2009

# PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET

# QUICK-REFERENCE GUIDE

## PROP 1C LOTTERY MODERNIZATION ACT.

### SUMMARY

*Put on the Ballot by the Legislature*

Allows the state lottery to be modernized to improve its performance with increased payouts, improved marketing, and effective management. Requires the state to maintain ownership of the lottery and authorizes additional accountability measures. Protects funding levels for schools currently provided by lottery revenues. Increased lottery revenues will be used to address current budget deficit and reduce the need for additional tax increases and cuts to state programs. Fiscal Impact: Allows $5 billion of borrowing from future lottery profits to help balance the 2009–10 state budget. Debt-service payments on this borrowing and higher payments to education would likely make it more difficult to balance future state budgets.

### WHAT YOUR VOTE MEANS

**YES** A YES vote on this measure means: The state would be allowed to borrow $5 billion from future lottery profits to help balance the 2009–10 state budget, as well as borrow additional funds later. The California Lottery would have greater flexibility to increase its sales and profits. Lottery payments to educational institutions would end, and the state General Fund would increase its payments to education to make up for the loss of these lottery funds.

**NO** A NO vote on this measure means: The state would not be able to borrow from lottery profits to help balance the state budget. The lottery would continue to operate as it does today, with profits dedicated to education.

### ARGUMENTS

**PRO** Yes on Prop. 1C MODERNIZES OUR LOTTERY and generates up to $5 billion in new revenue—without raising taxes. Prop. 1C guarantees schools get the same level of lottery funding as they do now. Prop. 1C will help prevent more tax hikes and deeper cuts to public safety and schools.

**CON** A no vote on this measure will leave the state lottery as the voters intended when they voted for Proposition 37 in 1984. Funding to education by the state lottery will not decrease or change in any way.

### FOR ADDITIONAL INFORMATION

**FOR**

Budget Reform Now
(866) 978-3444
info@cabudgetreformnow.com
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**AGAINST**

Senator Bob Huff
1017 L Street #401
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## PROP 1D PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET.

### SUMMARY

*Put on the Ballot by the Legislature*

Temporarily provides greater flexibility in funding to preserve health and human services for young children while helping balance the state budget in a difficult economy. Fiscal Impact: State General Fund savings of up to $608 million in 2009–10 and $268 million annually from 2010–11 through 2013–14. Corresponding reductions in funding for early childhood development programs provided by the California Children and Families Program.

### WHAT YOUR VOTE MEANS

**YES** A YES vote on this measure means: A portion of funds previously approved by the voters to support early childhood development programs through the California Children and Families Program will be temporarily redirected over the next several years to achieve state General Fund budgetary savings.

**NO** A NO vote on this measure means: The California Children and Families Program will continue to receive all the funding now dedicated for the expansion of early childhood development programs. Other budget reductions or revenue increases would be needed to address the state's fiscal problems.

### ARGUMENTS

**PRO** Proposition 1D protects vulnerable children while helping California close a $42 billion budget gap. It temporarily shifts a portion of the unspent $2.5 billion in First 5 Commission accounts to fund critical health and social services for children under the age of 5 and protects against future cuts.

**CON** Proposition 1D takes $1.6 billion away from local health and education programs for young children and gives it to Sacramento politicians. Prop. 1D violates the will of voters who twice approved these funds for local health, education, and antismoking programs. Prop. 1D replaces voter-mandated local control with Sacramento bureaucracy.

### FOR ADDITIONAL INFORMATION

**FOR**

No contact information was provided.

**AGAINST**

Protect Children and Families:
Vote No on Prop. 1D
2340 Powell St. #164
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PROPOSITION

# 1D PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET.

## OFFICIAL TITLE AND SUMMARY

### PROTECTS CHILDREN'S SERVICES FUNDING. HELPS BALANCE STATE BUDGET.

- Provides more than $600 million to protect children's programs in difficult economic times.
- Redirects existing tobacco tax money to protect health and human services for children, including services for at-risk families, services for children with disabilities, and services for foster children.
- Temporarily allows the redirection of existing money to fund health and human service programs for children 5 years old and under.
- Ensures counties retain funding for local priorities.
- Helps balance state budget.

**Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:**

- State General Fund savings of up to $608 million in 2009–10 and $268 million annually from 2010–11 through 2013–14, from temporarily redirecting a portion of funds from the California Children and Families Program in place of state General Fund support of health and human services programs for children up to age five.
- Corresponding reductions in funding for early childhood development programs provided by the California Children and Families Program.

**FINAL VOTES CAST BY THE LEGISLATURE ON AB 17 (PROPOSITION 1D)**

| | | |
|---|---|---|
| Senate: | Ayes 37 | Noes 0 |
| Assembly: | Ayes 75 | Noes 3 |

## ANALYSIS BY THE LEGISLATIVE ANALYST

### BACKGROUND

#### First 5 Programs

Proposition 10, otherwise known as the California Children and Families Act, was enacted by the voters of California in the November 1998 election. The initiative created the California Children and Families Program (now commonly known as the First 5 program) to expand early development programs for children up to age five.

***First 5 Programs Funded With Tobacco Taxes.*** The First 5 program is funded by revenues from a state excise tax on cigarettes (50 cents per pack) and other tobacco products. (An additional 37 cents per pack in state excise taxes is imposed for other state purposes unrelated to First 5.) Revenues generated by the First 5 tax are deposited into the California Children and Families Trust Fund and are appropriated on an ongoing basis for First 5 programs. Thus, none of these funds are subject to appropriation by the Legislature. Proposition 10 requires that these funds be added to, rather than replace, the funding for existing programs.

We estimate that Proposition 10 revenues in 2009–10 will be about $500 million. Based on our analysis of trends in tobacco consumption, we estimate Proposition 10 revenues will decrease by about 3 percent annually in the future.

***State Commission.*** Proposition 10 established a state commission—the California Children and Families Commission—that is responsible for state-level administration of the early childhood development program. Twenty percent of available Proposition 10 revenues is allocated to the state commission, to be spent for the purposes detailed in Figure 1. The state commission funds many programs, including:

- ***School Readiness,*** which targets children up to age five and their families in schools with a low academic performance score.
- ***Health Access,*** which provides outreach and enrollment services for existing state-supported health programs, as well as expanded coverage for those children who lack health insurance but do not qualify for state-supported health programs.
- ***Information Kit for New Parents,*** which provides expecting and new parents with a resource kit to improve their parenting skills.

***County Commissions.*** The remaining 80 percent of Proposition 10 revenues is allocated annually to 58 county commissions (consisting of five to nine members appointed by the county board of supervisors). The local commissions implement programs in accordance with local plans to support and improve early childhood development in their county. While the programs vary from county to county, each local commission provides services in the following three areas:

- ***Family Functioning,*** including adult education for parents; behavioral, substance abuse, and mental health services; and the provision of basic family needs (food, clothing, and housing).

Figure 1

**Allocation of Proposition 10 Revenues to the State Commission**

| Purpose | Allocation |
|---|---|
| Mass media communications | 6% |
| Education | 5 |
| Child care | 3 |
| Research | 3 |
| Administration | 1 |
| General program purposes | 2 |
| **Total Allocation** | **20%** |

- ***Child Development,*** including preschool for three- and four-year olds, kindergarten transition services, and targeted intensive intervention for children identified with special needs.
- ***Child Health,*** including health coverage and access services, home visitations for newborns, and prenatal care.

***Unspent Fund Balances.*** Proposition 10 provides that any revenues to the state and local commissions not spent during a fiscal year are carried over for use in subsequent fiscal years. As of June 30, 2008, the local commissions had a total of about $2.1 billion in unspent funds, and the state commission had about $400 million in unspent funds.

***Auditing and Reporting Requirements.*** The state and local commissions conduct independent annual audits of their expenditures and issue reports on these audits. Local commissions must submit these financial reports to the state commission, while the state commission must

*For text of Proposition 1D, see page 53.*

submit its reports to the Governor, the Legislature, and each county commission.

### Other State Health and Human Services Programs for Children

The state currently administers a variety of health and human services programs that serve children, many of whom are age five or younger. Examples of these state-supported health and human services programs include foster care, health coverage services like Medi-Cal and Healthy Families, state preschool, and child care. These programs currently are largely operated separately of the First 5 programs and are supported by the state General Fund.

## PROPOSAL

This measure temporarily redirects a significant portion of Proposition 10 funds to achieve budgetary savings and makes permanent changes to state and local commission operations, as discussed below.

***Temporary Redirections of Funding to State Programs for Children.*** This measure amends the California Children and Families Act to temporarily allow Proposition 10 revenues to be used to fund other state health and human services programs for children up to age five. In effect, these Proposition 10 revenues would be used to offset *existing* state General Fund costs, thereby achieving savings to help address the state's current budgetary problem. The measure achieves these state General Fund savings in two ways:

- By redirecting up to $340 million of available unspent reserves held by the state commission as of July 1, 2009.
- By temporarily redirecting a portion of future Proposition 10 revenues. Specifically, from 2009–10 through 2013–14, this measure would divert annually $268 million in Proposition 10 funds. Of the redirected funds, $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 various other changes:

- ***New Requirements for Distribution of Audits and Reports.*** The measure requires that the county commissions also submit their annual audits and reports of their expenditures to the county board of supervisors and the county auditor. In addition, it requires that each county auditor serve on the local First 5 commission.
- ***Changes in Allocation of State Commission Funds.*** This measure also amends the allocation requirements for the state commission's 20 percent of Proposition 10 revenues. Specifically, it deletes the allocation now provided for mass media communications (now 6 percent) and increases the allocation for general program purposes (from 2 percent to 8 percent). Under the measure, the state commission must also ensure that every county commission receives at least $400,000 each year.
- ***County Borrowing of First 5 Funds.*** Finally, it allows a county controller to borrow local commission funds for that county's general fund, unless the transfer would interfere with local commission activities. Any borrowed funds must be repaid with interest.

## FISCAL EFFECTS

The measure would have the following fiscal effects on state and local governments.

***Reduction in Funding Available for Existing State and Local Commission Programs.*** This measure would reduce state commission funding by up to $340 million on a one-time basis in 2009–10 by redirecting the state commission's reserve funds. In addition, this measure would reduce funding for the state and local commissions by $268 million annually from 2009–10 through 2013–14.

***State General Fund Savings.*** This measure would achieve state savings of up to $608 million in 2009–10 and $268 million annually from 2010–11 through 2013–14. This results from using a portion of Proposition 10 funds in place of state General Fund for state-supported health and human services programs for children up to age five.

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

*For text of Proposition 1D, see page 53.*

## ★ ARGUMENT IN FAVOR OF PROPOSITION 1D ★

California children deserve our protection. The state of California has a long history of approving special dedicated funds for children's services. Given the state's current and ongoing budget challenges, we need to take extraordinary steps to once again protect services for children under the age of 5.

This measure is a common-sense solution to California's budget crisis while also protecting important services for children under the age of 5. It will redirect up to $340 million in reserves currently held by the state First 5 Commission and transfer $268 million annually for the next five years into programs such as child welfare services, early intervention and prevention services for infants and toddlers with developmental disabilities, adoption assistance, foster care, kinship guardianship assistance and direct health care services.

Proposition 1D is consistent with the original intent of voters when they passed Proposition 10 in November 1998. The original initiative added a $0.50 tax on tobacco products to promote, support and improve the early development of children under the age of 5. State and local First 5 commissions have used this money to fund important programs that benefit infants and toddlers, as well as their families. Unfortunately, in tough economic times, families suffer greater stress and larger numbers of children are seen in the child welfare and foster care system. Now, more than ever, the state must use all of its available resources to protect and sustain existing programs. This measure will ensure that children under the age of 5 continue to receive the services currently available to them.

Voting for this measure will not permanently shift these funds away from their original purpose. This solution will help solve California's current budget crisis and prevent further cuts in services to children under the age of 5. Please vote yes to help our state continue critical services to children under the age of 5.

**ROBERT J. BALDO,** Executive Director
Association of Regional Center Agencies

## ★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 1D ★

PROPOSITION 1D ELIMINATES FUNDING FOR OUR CHILDREN

Prop. 1D hurts children. It's a cynical scheme by Sacramento politicians to seize money from local health and education programs.

Who do you trust? The politicians who wrote the ballot description above or parents, teachers, doctors, nurses, and law enforcement officials who are voting no on Prop. 1D:

*"Prop. 1D hurts children. It will cut effective preschool and early education programs that are key to children's long-term success in school."*

— Professor Joe Kahne, Dean, School of Education, Mills College

*"Prop. 1D will eliminate proven anti-smoking programs that keep families healthy and lower healthcare costs that burden every taxpayer."*

— Albert Wang, M.D., Co-Chair, Friends of Children with Special Needs

*"Prop. 1D cuts effective programs that start kids on the right track to keep them out of trouble. It will hurt kids and add to the strain on law enforcement and taxpayers."*

— Sheriff Lee Baca, Los Angeles County

*"As a PTA mom, I don't want to see $1.6 billion taken away from local programs and put in the hands of Sacramento bureaucrats."*

— Lisa Greer, Past PTA President, Riverside Drive Elementary School

Prop. 1D violates the will of voters who twice approved local health, education, and anti-smoking programs. Prop. 1D replaces voter-mandated local control with Sacramento bureaucracy.

Now, in these tough times, common sense says the last thing our children and families need is cuts to local health and education programs and to lose more money to Sacramento politicians.

**DELAINE EASTIN,** Former California Superintendent of Schools
**GEORGENE LOWE, R.N.,** Health Linkages Coordinator
Santa Barbara County
**ELIZABETH HITESHEW,** Coordinator
Early Childhood Education, UCLA Education Extension Division

## ★ ARGUMENT AGAINST PROPOSITION 1D ★

THE MOST IMPORTANT THING VOTERS SHOULD KNOW ABOUT PROP. 1D IS THAT IT WILL TAKE $1.6 BILLION AWAY FROM CRITICAL LOCAL HEALTH AND EDUCATION PROGRAMS FOR YOUNG CHILDREN AND GIVE IT TO SACRAMENTO POLITICIANS.

Prop. 1D was placed on the ballot by Sacramento politicians to take local funding from children's health and education programs in every community. These funds were approved by voters in two previous elections.

Don't be fooled by the deceptive ballot description written by Sacramento politicians. Prop. 1D seizes money from local medical, health, and education experts and puts it in the hands of Sacramento politicians and bureaucrats.

In 1998 Californians voted to dedicate tobacco taxes to specific local health and education programs for children. Voters acted because Sacramento politicians were unwilling to fund these critical programs. In 2000, the tobacco companies tried to take this funding away and were soundly defeated at the ballot box. Today Sacramento politicians are trying to take these funds away. California voters said no to big tobacco. Now we must say no to Sacramento bureaucrats by voting no on Prop. 1D.

Prop. 1D will eliminate:

- Healthcare, immunization, and booster shots for 120,000 California children
- Preschool and education services for more than 200,000 children
- Smoking prevention aimed at 550,000 pregnant women and parents of young children
- $36 million every year for children's hospitals, school nurses, and smoking prevention

Proposition 1D will make California's budget problem worse by giving more money to the Sacramento bureaucrats. Independent studies show that every dollar invested in young children yields a seven dollar return in savings on courts, prisons, remedial education, and foster care. Proposition 1D is the kind of short-term Sacramento gimmick that created our state budget crisis in the first place.

Proposition 1D was placed on the ballot by Sacramento politicians who want you to trust them instead of the leading pediatricians, parents, teachers, nurses, and law enforcement officials who urge you to join them in voting no on Prop. 1D.

California voters said no to the tobacco companies. Now it's time to say no to Sacramento politicians and bureaucrats. Stand up for California's children and families and vote no on Prop. 1D.

Don't trust the ballot language written by Sacramento politicians and bureaucrats. See what world renowned pediatrician and author T. Berry Brazelton, M.D., and other nonpartisan independent experts say. Visit www.NoOnProposition1D.com

**PAMELA PIMENTEL, 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

## ★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 1D ★

Today, state and local First 5 Commissions are sitting on almost $2.5 BILLION in unspent tax funds. At the same time, our most vulnerable children face deep cuts to health and social services programs that were enacted to close California's $42 billion budget gap. Proposition 1D ensures that these programs continue to get the funds they need to keep their doors open.

Proposition 1D temporarily redirects a portion of UNSPENT MONEY to protect at-risk children across California. Over the next five years, Proposition 1D will provide hundreds of millions of dollars in funding for services to children under the age of five, including health care, child development, early prevention services, and foster care. If Proposition 1D does not pass, these vital services will lose this funding.

As California faces this unprecedented fiscal crisis, it's critical that we spend our tax dollars as wisely as possible—while taking every step possible to protect our most vulnerable. That is why we need to vote YES ON 1D. Ensuring children's access to health care and critical protective services must be California's priority.

Proposition 1D:

- PROTECTS OUR YOUNGEST AND NEEDIEST CHILDREN by ensuring essential programs receive the funding they desperately require.
- PROTECTS LOCAL FIRST 5 COMMISSIONS allowing them to continue their vital work in California's communities.
- DOES NOT RAISE YOUR TAXES by using existing, unspent money that the state already has in its account.

During this difficult economic time, we must take this step to protect our children.

Vote yes on Prop. 1D!

**JAVIER V. GUZMAN,** Principal Consultant
The California Latino Child Development Association
**ROBERT J. BALDO,** Executive Director
Association of Regional Center Agencies

***Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.***

~~of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, incentives, public relations, communications, compensation paid to the lottery game retailers, bonding for lottery game retailers, printing, distribution of tickets or shares, reimbursement of costs of services provided to the lottery by other governmental entities, and for the costs for any other goods and services necessary for effectuating the purposes of this chapter~~ *pursuant to Section 8880.56*. As a promotional expense, the commission may supplement the prize pool of a game or games upon its determination that a supplement will benefit the public purpose of this chapter.

~~(b) (1) Not more than 16 percent of the total annual revenues accruing from the sale of all lottery tickets and shares from all lottery games shall be expended for the payment of the expenses of the lottery.~~

~~(2)~~

*(b)* Expenses recorded as a result of a nonmonetary exchange shall not be considered an expense for the purposes of ~~Section~~ *Sections* 8880.4 *and 8880.4.5* and this section. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

SEC. 16. Section 8880.65 of the Government Code is amended to read:

~~8880.65. Transfer of Net Revenues~~

~~The funds remaining in the State Lottery Fund after accrual of all revenues to the State Lottery Fund, and after accrual of all obligations of the Lottery for prizes, expenses, and the repayment of any funds advanced from the temporary line of credit for initial startup costs and interest thereon shall be deemed to be the net revenues of the Lottery.~~

*8880.65. (a) For the purposes of this chapter, the total revenues of the lottery shall include all revenue received by the California State Lottery, including, but not limited to, revenue from the sale of tickets or shares, merchandising revenue, advertising revenue, interest earnings on moneys in the State Lottery Fund, and unclaimed prizes returned to or retained by the State Lottery Fund. The net revenues of the lottery shall include total revenues remaining after accrual of all obligations of the lottery for prizes and expenses.*

~~The~~

*(b) For fiscal years prior to the 2009–10 fiscal year, the* net revenues of the ~~Lottery~~ *lottery* shall be transferred from the State Lottery Fund not less than quarterly to the California State Lottery Education Fund.

*(c) Commencing with the 2009–10 fiscal year, the net revenues of the lottery shall be transferred from the State Lottery Fund as required by Section 8880.4.5.*

SEC. 17. Section 5 of the California State Lottery Act of 1984 is amended to read:

Sec. 5. ~~No provision~~ *The provisions* of this Act*, except Sections 8880.5 and 8880.5.5 which may be amended only by a vote of the People,* may be changed ~~except to further its purpose~~ *for the purpose of modernizing the California State Lottery or to further the purposes of this Act as set forth in Sections 8880.1 and 8880.25 of the Government Code* by a bill passed by a vote of two-thirds of the membership of both houses of the Legislature and signed by the Governor.

## PROPOSITION 1D

This amendment proposed by Assembly Bill 17 of the 2009–2010 Third Extraordinary Session (Chapter 11, 2009–2010 Third Extraordinary Session) is submitted to the people in accordance with the provisions of Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Health and Safety Code and amends a section of, and adds a section to, the Revenue and Taxation Code; therefore, provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

SECTION 1. Section 130105 of the Health and Safety Code is amended to read:

130105. The California Children and Families Trust Fund is hereby created in the State Treasury.

(a) The California Children and Families Trust Fund shall consist of moneys collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code.

(b) All costs to implement this act shall be paid from moneys deposited in the California Children and Families Trust Fund.

(c) The State Board of Equalization shall determine within one year of the passage of this act the effect that additional taxes imposed on cigarettes and tobacco products by this act has on the consumption of cigarettes and tobacco products in this state. To the extent that a decrease in consumption is determined by the State Board of Equalization to be the direct result of additional taxes imposed by this act, the State Board of Equalization shall determine the fiscal effect the decrease in consumption has on the funding of any Proposition 99 (the Tobacco Tax and Health Protection Act of 1988) state health-related education or research programs in effect as of November 1, 1998, and the Breast Cancer Fund programs that are funded by excise taxes on cigarettes and tobacco products. Funds shall be transferred from the California Children and Families Trust Fund to those affected programs as necessary to offset the revenue decrease directly resulting from the imposition of additional taxes by this act. These reimbursements shall occur, and at any times, as determined necessary to further the intent of this subdivision.

(d) *The California Children and Families Trust Fund shall be used to provide direct health care services, human services, including services for at-risk families who are involved with the child welfare system administered by the county welfare department, and direct early education services, including preschool and child care.* Moneys shall be allocated and appropriated from the California Children and Families Trust Fund*, except as authorized in subparagraph (H) of paragraph (1), and Section 30131.45 of the Revenue and Taxation Code,* as follows:

(1) Twenty percent shall be allocated and appropriated to separate accounts of the state commission for expenditure according to the following formula:

~~(A) Six percent shall be deposited in a Mass Media Communications Account for expenditures for communications to the general public utilizing television, radio, newspapers, and other mass media on subjects relating to and furthering the goals and purposes of this act, including, but not limited to, methods of nurturing and parenting that encourage proper childhood development, the informed selection of child care, information regarding health and social services, the prevention and cessation of tobacco, alcohol, and drug use by pregnant women, the detrimental effects of secondhand smoke on early childhood development, and to ensure that children are ready to enter school.~~

~~(B)~~

*(A)* Five percent shall be deposited in an Education Account for expenditures to ensure that children are ready to enter school and for programs relating to education, including, but not limited to, the development of educational materials, professional and parental education and training, and technical support for county commissions in the areas described in subparagraph (A) of paragraph (1) of subdivision (b) of Section 130125.

~~(C)~~

*(B)* Three percent shall be deposited in a Child Care Account for expenditures to ensure that children are ready to enter school and for

programs relating to child care, including, but not limited to, the education and training of child care providers, the development of educational materials and guidelines for child care workers, and other areas described in subparagraph (B) of paragraph (1) of subdivision (b) of Section 130125.

~~(D)~~

*(C)* Three percent shall be deposited in a Research and Development Account for expenditures to ensure that children are ready to enter school and for the research and development of best practices and standards for all programs and services relating to early childhood development established pursuant to this act, and for the assessment and quality evaluation of those programs and services.

~~(E)~~

*(D)* One percent shall be deposited in an Administration Account for expenditures for the administrative functions of the state commission. Any funds not needed for the administrative functions of the state commission may be transferred to the Unallocated Account described in subparagraph ~~(F)~~ *(E)*, upon approval by the state commission.

~~(F) Two~~

*(E) Eight* percent shall be deposited in an Unallocated Account for expenditure by the state commission for any of the purposes of this act described in Section 130100 provided that none of these moneys shall be expended for the administrative functions of the state commission. *The Unallocated Account shall be used to ensure that every county commission has a base level of funding of at least four hundred thousand dollars ($400,000).*

~~(G)~~

*(F)* In the event that, for whatever reason, the expenditure of any moneys allocated and appropriated for the purposes specified in subparagraphs (A) to ~~(F)~~ *(E)*, inclusive, is enjoined by a final judgment of a court of competent jurisdiction, then those moneys shall be available for expenditure by the state commission for mass media communication emphasizing the need to eliminate smoking and other tobacco use by pregnant women, the need to eliminate smoking and other tobacco use by persons under 18 years of age, and the need to eliminate exposure to secondhand smoke.

~~(H)~~

*(G)* Any moneys allocated and appropriated to any of the accounts described in subparagraphs (A) to ~~(F)~~ *(E)*, inclusive, that are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same account for the next fiscal period.

*(H) Notwithstanding subparagraph (G), balances of up to three hundred forty million dollars ($340,000,000), but not less than two hundred seventy-five million dollars ($275,000,000) in the accounts described in subparagraphs (A) to (E), inclusive, that are not encumbered or expended by July 1, 2009, shall be redirected to support state health and human services programs for children up to five years of age. The state commission shall ensure that these reserves are available for this purpose. For purposes of this subparagraph, "state health and human services programs" includes, but is not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health care services.*

(2) Eighty percent shall be allocated and appropriated to county commissions in accordance with Section 130140.

(A) The moneys allocated and appropriated to county commissions shall be deposited in each local Children and Families Trust Fund administered by each county commission, and shall be expended only for the purposes authorized by this act and in accordance with the county strategic plan approved by each county commission. *Notwithstanding any other provision of law and the designation of the local Children and Families Trust Fund as a trust fund, the local controller may use the money in the fund for loans to the local general fund. Any such loan shall be repaid from the general fund with interest computed at the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund or account. This subparagraph does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.*

(B) Any moneys allocated and appropriated to any of the county commissions that are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same local Children and Families Trust Fund for the next fiscal period under the same conditions as set forth in subparagraph (A).

(e) All grants, gifts, or bequests of money made to or for the benefit of the state commission from public or private sources to be used for early childhood development programs shall be deposited in the California Children and Families Trust Fund and expended for the specific purpose for which the grant, gift, or bequest was made. The amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the state commission pursuant to paragraph (1) of subdivision (d).

(f) All grants, gifts, or bequests of money made to or for the benefit of any county commission from public or private sources to be used for early childhood development programs shall be deposited in the local Children and Families Trust Fund and expended for the specific purpose for which the grant, gift, or bequest was made. The amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the county commissions pursuant to paragraph (2) of subdivision (d).

SEC. 2. Section 130150 of the Health and Safety Code is amended to read:

130150. (a) *(1)* On or before October 15 of each year, each county commission shall conduct an audit of, and issue a written report on the implementation and performance of, its functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended, the progress toward, and the achievement of, program goals and objectives, and information on programs funded and populations served for all funded programs.

On or before November 1 of each year, each county commission shall submit its audit and report to the state commission for inclusion in the state commission's consolidated report required in subdivision (b). Each commission shall submit its report in a format prescribed by the state commission if the state commission approves that format in a public meeting prior to the fiscal year during which it is to be used by the county commissions. The state commission shall develop the format in consultation with the county commissions.

*(2) The audits and reports of each county commission shall be transmitted to its respective board of supervisors, the county auditor, and to the state commission. The county auditor shall serve on the local county commission in an ex-officio capacity.*

(b) The state commission shall, on or before January 31 of each year, do both of the following:

(1) Conduct an audit and prepare a written report on the implementation and performance of the state commission functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended and the progress toward, and the achievement of, program goals and objectives.

(2) Prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions and the Controller for the preceding fiscal year. The written report shall include a listing, by category, of the aggregate expenditures on program areas funded by the state and county commissions pursuant to the purposes of this act, according to a format prescribed by the state commission. This report by the state commission shall be transmitted to the Governor, the Legislature, and each county commission.

(3) In the event a county commission does not submit the information

prescribed in subdivision (a), the state commission may withhold funds that would otherwise have been allocated to the county commission from the California Children and Families Trust Fund pursuant to Section 130140 until the county commission submits the data as required by subdivision (a).

(c) The state commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The state commission shall furnish each county commission with copies of those documents in a number sufficient for local distribution by the county commission to members of the general public on request and at no cost.

(d) Each county commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost.

SEC. 3. Section 30131.4 of the Revenue and Taxation Code is amended to read:

30131.4. (a) All moneys raised pursuant to taxes imposed by Section 30131.2 shall be appropriated and expended only for the purposes expressed in the California Children and Families Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service*, except as authorized in subparagraph (H) of paragraph (1) of subdivision (d) of Section 130105 of the Health and Safety Code and Section 30131.45*. No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.

(b) Notwithstanding any other provision of law and the designation of the California Children and Families Trust Fund as a trust fund, the Controller may use the money raised pursuant to Section 30131.2 for the California Children and Families Trust Fund and all accounts created pursuant to subdivision (d) of Section 130105 of the Health and Safety Code *and Section 30131.45* for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund or account. This subdivision does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.

SEC. 4. Section 30131.45 is added to the Revenue and Taxation Code, to read:

*30131.45. Prior to the distribution of moneys from the California Children and Families Trust Fund as provided under Section 130105 of the Health and Safety Code, for state fiscal years 2009–10, 2010–11, 2011–12, 2012–13, and 2013–14, two hundred sixty-eight million dollars ($268,000,000) shall be transferred annually to the Proposition 10 Health and Human Services Fund, which is hereby created in the State Treasury, to support state health and human services programs for children up to five years of age. These funds shall be expended, upon appropriation by the Legislature, as part of the annual budget process or in another statute. For purposes of this section, "state health and human services programs" include, but is not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health care services.*

## PROPOSITION 1E

This amendment proposed by Senate Bill 10 of the 2009–2010 Third Extraordinary Session (Chapter 15, 2009–2010 Third Extraordinary Session) is submitted to the people in accordance with Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Welfare and Institutions Code; therefore, provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

SECTION 1. Section 5891 of the Welfare and Institutions Code is amended to read:

5891. (a) The funding established pursuant to this act shall be utilized to expand mental health services. ~~These~~ *Except as authorized in paragraph (7) of subdivision (a) of Section 5892, these* funds shall not be used to supplant existing state or county funds utilized to provide mental health services. ~~The~~ *Except as authorized in paragraph (7) of subdivision (a) of Section 5892,* state shall continue to provide financial support for mental health programs with not less than the same entitlements, amounts of allocations from the General Fund and formula distributions of dedicated funds as provided in the last fiscal year which ended prior to the effective date of this act. The state shall not make any change to the structure of financing mental health services, which increases a county's share of costs or financial risk for mental health services unless the state includes adequate funding to fully compensate for such increased costs or financial risk. These funds shall only be used to pay for the programs authorized in Section 5892. These funds may not be used to pay for any other program. These funds may not be loaned to the state General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose other than those authorized by Section 5892.

(b) Notwithstanding subdivision (a), the Controller may use the funds created pursuant to this part for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with interest commencing to accrue on the date the loan is made from the fund. This subdivision does not authorize any transfer that would interfere with the carrying out of the object for which these funds were created.

SEC. 2. Section 5892 of the Welfare and Institutions Code is amended to read:

5892. (a) In order to promote efficient implementation of this act allocate the following portions of funds available in the Mental Health Services Fund in 2005–06 and each year thereafter:

(1) In 2005–06, 2006–07, and in 2007–08 10 percent shall be placed in a trust fund to be expended for education and training programs pursuant to Part 3.1.

(2) In 2005–06, 2006–07 and in 2007–08 10 percent for capital facilities and technological needs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association to implement plans developed pursuant to Section 5847.

(3) Twenty percent for prevention and early intervention programs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association pursuant to Part 3.6 (commencing with Section 5840) of this division. Each county's allocation of funds shall be distributed only after its annual program for expenditure of such funds has been approved by the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845.

(4) The allocation for prevention and early intervention may be increased in any county which the department determines that such increase will decrease the need and cost for additional services to severely mentally ill persons in that county by an amount at least commensurate with the proposed increase. The statewide allocation for prevention and early intervention may be increased whenever the Mental Health Services Oversight and Accountability Commission determines that all counties are receiving all necessary funds for services to severely mentally ill persons and have established prudent reserves and there are additional revenues available in the fund.