Discretionary Funding

Questions presented to the regional councils for further discussion and feedback: If discretionary funding or a percentage of discretionary funding were set aside for regional councils to submit proposals as part of their funding plans for consideration by the Board for areas such as capacity building, research, and innovation, cross regional coordination, public/private partnerships, taking a strategy or set of strategies to scale, what are your reactions to this? What are the considerations and implications of this? What other considerations do you want to put on the table for discussion around discretionary funding?

Below is a summary of the feedback compiled by the regional councils regarding the discretionary funding. Overall, the feedback reflects that the regional councils prefer that the methods currently used to allocate the discretionary funding remain in place at this time. Regional Councils did identify ideas for how the discretionary funding could be allocated differently and provided criteria and considerations for those ideas. In addition, there is support for an ad hoc committee to be convened to further review and provide recommendations to the Board.

Major reasons identified for not changing the way discretionary funding is allocated

- It is too soon to determine how best to allocate discretionary funding:
    - Need much more information about the ramifications of each possible option and how that would impact the regions;
    - A few more years would give regional councils the ability to determine which strategies and/or approaches best fit with this type of funding.

- Current method of allocating the discretionary funding is fair, equitable and working:
    - Comfortable with the way they are currently allocated;
    - Overall, the consensus was to keep it equitable and "as is";
    - The current formula works well and equally distributes funds to regions;
    - Likes the idea of using some of the discretionary funds for Capacity building, research and innovation, cross regional coordination, public/private partnerships and/or taking strategies to scale, however the discretionary funds used for these ideas should remain at the current regional level (calculated at the regional level using population and poverty data);
    - Appreciate the spirit of collaboration and coordination that is occurring cross-regionally and is helping to maximize funds and support neighboring regional councils that may not have the funds.

- A change to the discretionary funding would be a significant concern to the rural regions:
    - Rural Regions need to have the Frontier Adjustment as the funds are built into the funding plan to sustain strategies;
    - The Frontier Adjustment allows rural regions to address the higher cost associated with hiring and retaining qualified staff, the cost of travel necessary to implement work in the region, and be able to have the funding necessary to support the capacity building and infrastructure development needs that exist;
    - Rural regions face many challenges in implementing strategies such as geographic challenges of remoteness, transportation, and the great need that children and families have for support and resources across large geographic areas;

- Discretionary funding has supported rural areas in building capacity and bringing programs to scale. Discretionary funds constitute a third of the allotment and the loss of these funds could impact the ability to build capacity and to bring programs to scale in rural areas.

- A change in the discretionary funding could significantly impact a region's allocation and ability to address needs of the region:
  - The Council is very concerned that if our funding amounts go down in any way we will have extreme problems in maintaining any type of a system in the area;
  - If our discretionary funding is no longer provided to the regional council, it will reduce the size of our budget tremendously, by about one third;
  - This will impact the number of children we will be able to serve;
  - Rural regions require more funds to effectively build capacity and provide services to rural children;
  - Concerned about a reduction or complete removal of discretionary funding from the allotment. Discretionary funding comprises about a third of the base allocation and they feel that the potential loss of a third of the annual budget would have a negative effect on their ability to provide services and resources to children and families as they move forward.

- There is a concern about putting in place a competitive process:
  - A competitive process will favor regions with more capacity and perpetuate a "haves" and "have-nots" situation;
  - Competitive grants would place smaller regions at a disadvantage. These regions don't have the capacity that larger regions do to write grants and to use existing regional capacity for new projects;
  - Unintended consequences may arise with the approval of a proposal/application process, such as:
    - Other regional councils that have proposals that are unfunded feeling animosity towards those that have proposals approved;
    - Capacity of regional councils may vary in the area of developing proposals.

- Some level of concern that this is a punitive action for regional council's that have not spent funds:
  - There was an analogy about "discretionary funding" is a reward for those regions that are able to spend funds more easily because they don't have capacity or scalability issues;
  - It was acknowledged that if there are regions that continue to maintain large carry forward balances that it does present challenges, especially as there are most likely other regions that do have the ability to more fully utilize funding. So while there is an understanding for the need and desire to utilize funds to the fullest and most efficient and effective extent possible, there are concerns about the potential loss of funds in their region;
  - There is a feeling that "if we don't spend it, we won't get it"…….this may lead to unwise planning decisions on the part of regional councils so that they can maintain their overall budgets.

- Additional comments:
  - There is no fair way to rework the distribution of discretionary funds that could not be challenged;
  - Though the regional council was not loudly in favor, they are willing to entertain a shift in the way these funds are distributed, bearing in mind there is always initial resistance to change, even if the change produces an improved outcome.

Concepts on how discretionary funding could be re-allocated

- Continue to use the current funding formula but for the Board to consider establishing categories or themes for how discretionary monies can be used. The amount that needs to be allocated to a category or theme should increase gradually. If a region includes one or more of the themes in their funding plan then the region receives the funding.
  Examples:
  - Funds used for specific goal areas such as Quality First; To develop/improve the services for children with identified special needs who don't qualify for AzEIP;
  - Evaluation;
  - Funds for regional council's benchmarks being evaluated;
  - Taking priority strategies to scale.

- Consider discretionary dollars to be used to promote coordination within regions, cross regionally and for neighboring tribes to develop strategies together. The structure/process would be governed by all the chairs of First Things First regions included in the collaborative effort and decisions would be based on what is in the best interest of the entire cross regional area rather than a single region.

- Invest in Public Private Partnerships: Consider using the discretionary money for matching funding as various grants require some sort of matching of funds which would be a great use for discretionary dollars; FTF funds could be used to leverage other public private partnerships.

- Consider Funding Innovation and Research at a local level. There are various examples of that include professional development, dual language learners, etc.

- Using discretionary funding for one time needs or short term needs. Use as part of a systems building mechanism as long as it is going to achieve what is sustainable and systematic. If one time funding for a project becomes an option, what has to be looked at is the future impact and how this will advance the system; Setting aside a lesser amount of discretionary dollars for working on systems-building may be favorable option though a small pot of funds should be considered.

- Takes a small portion of the pot and makes it competitive:
  - Reluctant to see competition between regional councils because there can be winners and losers which can cause animosity between the regional councils;
  - Consider having rural regions earn extra 'points' or somehow be given additional weight so that the field is still somewhat level when proposals are reviewed for funding decisions. There is concern that proposals from rural regions would not be viewed in the same light as proposals from larger urban regions as a function of the overall cost to conduct the work – the more children there are, the more the work would likely cost, and with limited funding to go around, the fear is that rural regions would lose out because the numbers that might be impacted would likely be smaller;
  - Criteria identified:
    - Consideration should be given to who will carry out work and how a proposed program will be implemented if regional council drafts a proposal to be awarded funds;
    - Ensure that a sufficient amount of financial resources are distributed to see impact;
    - Equitable practices in how funding is issued need to be put in place;
    - Continue this approach for at least three years.

- Expand Frontier Adjustment
    - Consider using discretionary funds primarily in rural areas (due to considerations about urban areas having more funds for strategies);
    - Allocate funds to tribal regions to counter-balance the low census counts;
    - Consider adding to the "Frontier" formula the extended rural areas of Southwest Maricopa, for example Gila Bend. Towns in Southwest Maricopa do receive extra federal funding considerations for their location and the fact that other adjacent rural areas are being served by these center towns, i.e. Sentinel, Paloma, Dateland.

- Allocate funds to build capacity in rural areas, for prioritized goal areas, to address barriers that are impeding the implementation of new programs.

- Develop guidelines on how discretionary funding can be most effectively utilized, i.e., provide a distinction between "long-term" base funding and more "temporary funding".

Forming an ad hoc committee

- There is broad support to form an ad hoc committee to review the feedback from regional councils on discretionary funding and provide a recommendation on how to proceed, taking into account the various perspectives from all of the regional councils, to the Board.
    - Would like to see a group of representatives from regional councils across the state that is representatives of urban, rural and tribal regions and the flexibility to participate via live meeting or conference calls.

Should changes be made, considerations for how to roll this out

- Any changes to current the funding formula should be presented to regional councils well before any changes are made.
- If the Board does change the funding formula – please do not do it all at once - don't take discretionary dollars all at one time.
- Board needs to phase in whatever process it decides.
- If changes that could have significant impact on regional funding should be made in the future, it would be important that they be made in alignment with the three year funding plan cycle.

Questions Raised

- Have we explored what other states have done?