FIRST THINGS FIRST

Ready for School. Set for Life.

PUBLIC NOTICE OF MEETING OF THE

Arizona Early Childhood Development & Health Board

Pursuant to A.R.S. § 8-1194(A) and A.R.S. § 38-431.02, notice is hereby given to the members of the First Things First Arizona Early Childhood Development & Health Board and to the general public that the Board will hold a ***Regular Meeting open to the public on Tuesday, July 22, 2014 beginning at 9:00 a.m. The meeting will be held in the 8th floor Boardroom of First Things First's Office located at 4000 N. Central Avenue, Phoenix, Arizona 85012.*** Some members of the Board may attend telephonically.

Pursuant to A.R.S. §§ 38-431.03(A)(1) & (A)(2), the Board may vote to go into Executive Session, which will not be open to the public, to discuss personnel items or records exempt from public inspection respectively, as indicated in the agenda. Pursuant to A.R.S. § 38-431.03(A)(3), the Board may vote to go into Executive Session to obtain legal advice on any item on the agenda.

The Board may hear items on the agenda out of order. The Board may discuss, consider, or take action regarding any item on the agenda. The Board may elect to solicit public comment on any of the agenda items.

The meeting agenda is as follows:

1. Call to Order — **Janice Decker, Chair**

2. Conflict of Interest — **Janice Decker, Chair**

Board Members will address potential conflicts of interest regarding items on this agenda.

3. Call to the Public — **Janice Decker, Chair**

This is the time for the public to comment. Members of the Board may not discuss or take legal action regarding matters that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment on matters not on the agenda will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.

4. Consent Agenda — **Janice Decker, Chair**

All items on the Consent Agenda will be considered by a single motion with no discussion. Any individual item listed on the Consent Agenda will be removed from the Consent Agenda and discussed and voted on as a regular agenda item upon the request of any Board member**.**

A. *Board Meeting Minutes - June 9 & 10, 2014* ***(Attachment #1)***
B. *Technical Changes to Strategies and Allotments* ***(Attachment #2)***
C. *Regional Council New and Revised Strategies and Government Agreements* ***(Attachment #3)***
D. *Statewide and Multi-Regional Agreements and Amendments* ***(Attachment #4)***
E. *FY15 Contract Renewals – Government and RFGA Agreements* ***(Attachment #5)***

5. Discussion and Possible Approval of Regional Council Applicants (Possible Executive Session) — **Michelle Katona, Chief Regional Officer**

The Board may vote to discuss this matter in Executive Session pursuant to A.R.S. § 38-431.03(A)(1).

6. Fiscal Policy Direction and FY16 Allocations ***(Attachment #6)*** **(Discussion and Possible Vote)** — **Josh Allen, Chief Financial/ Operations Officer**

7.	**Policy & Program Committee Report and Recommendations (Discussion and Possible Vote)** ***(Attachment #7)***	**Karen Woodhouse, Chief Program Officer**
8.	**Interagency Services Agreement (ISA) with Department of Economic Security (Discussion and Possible Vote)** ***(Attachment #8)***	**Sam Leyvas, CEO**
9.	**Board Member Report/Update**	**Board Members**
10.	**CEO Report/Update**	**Sam Leyvas, CEO**
11.	**Recognition of Outgoing Chair**	**Janice Decker, Chair**
12.	**Future Agenda Item Requests**	**Board Members**
13.	**Next Meeting – August 19, 2014 – Phoenix, Arizona**	**Janice Decker, Chair**
14.	**Adjourn**	

A person with a disability may request a reasonable accommodation such as a sign language interpreter by contacting Holley Mulholland, Special Assistant to the CEO, Arizona Early Childhood Development and Health Board, 4000 North Central Avenue, Suite 800, Phoenix, Arizona 85012, telephone (602) 771-5091. Requests should be made as early as possible to allow time to arrange the accommodation.

Dated this 9th day of July 2014

ARIZONA EARLY CHILDHOOD DEVELOPMENT & HEALTH BOARD

FIRST THINGS FIRST
Ready for School. Set for Life.

Arizona Early Childhood Development & Health Board

Draft Meeting Minutes

Call to Order
A Regular Meeting of the First Things First – Arizona Early Childhood Development and Health Board was held on Monday, June 9, 2014 at 2:00 p.m. and resumed on Tuesday, June 10, 2014 at 8:30 a.m. The meeting was held at the Double Tree Hotel, 1175 West Route 66, Flagstaff, Arizona 86001.

June 9, 2014 Day One -

Chair Lynn called the meeting to order at approximately 2:10 p.m.

Members Present:
Steve Lynn, Dr. Pamela Powell, Nadine Mathis Basha, Janice Decker and Gayle Burns

Members Present: (via phone)
Vivian Saunders, Cecil Patterson and Ruth Solomon

Ex-Officio Members Present:
Karla Phillips, Mary Ellen Cunningham and Brad Willis

Members Absent:
None

Telephone Procedures
A speakerphone was used for members participating by telephone. Speakers physically present at the meeting spoke into microphones to ensure that members on the telephone could hear. Members on the telephone were identified when they spoke for the benefit of those physically present at the meeting.

Conflict of Interest
Chairman Lynn asked the Board members if there were conflicts of interest regarding items on this agenda. There were none at this time.

Call to the Public
There were no members of the public who requested to speak at this time.

Consent Agenda
A motion was made by Member Burns to approve the matters on the Consent Agenda, seconded by Member Saunders. Motion carried.

Board Member Reports/Updates
Member Solomon announced her grandson's high school graduation. Member Cunningham reported on the statewide Health Assessment Plan and the 2 ½ minute survey that people are being asked to do. Member Willis announced the creation of the Department of Child Safety and the appropriation of money for child care subsidies

that will help more families on the DES waiting list. Member Powell described her visit to Finland to learn about their early childhood system and reported that teachers for ages 0-4 need three to five years of education and that the parents drive the system. Member Powell also announced Sam Leyvas's birthday. Member Mathis Basha announced the birth of her 12th grandchild that occurred earlier in the morning. Chair Lynn presented Member Phillips with a token of appreciation for her service on the Board. Member Phillips announced she has taken a position with the Foundation for Excellence in Education and lauded the impact of the Regional Councils and the involvement of those Council members.

CEO Report/Update

Sam Leyvas, CEO, presented updates to the Board. The CEO report highlights are listed below:

- Conveyed his appreciation to Coconino Regional Partnership staff for their efforts in planning the site tours to Pine Cone Pre-School and North Country HealthCare.
- Noted that staff will be reaching out to Director Flannigan to touch base on collaboration and partnership.
- Recently held a regional council faith based seat gathering. The conversation was broad based regarding expectations.
- Noted that the Regional Area Forums are proceeding currently, that conversations are going well and that the discussions are insightful, and thanked Board Members who have been participating.

FY15 Board Chair and Vice Chair Appointments

A motion was made by Member Mathis Bash to nominate Janice Decker as Board Chair, seconded by Member Burns. Motion Carried.

A motion was made by Member Mathis Basha to nominate Pamela Powell as Board Vice Chair, seconded by Member Decker. Motion carried.

FY14 Contract Renewals

Josh Allen, Chief Financial & Operations Officer, presented to the Board the FY15 contract renewals that included government and RFGA agreements.

A motion was made by Member Patterson to approve the contract renewals as presented, seconded by Member Decker. Motion carried.

Discussion and Possible Appointment of Regional Partnership Council Applicants

Member Saunders declared a conflict with respect to the Pinal Regional Partnership Council appointments.

A motion was made by Member Powell that the Board approve the appointment of Regional Council applicants as presented with the exception of the Pinal Regional Partnership Council, seconded by Member Decker. Motion carried.

A motion was made by Member Burns that the Board approve the appointment of the Pinal Regional Council applicants as presented, seconded by Member Solomon. Motion carried. Member Saunders recused herself from the consideration of and vote on the Pinal Regional Council applicants due to a conflict of interest.

Discussion and Possible Approval of RFGA Recommendations

A motion was made by Member Mathis Basha that the Board approve the RFGA award recommendations as presented, seconded by Member Decker. Motion carried.

2014 National Advisory Panel Meeting Summary Report

Dr. Roopa Iyer, Sr. Director of Research and Evaluation, presented to the Board the 2014 Research and Evaluation National Advisory Panel Meeting summary report. The panel provided an annual review of First Things First

research and evaluation plan to ensure alignment with recommendations of the National Panel and quality standards.

A motion was made by Member Patterson to accept the 2014 Research and Evaluation National Advisory Panel Meeting Summary Report as presented, seconded by Member Mathis Basha. Motion carried.

Family and Community Survey Report
Dr. Roopa Iyer and Dr. John Daws with the University of Arizona presented to the Board the Family and Community Survey report. The survey provided assessment of parents' knowledge of children's early development and their perceptions of the resources currently available for young children.

Tribal Data Partnership Update
Liz Barker Alvarez, Sr. Director of Communications, presented to the Board a tribal data partnership update.

The meeting recessed at approximately 5:05 p.m.

June 10, 2014 – Day Two

The meeting resumed at approximately 8:35 a.m.

Members Present:
Steve Lynn, Dr. Pamela Powell, Nadine Mathis Basha, Janice Decker and Gayle Burns

Members Present: (via phone)
Vivian Saunders, Cecil Patterson and Ruth Solomon

Ex-Officio Members Present:
Karla Phillips, Mary Ellen Cunningham and Brad Willis

Members Absent:
None

Regional Benchmarks for School Readiness Indicators
Karen Woodhouse, Chief Program Officer, and Michelle Katona, Chief Regional Officer, presented to the Board the regional benchmarks for school readiness indicators. The Councils discussed, set and finalized benchmarks for their prioritized indicators for measurable improvement by 2020.

A motion was made by Member Saunders to approve the regional benchmarks for school readiness indicators as presented as well as aligning and coordinating with other state agencies, seconded by Member Powell. Motion carried.

KDI Update
Karen Woodhouse, Chief Program Officer, presented to the Board a Kindergarten Developmental Inventory (KDI) update.

FTF Board Fiscal Policy Work Session
Sam Leyvas, Chief Executive Officer, provided a status update on the Program Committee's progress and Karen Woodhouse, Chief Program Officer, provided a briefing on considerations for Board discussion. The fiscal policy work session was a continuation of the Board's examination of the long term fiscal planning of First Things First.

Call to the Public
There were no members of the public who requested to speak at this time.

Budget Update
Josh Allen, Chief Financial & Operations Officer, presented to the Board the FY14-15 budget updates.

A motion was made by Member Decker to accept the FY14-15 budget updates as presented, seconded by Member Burns. Motion carried.

Northeast Regional Area Panel Discussion: Scalability of Services for Children and Families
Chairs from the Coconino, Yavapai and Navajo Apache Regional Councils presented on how each of their large rural regions address scalability of services for children and families. Panel members included Coconino Regional Council Chair Kevin Brown, Navajo Apache Regional Council Chair Kalman Mannis, and Yavapai Regional Council Chair Kathy Watson. The following Regional Directors accompanied the chairs of the councils: Ellen Majure, Coconino, Kate Dobler-Allen, Navajo Apache, and Lisa Blythe, Yavapai.

Future Agenda Items Requests
There were no requests this time.

Next Meeting
Regular Board Meeting – July 22, 2014 – Phoenix, Arizona

Adjourn
There being no further discussion the meeting was adjourned at approximately 12:07 p.m.

FIRST THINGS FIRST

AGENDA ITEM: Technical Adjustment to FY15 Allotments/Awards

BACKGROUND: According to the Guidance adopted by the Board of First Things First in its September 2010 meeting, staff has completed technical adjustments to funding plans for clerical errors and nomenclature adjustments to allotments and contract amounts approved by the CFO/COO.

CEO RECOMMENDATION(S):
The CEO recommends the approval of technical adjustments to the FY15 allotments/awards as presented.

DETAIL:

Clerical Error Adjustments -

- None to report at this time.

Nomenclature Adjustments –

- None to report at this time.

Award/Allotment Adjustments –

Amendments

Child Care Health Consultation (CCHC)

- Gila County Health Department - declined participation in the CCHC program for FY15. In consideration of participants in the Globe/Miami area the Pinal region agreed to provide service to 2 additional centers and 2 additional homes previously served by the Gila contract. The funding for those providers, $8,668, will be reallocated to the Pinal region and amended into the University of Arizona, Pinal County CCHC contract, GRA-STATE-13-0508-01-Y3.

  In consideration of participants in the Payson area the Yavapai region agreed to provide service to 4 additional centers and 1 additional home previously served by the Gila contract. The funding for those providers, $10,835, will be reallocated to the Yavapai region and amended into the Yavapai County Community Health Services CCHC contract, GRA-STATE-13-0511-01-Y3.

- Yuma County Public Health Services District - determined that 2 centers in the Colorado River Indian Tribe region served by the Yuma CCHC contract would be better served by the La Paz/Mohave CCHC. The funding for those providers, $4,334, will be reduced from the Yuma County Public Health Services District CCHC contract, GRA-STATE-13-0512-01-Y3 - and amended into the University of Arizona Mohave Cooperative Extension CCHC contract, GRA-STATE-14-0632-01-Y2.

Rollovers/Extensions

FY14 awards originally approved by the Board under the following strategies will utilize unspent funds to complete the remainder of the scope of work under a new "extended" no-cost contract period based on the recommendation of the Regional Councils and approval of the CEO. The allotments in the FY15 regional funding plans will be adjusted accordingly to cover the unspent amount:

- LaPaz/Mohave Regional Partnership Council:
  FY15 Allotment for the Expansion, Start-Up, and/or Capital Expense Strategy: $63,172
  FY15 Award: ISA-RC006-13-0625-01-Y3, Arizona Department of Education $63,172

Award Adjustments

- FTF-MULTI-14-0461-04-Y2 (Phoenix South) and FTF-MULTI-14-0467-02-Y2 (Southeast Maricopa/East Maricopa) - American Academy of Pediatrics, Arizona Chapter
  The contracts were amended to reflect the change in the manner of financing, going from reimbursement-based to deliverable-based payments. No change in funding amounts and all other terms and conditions remain the same.

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM: Regional Council New and Revised Strategies and Government Agreements

BACKGROUND: The Cochise, LaPaz Mohave, and White Mountain Apache Regional Councils are requesting changes to their SFY15 funding plans. The Gila Regional Council is requesting approval of a government agreement for SFY15.

Letters from the Regional Council Chairs are included for your review and provide information on the request(s). A funding plan financial summary is provided for each regional council.

RECOMMENDATION: The CEO recommends approval of all the proposed strategies and funding levels, and agreements.

FIRST THINGS FIRST

77 Calle Portal, Suite B140
Sierra Vista, Arizona 85635
Phone: 520.378.3280
Fax: 520.378.3622
www.azftf.gov

Chair
Melanie Rottweiler
Vice Chair
Dr. Stephen Poling

Members
Danielle Brownrigg
Rev. Shawn L. Buckhanan
Marge Dailey
Chuck Hoyack
Jane Strain
Nancy-Jean Welker
Pastor Tommy L. Simpson
Dr. Kathleen Vedock
Michael Vetter

June 2, 2014

Steven W. Lynn, Chairman
First Things First Board
4000 North Central Avenue, Suite 800
Phoenix, Arizona 85012

Dear Chairman Lynn,

The Cochise Regional Partnership Council is requesting approval to make the following changes to the Cochise Regional Partnership Council's SFY15 Funding Plan as described below.

- Increase the Oral Health strategy for SFY15 in the amount of $19,000 from $190,000 to $209,000.

The purpose of the increase is for personnel changes, professional development opportunities and funding for additional program materials and supplies.

On April 17, 2014, the Cochise Regional Partnership Council voted to increase the Oral Health strategy for State Fiscal Year 2015. The Cochise Regional Partnership Council is aware that this may be a one-time increase and the grantee will have to make adjustments based on the availability of future funding.

Thank you for your consideration.

Sincerely,

Melanie Rottweiler, Chair

FIRST THINGS FIRST
Ready for School. Set for Life.

Proposed Funding Plan Summary

FY 2015 - Cochise

		Total Allocation:	$4,390,393			
Strategy	**Original Allotment**	**Current Allotment**	**Proposed New Allotment**	**Awarded Amount**	**New NON-RFGAs**	**Recalculated Unawarded**
Child Care Health Consultation	$115,830	$115,830	-			$115,830
Community Awareness	$41,000	$41,000	-			$41,000
Home Visitation	$600,000	$600,000	-			$600,000
Media	$57,212	$57,212	-			$57,212
Oral Health	$190,000	$190,000	$209,000			$209,000
Quality First	-	-	-			-
Quality First Academy	$36,660	$36,660	-			$36,660
Quality First Child Care Health Consultation Warmline	$1,833	$1,833	-			$1,833
Quality First Coaching & Incentives	$459,806	$459,806	-			$459,806
Quality First Inclusion Warmline	$8,190	$8,190	-			$8,190
Quality First Mental Health Consultation Warmline	$8,424	$8,424	-			$8,424
Quality First Scholarships	$2,281,602	$2,281,602	-	$2,261,134		$20,469
Quality First Warmline Triage	$2,964	$2,964	-			$2,964
Scholarships TEACH	-	-	-			-
Statewide Evaluation	$174,591	$174,591	-			$174,591
Total Allotment:	**$3,978,113**	**$3,978,113**	**$3,997,113**	**$2,261,134**		**$1,735,979**
		Total Unallotted:	**$412,280**	**$393,280**		

Last Processed:
6/2/2014 12:02:31 PM

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM: Statewide and Multi-Regional Agreements and Amendments

BACKGROUND: The attached document provides information on an amended agreement for Quality First Scholarships; a new agreement to increase awareness and education on oral health in collaboration with the Child Care Health Consultant in the La Paz/Mohave region; and , a new agreement to research and write the statewide needs and assets report due in December 2015.

RECOMMENDATION: The CEO recommends approval of the proposed agreements and funding levels.

FIRST THINGS FIRST

Ready for School. Set for Life.

July 2014

Program Strategies					
Funding Plan	**Strategy Summary**	**Agreement Type**	**Prior Award**	**Amended or New Award**	**Difference**
Statewide	**Quality First Scholarships** The current contract is increased due to additional funding provided by both the Tohono O'odham Nation Regional Partnership Council and the Yuma Regional Partnership Council. This funding was provided to increase the number of available scholarships in both regions.	**Agreement Type:** RFGA with Valley of the Sun United Way **Award Effective Date:** July 1, 2014 – June 30, 2015	$60,231,735	**$60,702,487**	$470,752
Statewide	**Oral Health** Through funding from Delta Dental and collaboration and leadership from the La Paz/Mohave Child Care Health Consultant, this contract will establish an Oral Health Coalition in the La Paz/Mohave region to increase awareness of the importance of oral health in early childhood and help reduce the number of children 5 years and under with untreated tooth decay. This contract will facilitate partnerships with local providers to help integrate oral health education/prevention activities into their existing programs.	**Agreement Type:** Grant agreement with University of Arizona, Mohave Cooperative Extension **Award Effective Date:** July 1, 2014- February 28, 2015	0	**$25,000**	0

Statewide	**Needs and Assets Report** The statewide needs and assets report is a biennial assessment of existing early childhood development and health programs in Arizona, including an analysis of any unmet early childhood development and health needs of Arizona's children.	**Agreement Type:** Grant Agreement with the Arizona Board of Regents – University of Arizona, McClelland Institute **Award Effective Date:** July 1, 2014 – June 30, 2015 July 1, 2015 – June 30, 2016	0	**$90,000** Total FY15 funds: $45,000 Total FY16 funds: $45,000	0

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM: FY 2015 Renewals

BACKGROUND: At the June 2014 Board meeting, the Board approved 217 FY14 contracts for renewal, totaling $89.3 million in FY15 awards. A handful of contracts eligible for renewal were not brought forward at that time due to a number of factors including additional clarifications being sought, quorum, and timing of council meetings.

CEO RECOMMENDATION(S):
The CEO recommends the approval of FY 2015 contract renewals as presented.

DETAIL:

Region:	Contract #:	FY14 $:	FY15 $:	Change:
San Carlos Apache	GRA-RC029-11-0179-01-Y4	$96,645	$96,645	$0
The renewal for the Developmental and Sensory Screening was delayed due to a request for additional clarifications. All clarifications have been received and approved.				
Statewide	FTF-STATE-13-0426-01-Y3	$203,280	$178,212	($25,068)
The renewal for the Quality First Inclusion Warmline was delayed due to a request for additional clarifications. All clarifications have been received and approved.				
Statewide	FTF-STATE-13-0344-02-Y3	$209,088	$207,792	($1,296)
The renewal for the Quality First Mental Health Consultation Warmline was delayed due to a request for additional clarifications. All clarifications have been received and approved.				
Statewide	FTF-STATE-13-0351-02-Y3	$81,312	$79,116	($2,196)
The renewal for the Quality First Triage Warmline was delayed due to a request for additional clarifications. All clarifications have been received and approved.				
Statewide	FTF-STATE-12-0410-01-Y3	$854,055	$809,750	($44,305)
The renewal for the Quality First Licensing Subsidy was delayed due to a request for additional clarifications. All clarifications have been received and approved.				

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM:
Board Fiscal Policy Direction and FY16 Allocation Considerations

OVERVIEW:
At the August 19th, 2014 meeting of the Board, staff will present final figures for each Region's FY16 allocation. These figures will be determined based on Board direction on several fiscal considerations. These fiscal considerations include:

- Program Expenditure Budget,
- Funding made available annually to support the Program expenditure budget,
- Minimum allocation levels,
- Discretionary allocation methodology,
- Method for determining estimated regional population proportions.

Board action on these fiscal considerations will result in the final allocation figures for FY16 (to be presented and officially approved in August); an update of the Sustainability Plan (which will also be presented in August); as well as provide guiding principles for future allocations, particularly for the next three-year Funding Plan cycle.

In previous years the direction regarding these fiscal considerations were driven by both the adopted sustainability plan as well as historical practices. In looking forward to the next three-year Funding Plan cycle and beyond, the Board recently initiated a broad conversation to more fully explore the issues and implications surrounding these fiscal considerations. More specifically, the Board tasked both the Finance Committee and Policy & Program Committee to review, consider and provide recommendations on the Board's long term fiscal direction.

DETAIL:

At its April 2014 meeting, the Board received two recommendations from the Finance Committee on the amount of spending it felt could be sustained for the foreseeable future; ensuring stability and predictability in the programing offered by First Things First. These recommendations are:

1) Beginning in FY16, the start of a new three-year Funding Plan cycle, allocates $126.6 million in revenues to support Program spending and keep this amount constant for successive years.
2) In FY16, total financing available to support regional allotments should equal the targeted $126.6 level, therefore, allocations should be adjusted so that each region's projected fund balance is part of that allotment level as opposed to being in addition to.

Program Expenditure Budget

The recommended spending level within the Program budget is a total of $126.6 million; $12.66 million for the Statewide Funding Plan and $113.94 million for Regional Funding Plans. This total Program Expenditure Budget was predicated upon two revenue assumptions. The assumptions are an average tobacco collection level of $121 million and an average interest earnings level of $3 million. Of these, the primary driver is the estimated tobacco collection amount First Things First will realize each year.

The $121 million tobacco tax figure accepted by the Finance Committee was based on a review of historical trends, current year collections, and tobacco tax modeling results conducted by ASU's W.P. Carey School of Business (presented to the Board in June of 2012). Since the Finance Committee's original recommendation to the Board, the W.P. Carey School has delivered an updated report to First Things First. The Finance Committee was able to meet in late June to review this new report and assess the reports potential impact on the Committee's fiscal policy recommendations.

The full report will be submitted to the Board in August; however, the salient findings from the report are summarized in this table.

After reviewing the report and the results of the economic modeling, the Finance Committee felt that the updated information supported the original recommendation to the Board. Specifically, based on these updated tobacco tax revenue projections, First Things First could reasonably expect to sustain an expenditure level within the Program budget of $126.6 million for the next 9 to 15 years.

FTF Projected Annual Revenue, 2013-2030, with Lower and Upper Boundaries

Financial Year	Lower Boundary	Expected	Upper Boundary
2013	$100,646,873	$123,093,334	$145,595,850
2014	$100,071,862	$122,664,080	$145,358,942
2015	$99,766,446	$122,720,349	$145,849,075
2016	$99,684,854	$123,127,900	$146,830,536
2017	$99,656,777	$123,631,105	$147,956,101
2018	$99,571,587	$124,058,259	$148,983,710
2019	$99,393,439	$124,332,355	$149,790,559
2020	$99,071,553	$124,377,730	$150,275,524
2021	$98,674,292	$124,317,767	$150,620,830
2022	$98,231,826	$124,200,737	$150,893,823
2023	$97,739,624	$123,996,109	$151,037,081
2024	$97,181,610	$123,675,320	$151,009,363
2025	$96,537,045	$123,204,295	$150,762,885
2026	$95,810,126	$122,608,120	$150,344,079
2027	$94,945,182	$121,830,075	$149,695,177
2028	$94,031,754	$120,996,239	$148,994,675
2029	$93,052,931	$120,100,489	$148,246,459
2030	$92,031,929	$119,164,619	$147,471,554

- **CEO Recommendation: Adopt the Finance Committee's recommendation to allocate $126.6 million in revenues to support Program spending beginning in FY16, and to keep this amount constant for successive years.**

Funding Made Available to Support the Program Expenditure Budget

By definition, once the expenditure budget is set the amount of funds to support that spending is also defined. Within FTF's budget, what can vary are the sources of revenue. These sources include current year revenues and carry forward dollars. As such, in determining what to allocate, the Board must look at these sources first at the regional level and then at the organizational level. Historically, the Board

has not considered regional carry forward as part of the pool of dollars making up the funds allocated to support annual expenditures. Thus, this allowed regional carry forward dollars to be available for spending above and beyond a region's annual allocation.

Regional carry forward balances grew significantly through Fiscal Year 2012. Since then, both budgeting and realized expenditures have resulted in the expectation (save a few regional exceptions) that these dollars are to be fully expended by some point in the next three year Funding Plan cycle (2016-2018). Once these dollars are exhausted at a regional level, Funding Plans will need to be realigned down to equal the annual allocation made available by the Board. While it is projected that regional carry forward balances will be exhausted on average in FY17, each region will hit this "fiscal cliff" at different points in time over the next three years.

In their review of what level of expenditure could be sustained, the Finance Committee examined these regional "fiscal cliffs". As a result of this review the Committee also recommended to the Board that remaining regional carry forward balances be factored in as part of the revenues available to meet the targeted spending level beginning in FY16. As a result, all regions would go through the process of realigning budgets to the sustainable expenditure level at the same time (FY16).

It is worth noting that implicit within the recommendation of "guaranteeing" a $126.6 million Program expenditure level each year, that after FY16 when regional carry forward balances are exhausted, the Board will have to draw down organizational carry forward at a rate sufficient offset the difference between what was collected in tax revenues and $121 million. On average, it is estimated that this sum will be at least $15 million. It is these subsequent draws on carry forward funds which ultimately will result in FTF's carry forward balance being reduced to zero.

- **CEO Recommendation: Adopt the Finance Committee's recommendation that in FY16, total financing available to support regional allotments should be adjusted so that each region's projected fund balance is part of that allotment level as opposed to being in addition to.**

Minimum Allocation Levels

With its first regional allocations in 2009 for FY10, the Board determined that as part of the Discretionary allocation it would provide a set-aside of $110,000 to distribute between the two smallest regions. The purpose of this was to ensure these regions had an allocation level of sufficient size to appropriately fund at least one programming effort. The net impact resulted in one region receiving an allocation of approximately $72.5k, and the other approximately $110k. The total annual allocation for these two regions has essentially remained constant. It is worth noting that currently there is only one other region with an allocation less than $200k, and only a total of five (including these three) with an allocation less than $0.5 million. All of these regions are tribal regions.

The decision to make a special Discretionary allocation to the smallest regions has not been formally reconsidered since this initial decision. Over the last few months the Board has gathered feedback on the impact of regional carry forward balances being exhausted within regions, and tying allocations to a targeted Program spending budget of $126.6 million. In these discussions, a great deal of feedback has been received on how relatively small allocations limit programing choices and impact the ability of regions to have the option/choice to implement even statewide strategies initiated by the Board (such as Quality First). The implication of this is current allocation levels may not be sufficient for the smallest regions.

Instead of splitting a fixed sum between the eligible/targeted regions, a viable alternative to the current practice would include setting a minimum allocation level for the smallest regions.

- **CEO Recommendation: Set a minimum regional allocation amount of $100k.**
  (Based on current regional demographics this would result in approximately $25k being proportionately redistributed out of all the regions except the one which would actually receive the funds.)

Discretionary Allocation Methodology

At the December 2013 meeting of the Board, the Board received feedback from the Discretionary *Ad Hoc* Committee that its current practice of formula distribution of the Discretionary dollars should be continued. The current three-part methodology includes:

1) A set-aside to be proportionately distributed between the two smallest regions.
   (Note: this will be modified to align whatever action the Board takes regarding setting a minimum allocation amount.)
2) A set-aside to be proportionately distributed (based on total number of children 0 through 5) between the regions which were classified as "frontier communities" under a federal definition related to populations being geographically isolated.
3) Remaining (and bulk of) funds be proportionately distributed between all regions based on the percent of children 0 through 5 who are in poverty.

- **CEO Recommendation: Continue the distribution of Discretionary dollars using the three-part methodology described above; with part one being modified if necessary to align with action the Board may take regarding setting a minimum allocation amount.**

Determining Estimated Regional Population Proportions

When the FY15 allocations were set in October 2013, the Board determined that the best estimate of population for determining the number of children 0 through 5 in a region was 2010 census data. The best estimate for the number of children 0 through 5 in poverty in a region was the 2010 American Community Survey (ACS). With the publication of the 2010 census data (and ACS), the Census Bureau changed a number of things related to how it reports data sets as well as how it updates data sets. In particular, estimates of population changes to the census numbers are now only done at the county level. If more geographically refined changes in population are desired, then current ACS must be used. However, ACS population data for the age cohorts FTF utilizes is only presented at a track level. Although this is much smaller than county level, it still does not overlay with FTF's regions.

As a result, in both instances estimated updates to census population figures would need to be mathematically distributed between regions. This creates the situation where estimates of estimates are being used to establish revised population figures. In addition, these figures are only used to establish regional population proportions which are in turn used to determine what percentage of the Population and Poverty allocation buckets each region receives. So while absolute figures can/will/do change over time, for allocation purposes what really matters is how the proportions change and the two are not necessarily related. For example, the population in a particular region may grow, but depending on what happens in every other region, the growth in population may not represent a proportional increase. In fact, population growth could still result in a proportional decrease. In other

words – pure population growth doesn't necessarily equal a proportional growth in relation to the entire state.

Taking all of this into consideration, there is not necessarily a methodological benefit or sound reason to change from using the same source in FY16 as was used in setting FY15's allocation. And if the same data set is used for allocation distribution purposes, it has the added benefit of removing a variable which can cause year to year uncertainty in allocation levels. This in turn provides for greater stability and predictability in the amount of dollars available to a region year-over-year so programing efforts can be not only sustained but planned on.

- **CEO Recommendation: For population estimates required under FTF statute for FY16-18, utilize the same data as those used for the setting of the FY15 allocations - 2010 census data and the 2010 American Community Survey (ACS).**

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM:
Policy and Program Committee Recommendations for FTF Program Approaches Related to Fiscal Policy

OVERVIEW:
The Policy and Program Committee met on June 16, 2014 to finalize recommendations requested by the Board on:

1. How Regional Councils construct funding plans to align programming to available resources
2. Whether the Quality First model can be adjusted in ways that preserve the overall design and policy intent; and,
3. Other program costs that FTF should research to see if they can be lowered while still preserving the design and policy intent.

The Policy and Program Committee met three times between April and June 2014 to discuss and finalize their recommendations. With a substantial portion of FTF's regional budgets supporting Quality First, including Quality First Scholarships, the committee spent most of the time considering possible recommendations for Quality First (second point above). This report provides a summary of the information considered by the committee, and the recommendations approved by committee members to present to the Board.

DETAIL:

Construction of Funding Plans

To inform the committee discussion, FTF staff convened two significant groups of leaders and stakeholders and gathered their feedback on FTF program considerations. The Chairs and Vice-Chairs of FTF Regional Partnership Councils met on May 1, and a focus group of early childhood system partner organizations met on May 12. Additionally, feedback from a Policy and Program Committee member survey was also collected from May 1-12. The comments from all three groups were reviewed and discussed by the Policy and Program Committee. The comments were also distributed to Board members on June 9. The summary of comments showed generally, although not complete agreement, that any guidance from the Board to Regional Councils on constructing funding plans should still allow flexibility to meet local needs, and that mandates or rigid directives from the Board are the least desirable form of guidance.

Quality First Model

Quality First, which includes the model of supports and services to improve and maintain program quality, together with Quality First Scholarships, is by far the largest funding investment made by FTF at

a total of $86 million budgeted in FY15. Funding for Quality First Scholarships equals $61 million or 71% of the total. This is why considerable feedback and discussion occurred among Policy and Program Committee members about Quality First related to the financial recommendations for FY16. Committee members requested, reviewed and discussed in-depth information and data analysis on Quality First and Scholarships. Board members received this same information at the June meeting. Attached to this report are two documents with summary information on Quality First and Scholarships and the five potential program approaches with data that were discussed by the Policy and Program Committee.

Other Program Costs

FTF invests in many local and statewide strategies that benefit children and families. Policy and Program Committee members discussed how data collected by FTF could be used to discern which programs are most cost effective and result in better outcomes for children. The committee heard that measuring actual child outcomes for strategies and programs is costly, so FTF is focused on conducting a small number of targeted research studies over the next several years on programs that have larger funding investments as detailed in the FTF Evaluation Plan.

The committee members were also informed that by using the FTF Priority Roles identified by the Early Childhood Task Force and the 10 School Readiness Indicators and benchmarks as a framework, FTF is consistently engaged in a Continuous Quality Improvement (CQI) process to enhance FTF program development and system approaches that are targeted to deliver supports and services to children and families and build the early childhood system so that desired outcomes are achieved.

Results and recommendations from CQI are vetted through discussions with external stakeholders and internal FTF cross-divisional Strategy Implementation Teams (SITs). The CQI process includes:

- analysis of strategy and program cost models toward more effective service delivery and return on funding investment;
- review of national and local research and data on evidence-based programs to refine strategy Standards of Practice;
- on-site Quality Assurance visits to FTF grantees to review fidelity to FTF Standards of Practice; provide technical assistance if needed; and, document exemplary practices utilized by grantees to further inform strategy improvement and FTF system approaches.

Results from the CQI process are provided to Regional Councils to inform strategic planning and decisions on funding plan development for upcoming fiscal years, as well as continually throughout the year through program updates.

Committee Recommendations

The full text of the Policy and Program Committee's recommendations is shown below. Highlighted aspects of the recommendations include:

- A focus on funding programs and strategies that will most likely result in positive outcomes, with an emphasis on using evidence based approaches
- Regional Councils construct funding plans using data to address important needs and aligned with their prioritized School Readiness Indicators

- Quality First Scholarships are no longer required as part of the Quality First program model and Regional Councils decide the number of Scholarships funded without further guidance from the Board
- The number of providers currently funded for Quality First by Regional Councils is maintained without reduction
- Financial incentives are provided to 3-5 star Quality First programs with the amounts and operational details determined by FTF staff
- FTF continues to support scholarships for children from low-income families so they have access to affordable quality early learning programs
- FTF continues to utilize Continuous Quality Improvement processes and realize possible and appropriate cost efficiencies in strategy and program development and implementation

The text of the Policy and Program Committee recommendations approved on June 16, 2014:

For First Things First to achieve sustainable progress towards its vision and mission, it is important to strategically fund programs and strategies that are most likely to have positive outcomes for the early childhood system, young children, and their families. Critical to this process is the identification of programs and strategies with research evidence suggesting a greater likelihood they will have the intended positive effect. Such an approach will likely yield greater results from our public investments.

The Policy and Program Committee recommends that:

1. The First Things First Regional Councils construct strategic funding plans based on an examination of available data to determine local needs; prioritization of needs that also align with the Regional Council's identified School Readiness Indicators; and, selection and development of evidence-based or evidence-informed funded and non-funded approaches that reflect system building to address those needs.

2. First Things First separate Quality First improvement model costs from scholarship costs, provide no further guidance on number of regional scholarships funded, see no reduction to the number of providers and provide incentives to 3-5 star Quality First programs with First Things First staff to determine the exact amount of those incentives. This recommendation is made with confirmation from the Policy and Program Committee of the importance for low-income children to have increased access to affordable quality early learning programs and the desire that First Things First supports local and state level planning decisions that result in funding for scholarships that provide such access.

3. First Things First continue to identify approaches that are evidence-based or evidence-informed; realize possible and appropriate cost efficiencies; and, utilize data for continuous quality improvement of programs and strategies.

CEO Recommendation: Adopt the policy recommendations and guidance as presented by the Policy and Program Committee.

Overview

Quality First is Arizona's Quality Improvement and Rating System (QIRS) and was initially launched by the First Things First (FTF) state board in 2009. Although early childhood professionals in Arizona had long recognized the importance of quality in the early childhood system and the impact on school readiness and other child outcomes, there were not enough state resources to promote and enhance quality and no political will to expand state funding for those efforts. Currently, almost all states have developed or are in process of piloting quality initiatives in an effort to utilize a systems approach to early learning.

FTF has provided the leadership and resources to implement the statewide Quality First initiative to support quality improvement and the consistent, rigorous measure of quality for families, providers and the public. This role was established in the ballot initiative that created FTF in 2006 and reinforced in 2010 by the diverse group of stakeholders on the Early Childhood Task Force, who recommended that one of FTF's priority roles is in the area of quality, access and affordability of regulated early care and education settings. This priority was confirmed by the Board that same year. Quality First also directly impacts three of the 10 School Readiness Indicators, and strongly impacts at least three others. The investment of FTF in this aspect of the early childhood system is critical to maintain the infrastructure and services that have improved quality in early care and education programs in Arizona.

Because there is no one strategy that alone can improve the quality of early learning programs, Quality First brings together multiple research based or research informed strategies to create a comprehensive, evidence-formed approach that is improving program quality in early education programs statewide. Those strategies include coaching and consultation, rigorous standards and assessment, financial incentives and professional development. Together, these strategies create a continuous loop of quality improvement. Recognition of quality is a star rating based on a five-point scale, 1 star indicating a commitment to improving quality, and 5 stars indicating the highest quality level. Any program with 3-5 stars is considered a quality program.

There are two models of participation in Quality First:

- Full Participation: available at any star level and includes the full package of program assessment, individualized coaching, financial incentives, T.E.A.C.H. scholarships for degree attainment, and access to specialized technical assistance for child care health, early childhood mental health and inclusion of children with special needs.
- Rating Only: available for programs at the 3 to 5 star level and includes program assessment, low intensity coaching if desired, and access to the specialized technical assistance.

Quality First Ratings provide a consistent, rigorous measure of quality for all programs, regardless of the regulated setting chosen by parents, and regardless of how they are funded. All Quality First Ratings are based on three assessment measures: (1) ERS- Environmental Rating Scales (ECERS, ITERS, and FCCERS); (2) Classroom Assessment Scoring System – CLASS (Domains: Emotional Support, Instructional Support,

and Classroom Organization); and (3) Quality First Point Scale that measures Staff Qualifications, Administrative Practices, and Curriculum and Child Assessment.

In June 2014, 905 providers were enrolled in Quality First, which is about one-third of regulated providers in Arizona. Sixty-nine percent were center-based in Full Participation; eight percent were center-based in Rating Only; and 23% were home-based. The waitlist for Quality First had 345 providers. More than 54,500 children were enrolled in Quality First programs that are improving or maintaining high levels of quality, and 14,121 low-income children benefited from Quality First Scholarships in FY13 (some of those are for part-time programs).

Significant Board Decisions to Increase Access and Affordability to Quality Early Care and Learning Programs

While it is clear that children with risk factors, particularly children living in poverty, benefit from high quality early childhood experiences, as program quality increases, the cost for providing that program increases as well, making it difficult for low income families to access quality programs.

In 2009, the FTF Board supported the use of tobacco tax funds to provide scholarships for children from low-income families to attend quality early childhood programs. This action was in response to state legislative budget cuts during the Great Recession that impacted services for children, including child care subsidy.

In 2011, the FTF Board approved model updates to Quality First in preparation for bringing the initiative closer to scale and to increase access for children from low-income families. Included in those model updates was a required formula to fund a baseline number of scholarships for low income children.

In 2013, the FTF Board further agreed to Quality First updates that more strongly aligned access and affordability with quality; incentivized high quality programs with robust scholarship packages; combined similar FTF quality and financing strategies; and, simplified strategy implementation. FTF began implementation of these latest model updates on July 1, 2014. Even though these actions resulted in a higher FTF financial commitment to scholarships, combined with all available federal funding (Head Start, the Child Care Development Fund child care subsidy and funds for preschool special education), only an estimated 20% of low-income eligible children with working parents in Arizona have access to early care and education programs.

Total Investment

FTF invests in many local and statewide strategies that benefit children and families. Quality First, which includes the model of supports and services to improve and maintain program quality, together with Quality First Scholarships, is by far the largest funding investment made by FTF. For FY15, a total of $86 million is budgeted for Quality First and Quality First Scholarships, with funding for Scholarships equal to $61 million or 71% of the total.

Possible Quality First Programmatic Approaches for FY16

Approach		Description	Baseline Number of Scholarships				Baseline Funding for Scholarships (millions)				Percent of Region's Allocation Available for Other Allotment	Impacts
			FY15	16	17	18	FY15	16	17	18		
A	**Maintain QF enrollment with no changes to current model**	• No changes to number of participating providers and scholarship funding levels.	6198	6703	6824	6621	$47.2	$58.2	$59.3	$57.7	> 75% 5 50% to 75% 8 26% to 49% 5 10% to 25% 5 < 10% 5 Region Total 28	• Scholarships distributed only to providers at 3-5 star levels • # of scholarships per provider will increase, and although still higher than FY15 levels, the #s will decrease over time due to expansion of providers in the 3-5 star pool • Small centers will receive fewer scholarships in FY17 and 18 than in FY15
B	**Reduce total number of QF Scholarships**	• Lower baseline number of scholarships by 33%. • No reduction to number of providers.	6198	4531	4569	4556	$47.2	$39.3	$39.8	$39.6		• Total # of scholarships is decreased, but 3-5 star providers will receive more scholarships in FY16 than in FY15, and then equal to or slightly fewer scholarships in FY17-18 than in FY15 • Cost savings of about $20 million annually • Approximately 1650 fewer scholarships available overall; access for low-income families is decreased
C	**Reduce total number and reimbursement amount of QF Scholarships**	• Lower baseline number of scholarships by 33%. • Lower overall scholarship reimbursement rates by 5%. • No reduction to number of providers.	6198	4531	4569	4556	$47.2	$37.4	$37.8	$37.6	> 75% 5 50% to 75% 12 26% to 49% 8 10% to 25% 3 < 10% 0 Region Total 28	• Same impact as above • Rate reduction of 5% results in minimal additional cost savings of $2.3 million
D	**Separate QF improvement model costs from scholarship costs**	• Separate improvement model costs from scholarship costs. • Lower overall scholarship reimbursement rates by 5%. • No further guidance on number of regional scholarships funded. • No reduction to number of providers.	Not able to determine				None				> 75% 16 50% to 75% 12 26% to 49% 0 10% to 25% 0 < 10% 0 Region Total 28	• Provides flexibility for Regional Council funding decisions • Creates uncertainty for providers and families • May decrease access for low-income families • Quality providers may voluntarily dis-enroll from QF due to decrease in financial incentives and revenue support due to fewer scholarships • Voluntary decrease in participating quality providers may destabilize QF system • May decrease regulated providers in early childhood system
E	**No guidance is provided**	• No guidance on system-level investments in Quality First. • Regional Councils choose level of investment or disinvestment in Quality First – including number of participating providers and scholarship funding levels.	Not able to determine				None				N/A	• Same impacts as above

FIRST THINGS FIRST

Ready for School. Set for Life.

AGENDA ITEM:
DES-FTF Inter-Governmental Agreement

OVERVIEW:

As a requirement of the Child Care and Development Fund (CCDF) grant, Arizona must spend a portion of its CCDF discretionary allotment toward specific quality improvement activities otherwise known as Targeted Funds. These Targeted Funds activities include School-age Resource & Referral, Expansion, and Infant & Toddler. In 2009, the Arizona was awarded additional CCDF monies as part of the American Recovery and Reinvestment Act – commonly referred to as the "stimulus package". While this allowed the Department of Economic Security (DES) to maintain services, it also increased the Targeted Funds requirement for that year without sufficient time to increase its capacity with contractors. The State has since been behind in spending its Targeted Funds requirement and will be forced to revert approximately $1.4 million of CCDF Infant & Toddler monies on September 30, 2014.

An Inter-Governmental Agreement (IGA) between DES and First Things First would allow the transfer of CCDF Targeted Funds set aside for Infant & Toddler activities to First Things First. With its commitment to increasing the overall quality of the early childhood system, First Things First already has systems and infrastructure in place to ensure that these CCDF Target Funds are spent on qualified expenditures. Thus, the IGA would prevent the need for DES to revert up to $1.4 million, while also advancing quality improvement of Arizona's early childhood system.

DETAIL:

CCDF Targeted Fund Regulations

CCDF Targeted Fund activities must be expended with CCDF discretionary dollars. These monies are awarded as a subset of the CCDF discretionary grant and are awarded annually on a federal fiscal year basis (October 1-September 30). CCDF discretionary funds are available for three years; however, funds must be fully obligated within the first two years of the grant and liquidated by the end of the third year. Funds that are not obligated or expended within the two year period must be reverted to the U.S. Department of Health and Human Services.

Infant & Toddler Expenditure Eligibility

The Infant & Toddler population is defined as those 0 – 3 years of age. Eligible CCDF Infant & Toddler expenditures must benefit this age group and may support the following activities:

- **Professional development** through conferences, workshops, mentoring, scholarships/stipends, compensation/benefits, infant/toddler specialists, and other training efforts linked to a credential or certificate
- **Public knowledge and engagement** through media campaigns, presentations, and publications regarding the importance of high quality care
- **Health and safety of infants and toddlers** through nurse consultations, efforts related to preventing Sudden Infant Death Syndrome, and other prevention/intervention programs
- **Facility enhancement/expansion** through grants, technical assistance, and higher reimbursement rates for infant and toddler services
- **Child care settings and activities** for families, friends, neighbor providers, family child care, and teen parents and may include efforts to implement curriculum and establish model programs or centers of excellence
- **Planning, research, and evaluation** efforts designed to improve the quality of infant/toddler care including research into the effectiveness of technical assistance and training as well as state-level comprehensive strategic planning for infants and toddlers
- **Child care resource and referral activities** administered through CCR&R such as consumer education, infant/toddler specialists, planning, training/technical assistance, and resources that address the needs of infants, toddlers, and their families and caregivers
- **Parent and family involvement** through parent training, home visiting, and development/distribution of parent resources such as parent tool boxes or consumer education materials
- **Program standards** through grants, technical assistance, and tiered reimbursement/bonuses beyond mandated licensing and regulations

CEO Recommendation: Authorize an Inter-Governmental Agreement with DES that would allow the transfer of CCDF Targeted Funds set aside for Infant & Toddler activities to First Things First.