

First Things First Reserve Fund Fact Sheet

Ensuring Arizona's Early Childhood Investment

Background: The most recent Legislative proposals for a ballot referendum to suspend voter protections would allow the state to sweep huge portions of First Things First's (FTF's) reserve funds – as well as large portions of new revenues – without taking into account the effect that this would have on Arizona's ability to sustain the early childhood investment guaranteed by voters with the 2006 passage of Proposition 203.

Question: Why does First Thing First have a reserve fund?

Answer: The FTF reserve fund is the result of thoughtful and strategic financial planning by the drafters of Proposition 203. The authors knew it would take time to set up the agency and do the research necessary to make sure decisions about spending the funds were made strategically. They set up the reserve fund to ensure that FTF budgets are created based on funds available not projections. They also knew that, in order to sustain this financial support for early childhood services with a revenue source that is known to decline annually (such as tobacco taxes), a reserve fund would be necessary and prudent.

Question: How much is in FTF's reserve fund?

Answer: By the end of fiscal year 2010, First Things First anticipates a balance of \$353 million, however, this includes \$141 million already allocated for statewide and regional services to Arizona's youngest children for Fiscal Year 2011.

Question: If FTF is getting new tobacco revenues each year, can't they get along without the reserve fund?

Answer: No. Tobacco revenues historically decline. Last fiscal year tobacco revenues declined by more than five times the historical rate and continue to fall even more. If these reserve funds were allowed to be diverted for any other purpose, First Thing First would not be able to maintain the initial investment in building a stronger, integrated early childhood system that will help more children start school healthy and ready to succeed. If the funds are taken, many children will continue to reach school ill-prepared, and the cycle of school failure, social welfare dependence and crime that plagues so many of our youth as they reach adulthood will continue.

Question: But, the state is facing its worst fiscal crisis in years. Critical services for children and families are being cut. Can't FTF lend the state the funds temporarily?

Answer: FTF's Board has openly expressed concern about the economic crisis and the impact on young children, and has even authorized emergency funding for child care scholarships for the working poor, nutrition supports and increased home visitation services for families with young children who become at risk.

If there is a way for First Things First to loan a specified amount from its reserve fund to the state with a guarantee that the funds would be paid back, with interest, then we would like to come to the table to discuss it.

We have communicated this to the Governor's office and legislative staff.

A guaranteed payback of the monies is the only way we can see to help the state in the short-term, and still guarantee that we're able to ensure the long-term early childhood investment.