



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
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C.H. HUCKELBERRY
County Administrator

September 9, 2019

Connie Espinoza
Chair, Regional Council Pima South
First Things First
3610 North Prince Village Place, Suite 100
Tucson, Arizona 85719

Sue Shinn
Chair, Regional Council Pima North
First Things First
3610 North Prince Village Place, Suite 100
Tucson, Arizona 85719

Re: **Pima North and South Budget Priorities**

Dear Mses. Espinoza and Shinn:

As you know, I previously wrote to the First Things First (FTF) State Board Chair Mr. Gerald Szostak to ask if the Board would consider providing matching funds or another financial commitment to increase access to high quality preschool for low income three and four year olds in Pima County. Mr. Szostak's response, attached, suggests that the FTF regional councils from time to time have discretionary monies available to allocate to particular community efforts. I am writing to you to ask if the Pima North and Pima South regional councils have such funds available and would consider investing those addition funds to support this community effort?

My understanding is that the United Way of Tucson and Southern Arizona is now taking a more active role in assessing the capacity of local school districts to contribute to this cause, as well as other potential partners, including FTF. I look forward to reviewing their findings.

Mses. Espinoza and Shinn
Re: **Pima North and South Budget Priorities**
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Sincerely,

A handwritten signature in black ink that reads "C.H. Huckelberry". The signature is written in a cursive style with a long, sweeping tail on the final letter.

C.H. Huckelberry
County Administrator

CHH/dr

Attachment

- c: Jessica Harrington, Sr. Director, Southeast Region, First Things First
- LaVonne Douville, Sr. Vice President, Community Development United Way of Tucson & Southern Arizona
- Jan Leshar, Chief Deputy County Administrator
- Nicole Fyffe, Executive Assistant to the County Administrator



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Chair

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Vice Chair

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Kathy Hoffman
Superintendent, ADE

Michael Traylor
Director, DES

Dr. Cara Christ
Director, DHS

Chief Executive Officer

Marilee Dal Pra

July 10, 2019

C.H. Huckelberry
County Administrator
County Administrator's Office
Pima County Governmental Center
130 W. Congress, Floor 10
Tucson, AZ 85701-1317

Re: First Things First Additional Funding for Partnerships Inquiry

Dear Mr. Huckleberry:

I am writing today in response to your May 29 letter regarding the Pima County Preschool Investment Program (PCPIP), an effort by community leaders to secure funds to expand early learning opportunities for Pima preschoolers from low-income working families. As you note in your letter, the proponents of PCPIP were motivated by the extensive research around the return on early childhood investments in terms of improved educational outcomes and the resulting reduced need for government services. I truly appreciate your acknowledgement of the value of early childhood investment and your exhaustive efforts to understand the work of First Things First (FTF) and other early childhood initiatives in your community. I know our staff consider you a champion of young children.

As you are aware, FTF has a unique governance structure, combining statewide accountability with local flexibility. While the statewide Board has ultimate responsibility for ensuring FTF funds improve outcomes for young children, recommendations for which specific programs to fund in each area come from regional councils comprised of community leaders. Accordingly, the vast majority (81 percent) of the tobacco revenue approved by voters to fund FTF initiatives is set aside for regional activities.

Thank you for acknowledging the significant investment FTF continues to make to expand quality early childhood experiences for young children in the Pima area. Your letter specifically focused on FTF's early learning investments in Pima County, which *in fiscal year 2018*, totaled almost \$11.3 million. This includes improving early learning settings for 11,500 children, as well as scholarships for more than 1,100 infants, toddlers

and preschoolers to access those environments. It also includes support for almost 460 children with special needs to be served in inclusive settings; specialized technical assistance for teachers and parents to support language and literacy development for young children; scholarships for 260 teachers to expand their skills working with young children; and incentives for 225 experienced teachers to remain in early learning. It is worth noting that the local FTF regional councils invested an additional \$5.9 million in other programs that support school readiness for young children, including: 1,457 families served by home visitation programs proven to enhance family functioning and increase children's cognitive development; 1,600 screenings to detect potential developmental challenges before they become learning problems later on; and 2,600 children served by oral health screenings and fluoride varnishes aimed at preventing oral health issues (a leading cause of school absence). The FTF State Board also supports the early childhood system in the Pima area by investing what can be calculated as \$675,000 in statewide strategies to support early learning programs engaged in Quality First; providing a statewide helpline available to parents and other caregivers; and ensuring that families leave hospitals and birthing centers with resources they need to support their newborn's health and learning.

In inquiring whether the FTF Board could consider proposals for additional funding, you mentioned the organization's sustainability fund and indicated you had received questions from two Supervisors about the fund. This is the area in which we receive the most questions of concern from lawmakers, and ironically, an area that was positively highlighted in a 2016 report from the Arizona Auditor General. Please allow me to provide some additional information that may assist you in responding to future inquiries on the matter. FTF's only permanent source of revenue is the voter-approved tobacco tax. At the time the initiative was written, the authors understood that tobacco was a declining source of revenue. They intentionally wrote the initiative so that the tax would begin accumulating while foundational aspects of FTF were being implemented, including time for the governor to name the first state Board; working with communities to determine the regional boundaries; recruiting and on-boarding 300+ community volunteers to serve on regional councils; and completing detailed data reports from which the first statewide and regional funding plans were created. This allowed time for the sustainability fund to develop, which was seen by our founders as crucial to ensuring the long-term viability of early childhood programs.

The wisdom of that decision became quickly apparent, as FTF has suffered a 24 percent decline in revenue since its first year of operation. In practical terms, this means we have \$40 million less per year to work with than when we started. The current annual income from the tobacco revenue translates to about \$220 per child birth to 5 years old in Arizona. The severity of that drop in revenue is compounded by the fact that FTF has no mechanism for raising the amount of revenue required to fill that gap: FTF cannot sell property; FTF cannot sweep funds from other programs; and FTF cannot raise taxes. We can, however, apply for public or private grants, accept donations from philanthropic organizations and accept additional public resources appropriated to expand our work. We can also work with critical partners like PCPIP to increase public investments to support early childhood programs in local communities and statewide.

The need to secure additional investment from a variety of sources has never been more important. The revenue projections commissioned by the FTF Board from Arizona State University's W.P. Carey School of Business show that tobacco revenue will continue to decline in the foreseeable future. By contrast, the number of young children in Arizona is expected to increase from the current 550,000 to approximately 648,000 by 2030, according to Arizona Department of Administration projections. The Board has taken the steps necessary to maximize funding and ensure the sustainability of its programs, including commissioning the ASU revenue projections, establishing a set annual expenditure and maintaining low administrative expenses. The most recent estimates show that FTF can maintain current funding levels for 10-15 years, barring events that create another large drop in revenue (which is possible given reductions in smoking and the advent of alternative nicotine delivery systems from which FTF receives no revenue). Deviating from the Board's sustainability plan will undermine the success achieved by our statewide and regional efforts.

Regional councils and the community organizations they contract with to provide critical services would be the hardest hit by any reduction in the sustainability fund. As previously mentioned, more than 80 percent of the revenue in the sustainability fund, by statute, is directed at the regional councils. The state Board allocates a specific amount to each region annually based on the number of children birth to 5 years old in the area, and the percentage of young children who live in poverty. Based on significant data collected about the local needs of young children and the services available to meet those needs, the regional council determines what portion of their allocation will go to specific strategies and contracts with community organizations to provide those services. Any increase in the annual allocations to the Pima regions will result in less money being available to other regions of the state. As a result, those regions might be put in the position of reducing their contracts. Accordingly, contracted grantees would need to reduce staffing and decrease or eliminate services. For the FTF Board to make an investment that benefits only a few regions while penalizing the rest would be inequitable and run counter to the intent of the voters and our statutes.

A significantly smaller portion of the fund is aimed at the sustainability of statewide efforts. The Board has in the past supported local efforts to expand early learning opportunities through its statewide funds, but that support has taken the form of either leveraging significant infrastructure developed by FTF in order to reduce costs elsewhere or one-time investments that have included an element that benefits the entire early childhood system. One example of this is the Tempe Preschool Resource Expansion (Tempe PRE). Through this program, the City of Tempe has invested \$2 million annually for the past two years to expand access to quality preschool for 300 children from low-income families. FTF has supported the efforts of Tempe PRE in two ways. First, the Tempe PRE classrooms were able to buy in to the Quality First model as their quality improvement component, preventing the need for the city to spend scarce resources on creating infrastructure to support quality instruction in those classrooms. In addition, FTF provided a one-time investment to assist with the evaluation of the model, in order to secure data with which to demonstrate both the effectiveness of Quality First, as well as the benefit of

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Tempe's early childhood investments. If you would like to discuss a similar investment that could benefit the PCPIP, please let FTF Chief Executive Officer Marilee Dal Pra know.

As previously mentioned, the vast majority of FTF funding is directed to the regional councils. FTF fiscal specialists work with the regional councils to ensure they are maximizing their funding across the four years covered by their current contracts. From time to time, regional councils do have monies available to expand their current strategies or consider additional community investments, and those discussions typically occur at regular council meetings as part of the on-going financial and program monitoring. When reviewing proposals for that funding and making recommendations to the statewide Board, regional councils must take into account a variety of factors including:

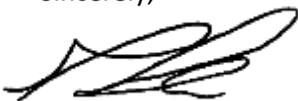
- Availability of funding;
- Legal limitations;
- Alignment with the statewide and regional strategic plans;
- Fulfilling current funding commitments and existing contracts;
- Sustainability of the requested investment; and
- System capacity and impact.

The Board also considers all of those issues when reviewing any regional request to set or modify funding plans.

I hope this answers the questions you had regarding FTF funding. The simple truth of the matter is that – while FTF invests more than \$120 million per year in early childhood programs and has taken steps to be able to continue those investments – both the number of young children and the challenges they face continue to increase. No one organization – public or private – can meet those needs alone. It is going to take each of us doing our part to ensure children in our communities have the health, education and support they need to arrive at kindergarten prepared to succeed. That is why FTF does the work that it does and why we partner with community groups – like the proponents of the PCPIP – to build awareness of the importance of early childhood and encourage everyone to engage in getting Arizona children ready for school and set for life.

Again, I appreciate your acknowledgement of our on-going contributions to Pima County's early childhood system and value your continued partnership and collaboration in securing additional funds to enhance educational outcomes for the youngest county residents.

Sincerely,



Gerald Szostak
Board Chair