Cannabis Legalization in CA

- The legalization of recreational cannabis in California, with the passing of Proposition 64, is anticipated to increase utilization of cannabis and normalize usage across most demographic groups.

- The changing landscape requires careful attention to the regulatory, public health, and education landscape to ensure we protect young children.

- \textit{First 5 is uniquely positioned to support systems efforts that educate and support families with young children.}
Public Health Concerns

First 5’s Approach to Cannabis Conversations

1. Understanding the CA’s cannabis regulatory approach (post-Prop 64) most reflects alcohol policy making.

2. Making our goal to promote responsible use of cannabis, NOT to prevent all cannabis use.

3. Focusing our attention to certain populations for which cannabis is generally not intended: pregnant women and children age 0-5.
Fetal Exposure During Pregnancy

- CDC and CDPH guidance: no known safe amount of cannabis for your baby
- Research correlates maternal cannabis use with child’s decreased IQ and cognitive function, particularly attention in school-age children

Focus on Teen Parents

- CO and WA saw cannabis use among young pregnant mothers increase after legalization while perception of harm among youth declined
- Teen mothers in CO use cannabis prenatally more than any other maternal age group
- Kaiser Northern CA observed a spike in usage among younger expecting mothers – 22% of pregnant females under the age of 18; and 19% of pregnant females between 18-24 screened positive for cannabis use
Infant Exposure During Breastfeeding

- Infants absorb and metabolize THC in breastmilk
- ACOG (Ob-Gyn Association) recommends that cannabis use should be discouraged until lasting impacts are studied
- CDPH cautions that THC stored in fat cells and continues to release over several weeks into breast milk – so “pumping and dumping” doesn’t work

Children’s Exposure in the Home

- Cannabis injuries treated at the Colorado to the Children’s Hospital of Colorado nearly doubled in the first two years after legalization
- Accidental consumption of edible products are the main culprit for poisoning in young children
- Symptoms of cannabis intoxication in kids include being unbalanced, sleepiness, poor respiratory effort, and less commonly, induced coma
- More research needed on effects of second- and third-hand smoke exposure
Proposition 64

Prop 64 and Prevention – Broad Goals

- Throughout the proposition, language emphasizes child and youth health and safety:
  - Prop 64 “will legalize marijuana for those over 21 years old, protect children, and establish laws to regulate marijuana cultivation, distribution, sale and use, and will protect Californians and the environment from potential dangers.”
  - “The programs shall emphasize accurate education, effective prevention, early intervention, school retention, and timely treatment services for youth, their families and caregivers.”
State Taxes Under Prop 64

- State Excise Taxes
  - Per ounce cultivation tax for growing marijuana
  - 15% sales tax on the retail price of marijuana
- Revenues
  - First directed towards marijuana regulatory costs not covered by license fees
    - Community Grants
    - Evaluation of Prop 64 impacts
    - Driving while intoxicated study

State Revenues

- Remaining Revenues
  - 20% for Environmental Clean Up
  - 20% for Public Health Programs
    - Driving while intoxicated
    - Other negative impacts
  - 60% of remaining funds directed to CA Youth Education, Prevention, Early Intervention and Treatment Account
    - Youth account is governed by a tri-agency agreement between the DHCS, CDPH and CDE
    - No discussions yet about how to allocate 60%
Local Revenues

- **Business Taxes:** Counties and cities that allow marijuana commerce will receive a portion of the sales tax revenues, property taxes, and local business taxes will remain within that local municipality.

- **Additional Taxes:** Prop 64 allows local municipalities to tax marijuana locally at a higher rate than the 15% baseline established by the state: Sales/Excise taxes, Cultivation/Manufacturing/Processing/Distribution Taxes, Development Fees & Agreements, etc.

- **Existing Medical MJ Taxes:** Many existing medical MJ taxes will be applied to recreational MJ on January 1, 2018.
Santa Cruz
- Extension of existing Cannabis Business Tax to manufacturing and cultivation
- First 5’s “Thrive by Three” agenda focused on evidence based home visiting and parent education
- $350,000 in first year funding approved; City of Santa Cruz dedicates 1% of cannabis tax to services for kids 0-8

Humboldt
- Measure S (cultivation tax) passed overwhelmingly
- Advisory measure prioritized early childhood mental health; Local cannabis guild writes support letter for early childhood services
- $400K in first year funding

City of Los Angeles
- Social Equity set aside for youth organizations
- First 5 engaging in local conversations to expand consideration of early childhood and family supports, especially for children with incarcerated parents

Yolo
- Exploring county tax (sales, cultivation, and business tax) for June ballot, which would prioritize funding for law enforcement and early childhood development
- Exploring business development agreement with county, which would dedicate funding to First 5
Thrive By Five Approach

Key Considerations for Local Discussions

- Cannabis is a revenue source for any municipality that does not ban cannabis
- Importance of framing “prevention” as early childhood, not stigmatizing all cannabis use
- Connect to local context in discussing potential revenue sources and revenue recipients
- Early childhood funding is increasingly seen as an appropriate use of funds, but again, context matters
Putting Prevention First

- Placing prevention and child-safety regulation at the top of any drug prevention and intervention strategy, starting prenatally and with newborn children
- Ensuring broad education to help families and parents make informed decisions
- Promoting evidence-based family supports within the Prop 64 mandate for services funded at the state and local level
- Toxic stress research illuminates the power of very early intervention with culturally responsive, holistic, and research-based investments

Moira Kenney
Executive Director
First 5 Association of California
www.first5association.org
moira@first5association.org
(510) 227-6966
Quality Rating and Improvement Systems

- Help early care and education programs improve their quality
- Use evidence-based standards
- Help parents make informed choices
- Recognize and promote programs that participate
Quality Counts California

- Began as Federal Pilot
- 7 Elements of Quality
- 5-tiered Rating System
- Led by CA Dept. of Ed and CA F5
- Uses State approved quality improvement tools and resources
- Implemented at the County level

San Mateo’s QRIS

- Follows California protocols
- Unique San Mateo County way of providing support and recognition to programs and families
- Implemented by First 5 San Mateo Cty, San Mateo County Office of Ed, and the Child Care Coordinating Council (4Cs)
- The Child Care Partnership Council is the Advisory Body
Why this matters

For Children
• High quality early learning

For Families
• Objective info about quality;
• choices they can trust

For Programs
• Objective assessment with resources to improve;
• community recognition
Investments in Quality

- COACHING!
- San Mateo County approach
- Beyond teaching to the test
- Access to state tools for all
- Next gen database
- Quality improvement grants and local block grants
- Outreach to FCCs and private sites serving LI

The Elements of Quality

Child Observation

Health & Developmental Screening

Teacher Qualifications

Teacher Child Interaction

Group Size and Ratio

Program Environment

Director Qualifications
Child Observation

- to understand where each child is in their development
- use the results to individualize curriculum for their particular children and engage families

Health & Developmental Screening

- a health exam every year – not just at entry.
- use developmental screening tool with each child
- follow up to connect families with services or formal evaluation

Teacher Qualifications

- Higher levels of education and training increase teachers’ knowledge and competencies, which will improve their practices.
- Strongly associated with positive outcomes for children!

Teacher Child Interaction

- Teachers develop warm supportive relationships with children; they use their intimate knowledge of children
- to facilitate active learning, rich social emotional and language development

Both are strongly associated and linked with positive outcomes for children!
Ratios and Group Size

Higher staff-child ratios support quality interactions, health and safety, social emotional development and learning

The most expensive Element to improve!

Program Environment

A well-designed environment supports health, safety, learning and development.

Environment Rating Scales (ERS). conducted by trained, reliable external assessors
Most costly to conduct.

Director Qualifications

Site leadership sets the unique tone, climate, and structure of a program for children, families and staff

critical to provide safe, consistent, high quality experiences for children

Complex and challenging jobs
**How rating works**

Programs receive points in each Quality Element (1-5)

Programs are stronger in some than in others.

First level represents Licensing for 1 point

5 points is hard to reach – very aspirational

**CA Quality Counts Matrix**

---

**2nd Rating goes public**

New beautiful website

[www.smcqualitycounts.org](http://www.smcqualitycounts.org)

Brochures, Site Kits and Teacher Appreciation Gifts
17-18 Enrollments by Age Group

- Infants: 3,832
- Toddlers: 591
- Preschoolers: 286

Total: 4,709

17-18 Enrollment by SES

- Children from Low-Income Families: 3,990 (85%)
- Children Not from Low-Income Families: 719 (15%)
What’s coming?
New Matrix in 2020

• Fewer elements
• Greater weight to those that more directly affect child outcomes
• Cheaper to rate
• More supportive of FCC and Private sites
• State wide consistency
• Less local control?

Our Goals
Grow! – targeting FCC and all sites that accept low income children

Recognize! Effective events and social media!

Emphasize what is missing in new matrix -
- Family engagement
- Dual-language learners
- Children with Spec Needs
Questions?
Audit Presentation Outline

• Audit Opinions
• Financial Statement Variances/Trends
• Other Comments
• Open for Questions
First 5 San Mateo County
Audit Presentation
June 30, 2018

• Independent Auditor’s Report
  – Unmodified – clean opinion
  – Emphasis on GASB 75 & 85 adjustment
    • Decreased net assets by $351K

• Government Auditing Standards
  – No significant deficiencies or material weaknesses

• State Compliance Standards
  – There were no current year findings
# First 5 San Mateo County
(A Discretely Presented Component Unit of the County of San Mateo)

## STATEMENT OF NET POSITION
June 30, 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,333,998</td>
<td>$16,396,056</td>
<td>$(3,062,058)</td>
</tr>
<tr>
<td>Intergovernmental receivable, net</td>
<td>1,498,889</td>
<td>886,830</td>
<td>612,059</td>
</tr>
<tr>
<td>Interest receivable, net</td>
<td>61,616</td>
<td>43,892</td>
<td>17,724</td>
</tr>
<tr>
<td>Net OPEB asset</td>
<td>-</td>
<td>165,368</td>
<td>$(165,368)</td>
</tr>
</tbody>
</table>

Total assets | 14,894,503 | 17,492,146 | (2,597,643) |

## DEFERRED OUTFLOWS OF RESOURCES

| Deferred outflows of resources | 765,504 | 599,924 | 165,580 |

Total deferred outflows of resources | 765,504 | 599,924 | 165,580 |

## LIABILITIES

| Accounts payable | 2,299,503 | 2,329,933 | (30,430) |
| Salaries and benefits payable | 48,253 | 58,175 | (9,922) |
| Grants refundable | 307,779 | - | 307,779 |

Long-term liabilities:

| Net pension liability | 716,659 | 770,981 | (54,322) |
| Net OPEB liability | 126,906 | - | 126,906 |

Compensated absences:

| Payable in less than one year | 34,735 | 52,427 | (17,692) |
| Payable in more than one year | 39,521 | 13,710 | 25,811 |

Total liabilities | 3,573,356 | 3,225,226 | 348,130 |

## DEFERRED INFLOWS OF RESOURCES

| Deferred inflows of resources | 343,739 | 121,355 | 222,384 |

Total deferred inflows of resources | 343,739 | 121,355 | 222,384 |

## NET POSITION

| Unrestricted | 11,742,912 | 14,745,489 | (3,002,577) |

| Total net position | $11,742,912 | $14,745,489 | $(3,002,577) |
First 5 San Mateo County  
(A Discretely Presented Component Unit of the County of San Mateo)

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Program expenses:</th>
<th>2018</th>
<th>2017</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$616,308</td>
<td>$633,754</td>
<td>$(17,446)</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>190,926</td>
<td>221,261</td>
<td>(30,335)</td>
</tr>
<tr>
<td>Pension expenses</td>
<td>379,094</td>
<td>363,749</td>
<td>15,345</td>
</tr>
<tr>
<td>General office supplies</td>
<td>28,380</td>
<td>26,428</td>
<td>1,952</td>
</tr>
<tr>
<td>Professional services</td>
<td>235,018</td>
<td>246,050</td>
<td>(11,032)</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>69,984</td>
<td>28,598</td>
<td>41,386</td>
</tr>
<tr>
<td>Contributions to local projects</td>
<td>7,251,162</td>
<td>6,105,752</td>
<td>1,145,410</td>
</tr>
</tbody>
</table>

Total program expenses                      | 8,770,872  | 7,625,592  | 1,145,280  

More spent on local projects this year

<table>
<thead>
<tr>
<th>Program revenues:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating grants and contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco tax</td>
<td>5,912,387</td>
<td>6,273,983</td>
<td>(361,596)</td>
</tr>
<tr>
<td>Other grants</td>
<td>41,146</td>
<td>1,035</td>
<td>40,111</td>
</tr>
</tbody>
</table>

Total program revenues                      | 5,953,533 | 6,275,018 | (321,485)  

Net program revenues (expenses)             | (2,817,339)| (1,350,574)| (1,466,765) |

Tax revenue decreasing

<table>
<thead>
<tr>
<th>General revenues:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment earnings (losses)</td>
<td>165,791</td>
<td>87,330</td>
<td>78,461</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>305,420</td>
<td>(305,420)</td>
</tr>
</tbody>
</table>

Total general revenues                      | 165,791   | 392,750   | (226,959)  

Due to GASB 31 adjustment

Last year had CCHIP $237K and DLPF $25K revenue

Change in net position                      | (2,651,548)| (957,824) | (1,693,724) |

More spent on local projects this year and tax revenue decreasing

<table>
<thead>
<tr>
<th>Net position, beginning of period (as previously restated)</th>
<th>14,745,489</th>
<th>15,647,614</th>
<th>(902,125)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restatement</td>
<td>(351,029)</td>
<td>55,699</td>
<td>(406,728)</td>
</tr>
<tr>
<td>Net position, beginning of period (as restated)</td>
<td>14,394,460</td>
<td>15,703,313</td>
<td>(1,308,853)</td>
</tr>
</tbody>
</table>

Net OPEB adjustment in 2018; net pension liability adjustment in 2017

<table>
<thead>
<tr>
<th>Net position, end of period</th>
<th>$11,742,912</th>
<th>$14,745,489</th>
<th>$(3,002,577)</th>
</tr>
</thead>
</table>

Spending down State funds
<table>
<thead>
<tr>
<th></th>
<th>Tobacco Tax</th>
<th>Other Grants</th>
<th>Investment Earnings (Losses)</th>
<th>Other Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6,430,034</td>
<td>174,546</td>
<td>227,948</td>
<td>640,959</td>
<td>7,473,487</td>
</tr>
<tr>
<td>2015</td>
<td>6,466,950</td>
<td>419,641</td>
<td>140,562</td>
<td>95,951</td>
<td>7,123,104</td>
</tr>
<tr>
<td>2016</td>
<td>6,316,574</td>
<td>269,796</td>
<td>188,563</td>
<td>60,143</td>
<td>6,835,076</td>
</tr>
<tr>
<td>2017</td>
<td>6,273,983</td>
<td>1,035</td>
<td>87,330</td>
<td>305,420</td>
<td>6,667,768</td>
</tr>
<tr>
<td>2018</td>
<td>5,912,387</td>
<td>41,146</td>
<td>165,791</td>
<td>-</td>
<td>6,119,324</td>
</tr>
</tbody>
</table>
• **Notes to the Financial Statements**
  – Required disclosures that describes the accounting policies of the Agency and provides further detail of each major account

• **Budget to Actual**
  – $1.5M under budgeted deficit
Changes This Year

- GASB 75 implementation, recorded OPEB liability similar to the Net Pension Liability
  - Decreased net assets by $351K
  - Additional schedules and disclosures

Conclusion

- Would like to thank Kitty, Khanh and the rest of the staff for their cooperation and assistance during the audit.
Purpose of the Annual Report

The Annual Report provides information about our local activities and expenditures to First 5 California. It includes:

- Fiscal data (e.g., expenditures)
- Client data (number of children, parents, and providers served)
- Evaluation data (narrative report of evaluation findings and systems improvement work)
Fiscal Data

- **Family Functioning:** $2,267,054
- **Child Health:** $1,416,936
- **Child Development:** $2,612,398
- **Systems Change:** $1,121,159

Clients Served: *Duplicated*

N = 14,395
Clients Served: *Unduplicated*

N = 9,878

- Children under 3: 10%
- Children 3 to 5: 14%
- Children Age Unknown: 8%
- Parents/Guardians: 37%
- Other Family Members: 5%
- Providers: 26%

F5SMC also distributed **2,832 Kits for New Parents**

---

**Family Demographics**

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>First 5 SMC</th>
<th>San Mateo County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>6%</td>
<td>23%</td>
</tr>
<tr>
<td>Black/African-American</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Latino</td>
<td>65%</td>
<td>34%</td>
</tr>
<tr>
<td>Pacific Islander</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>White</td>
<td>4%</td>
<td>32%</td>
</tr>
<tr>
<td>Multiracial</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Other/Unknown</td>
<td>27%</td>
<td>13%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Language</th>
<th>First 5 SMC</th>
<th>San Mateo County</th>
</tr>
</thead>
<tbody>
<tr>
<td>English</td>
<td>20%</td>
<td>53%</td>
</tr>
<tr>
<td>Spanish</td>
<td>56%</td>
<td>19%</td>
</tr>
<tr>
<td>Asian Languages</td>
<td>2%</td>
<td>20%</td>
</tr>
<tr>
<td>Other/Unknown</td>
<td>22%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Evaluation Activities

- Client Data Collection
- The Early Childhood Education Teacher Compensation Study
- Qualitative Study of Access to Early Learning Opportunities for Children with Special Needs
- Network Analysis of Collaborative Efforts with PARTNER Tool

Selected Findings: ECE Teacher Compensation Study

<table>
<thead>
<tr>
<th></th>
<th>Average Wages: Hourly</th>
<th>Average Wages: Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers’ Aides</td>
<td>$15.47</td>
<td>$32,177</td>
</tr>
<tr>
<td>Assistant/Assoc. Teachers</td>
<td>$17.35</td>
<td>$36,088</td>
</tr>
<tr>
<td>Lead Teachers</td>
<td>$22.07</td>
<td>$45,906</td>
</tr>
<tr>
<td>Site Supervisors/Directors</td>
<td>$27.11</td>
<td>$56,389</td>
</tr>
<tr>
<td>2018 Self-Sufficiency Wage: San Mateo County, One Adult</td>
<td>$29.43</td>
<td>$62,147</td>
</tr>
</tbody>
</table>
Selected Findings:
ECE Teacher Compensation Study

High Turnover
- Effective replacement rates of 12-24% per year

QRIS Participation Reduces Turnover
- Replacement rates are 4-13 percentage points lower

Unions Increase Pay and Reduce Turnover
- Hourly pay increases by 16-25%
- Replacement rates are 11-18 percentage points lower

Questions and Comments