). Of the amount made available to regions, 60.8% is allocated to the various regions based on the population aged 5 and under and the population under 5 living below the poverty line. The board uses its discretion to allocate the other 20.2% to regions.

In FY 2015, ECDHB’s largest expenditure was **child care scholarships** at \$56.5 million, as displayed in *Table 1*, serving an average of 7,728 children monthly. ECDHB increased its child care reimbursement rates in FY 2015, so fewer children were served even though child care expenditures were greater than the prior year.

State-funded child care is provided through 3 agencies: the Department of Economic Security (DES), the Department of Child Safety (DCS), and ECDHB. DES and ECDHB provide child care for low-income working families, while DCS provides child care for child welfare cases. Beyond requiring low-income families to accept a DES subsidy if it is available, there is limited interaction between DES and ECDHB on child care. DES low-income working child care is offered as only a partial subsidy requiring a family copayment that varies based on a family’s income level. ECDHB low-income working child care is offered as a full “scholarship” without a copayment.

Table 1

FY 2015 ECDHB Fund Expenditures by Category
(\$ in Millions)

Expenditure Category	Amount	Percent
Child Care Scholarships	\$ 56.5	35%
Other Child Care	23.8	15%
Family Support	34.8	22%
Health	19.6	12%
Administration	12.9	8%
Professional Development	6.9	4%
Community Awareness	3.1	2%
Research & Evaluation	2.0	1%
System Coordination	1.4	1%
Total	\$161.0	100%

The **other child care** spending of \$23.8 million was used for early care and education center support as well as professional development.

Since FY 2011, ECDHB child care expenditures have been used to meet federal child care funding requirements. The maintenance-of-effort requirement for the federal Child Care and Development Fund Block Grant (CCDF) is state child care spending of about \$10 million annually. In addition, the state must put up approximately \$20 million in matching funds to draw down the entire CCDF allocation. ECDHB disbursements largely fulfill both of these federal conditions.

Family support mainly consists of voluntary in-home services for infants, children and their families, focusing on parenting skills, early physical and social development, literacy, health and nutrition; it also includes classes on parenting, food boxes, parent kits, and other services.

The **Health** category provides mental health consultations to teachers and caregivers, oral health services to families, case management to families, child care health consultations to child care providers, obesity prevention to families, prenatal outreach to women and families, and other services.

The **administration** category funds about 107 filled FTE Positions.

Professional development includes training, scholarships, and financial incentives for professionals who provide education and early care to children.

Community awareness is media and community outreach efforts. **Research and evaluation** spending is used to evaluate the effectiveness of ECDHB programs. **System Coordination** establishes partnerships and expands services and programs for families with young children.

As shown in *Table 2*, the estimated FY 2016 expenditures leave the fund with a projected balance of \$353,522,900 at the end of FY 2016. The board intends to use the balance in future years to offset ongoing revenue losses that may occur if tobacco use (and the corresponding tax collections) continues to decline.

	FY 2014 <u>Actual</u>	FY 2015 <u>Actual</u>	FY 2016 <u>Estimate</u>	FY 2017 <u>Estimate</u>
Revenues				
Beginning Balance	\$421.6	\$396.9	\$364.1	\$353.5
Ongoing Revenues	<u>132.1</u>	<u>128.2</u>	<u>125.7</u>	<u>123.6</u>
Total Revenues	553.7	525.1	489.8	477.1
Expenditures				
Administrative	13.5	12.9	15.1	15.1
Program ^{2/}	<u>143.3</u>	<u>148.1</u>	<u>121.2</u>	<u>129.2</u>
Total Expenditures	156.8	161.0	136.3	144.3
Ending Balance	\$396.9	\$364.1	\$353.5	\$332.8

^{1/} Data from ECDHB
^{2/} Includes \$18.5 million from administrative account carry-forward balances that will be spent on programmatic efforts in FY 2016.

STATUTORY CHANGES

The Baseline would, as session law, continue to require ECDHB to report with DCS on their collaborative efforts to address child welfare issues of common concern.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Early Childhood Development and Health Fund (CDA2542/A.R.S. § 8-1181)		Non-Appropriated
Source of Revenue: A 4¢ tax per cigarette as well as various increases on other tobacco products.		
Purpose of Fund: To fund the administrative and programmatic costs of the Arizona Early Childhood Development and Health Board. Monies from the fund may supplement, but not supplant, existing early childhood development programs. Up to 10% of the funds each year are deposited into the Administrative Costs Account and at least 90% are deposited into the Program Account for early childhood development programs and grants. The fund was created as a result of a voter initiative (Proposition 203) in the 2006 election.		
Funds Available		
Balance Forward	396,898,400	364,128,300
Revenue:		
Administrative Costs Account	12,783,600	12,600,000
Program Account	115,052,800	113,400,000
Other (Donations and Grants)	<u>356,200</u>	<u>(332,100)</u>
Total Funds Available	525,091,000	489,796,200
Expenditures:		
Administrative Expenditures	12,904,200	15,101,700
Programmatic Expenditures	<u>148,058,500</u>	<u>121,171,600</u>
Total Funds Expended	160,962,700	136,273,300
Year-End Fund Balance	364,128,300	353,522,900
Federal Grants (CDA2000/A.R.S. § 8-1182)		Non-Appropriated
Source of Revenue: Federal Funds.		
Purpose of Fund: To fund special maternal and child health projects along with high-quality preschool programs.		
Funds Expended	1,587,800	9,400,400
Year-End Fund Balance	0	0