



Agenda Date: 7/19/2005
Agenda Placement: 9A

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
County Executive Office
REPORT BY: Meegan Condon, Analyst, 259-8748
SUBJECT: Tobacco MSA 2005-2006 Spending Plan

RECOMMENDATION

County Executive Officer requests discussion and possible action on the following recommendations related to the use of Tobacco Master Settlement Agreement Funds:

1. Approval to allocate \$750,000 for Fiscal Year 2005-2006 for physical, mental, and drug and alcohol programs and facilities which provide inpatient and outpatient services, including related prevention and education programs, based on specific minimum qualifications, operating standards and funding selection standards as set forth in the Fiscal Year 2005-2006 Tobacco Master Settlement Agreement Funding Process and the Fiscal Year 2005-2006 Funding Guidelines;
2. Approval for staff to begin a review of the Tobacco Master Settlement Agreement distribution process for Fiscal Year 2006-2007 and beyond utilizing a wide range of information related to funding priorities in the Health and Human Services area including Board direction and priorities, needs assessments, and community input; and
3. Recommendation to the Children's Health Initiative to consider applying for Tobacco Master Settlement Agreement Funds.

EXECUTIVE SUMMARY

The Fiscal Year 2005-2006 Budget includes an appropriation of \$750,000 from Tobacco Master Settlement Agreement (MSA) revenues. In the past, these funds have been distributed to local non-profit organizations based on input from the healthcare and non-profit communities and a recommendation by the CEO to the Board of Supervisors. This year it is recommended that the County begin to move to a more conventional, objective and needs-based application and allocation process. The first step in that effort is to adopt a more formalized funding process for Fiscal Year 2005-2006. This will be followed by a comprehensive process to review the funding criteria and methodology for Fiscal Year 2006-2007 and beyond.

Additionally this item includes a recommendation for the Children's Health Initiative to consider applying for the Fiscal Year 2005-2006 Tobacco Master Settlement Agreement funds, since the purpose of the Initiative is

consistent with the allowable uses of MSA funds as set by the Board: "Physical, mental and drug and alcohol programs and facilities which provide inpatient and outpatient services, including related prevention and education programs." This recommendation is in response to the Board's request that the County Executive Officer identify possible sources of funding for the County's designated portion of the Children's Health Initiative costs.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	County Contributions
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	In 2001 the Board of Supervisors determined that it would distribute \$750,000 per year from Tobacco Settlement Funds for physical, mental, and drug and alcohol programs and facilities which provide inpatient and outpatient services, including related prevention and education programs.
Is the general fund affected?	Yes
Future fiscal impact:	This item does not include a financial obligation beyond the current fiscal year, but does include a provision to begin conducting a process to help determine funding priorities for future years.
Consequences if not approved:	Tobacco Master Settlement Agreement funds will not be allocated as described in this item and a comprehensive process to determine future funding priorities will not begin.
Additional Information:	The Tobacco Master Settlement Agreement trust account balance as of 5/31/05 was \$6,381,414. This reflects \$1,343,333 in Tobacco Settlement revenue in Fiscal Year 2004-2005 and interest for the first three quarters totaling \$97,315.
	Additional funding to support the needs assessment process may be requested at a later date.

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

History

In March of 2001, the Board of Supervisors defined the terms by which Tobacco Settlement Funds would be distributed. The adopted definition was: "Physical, mental, and drug and alcohol programs and facilities which provide inpatient and outpatient services, including related prevention and education programs." This definition

was established based, in part, on input from the Health Partnership Coalition, a collaborative group which had formed for the purpose of providing input from the non-profit community concerning the use of Tobacco MSA funds for health programs.

At subsequent meetings in June, 2001 the Board determined that it would distribute \$750,000 per year from funds deposited in the Tobacco Settlement Trust Account and that if the annual interest in the trust account exceeds \$750,000, the entire amount of interest would be distributed. Additionally it was determined that the basis for funding decisions in Fiscal Year 2001-2002 would include (a) collaborative, community efforts that will gain the greatest return on investment for physical, mental, and drug and alcohol programs; (b) investments that leverage additional resources and broaden the number and range of funding opportunities; and (c) sustainability. In subsequent years the Board affirmed similar funding criteria.

A primary emphasis in the grant process has historically been on collaboration and, at times, negotiation among potential applicants, rather than on direct competition among applicants under objective funding standards. In some years, the applications that were ultimately submitted for consideration totaled the exact amount of funding available for award. The approval process has been interactive and largely controlled by the negotiations among applicants prior to the submission of applications, rather than by the post-submission evaluation process.

Since these initial decisions in 2001, the Board has awarded \$3,000,000 to over 15 non-profit agencies. Funding has been used to support mental health services, health care for under-served and low income residents, alcohol and drug treatment, dental services, and tobacco education, prevention and cessation programs.

Recommended Process for Ongoing Distribution of Tobacco Settlement Funding

1. Annual \$750,000 Allocation. Tobacco Settlement funds in the amount of \$750,000 should continue to be made available on an annual basis for the purpose adopted by the Board in 2001: the support of programs providing "physical, mental, and drug and alcohol programs and facilities which provide inpatient and outpatient services, including related prevention and education programs."
2. Application Process. The application and approval process should move to a more conventional and objective one that utilizes (a) minimum qualifications for applicants, (b) basic minimum standards on which all grant funded activities, projects, or undertakings will be operated, (c) objective standards on which applications will be evaluated and selected for funding; and (d) a panel of disinterested citizens, professionals, and county staff to confirm applicant qualifications and evaluate applications against the objective standards.
3. Fiscal Year 2005-2006 Grant Process. As an interim measure, the recommended minimum qualifications, operating standards and funding selection standards for the 2005 grant year are set forth in the attached documents. These are generally reflective of the qualifications and standards utilized in previous years, although additional detail has been added to either clarify ambiguity or to reflect specific policy goals that the Board has been pursuing over the past year.
4. Grant Process for Fiscal Year 2006-2007 and Beyond. Staff will conduct an ongoing process for reviewing and updating minimum qualifications, operating standards, and objective funding selection standards. The review should occur outside the actual period of the year during which grant applications are being solicited, evaluated, and selected for funding. If the application process occurs over the summer and funds are awarded in the fall, the review of qualifications and objectives should commence shortly after the grants have been awarded and finalized. The review should be facilitated by County staff but may make use of a range of information including (1) guidance and direction from the Board; (2) needs assessments, either specifically commissioned for the Tobacco Settlement grant program or conducted for other purposes; (3) input solicited from the public, the provider community, and other interested agencies, organizations, and individuals. The qualifications and grant standards recommended for the next application cycle will be submitted to the Board for review and approval.

Children's Health Initiative

On May 3rd, 2005 your Board received a report from the Children's Health Initiative that included a request for three years of \$100,000 a year in funding. This funding would be used, in conjunction with funding from other sources, to provide health insurance coverage for all children in the County who are not covered by private insurance or other health care programs such as Medi-Cal. Subsequently your Board directed staff to come back with a recommendation on how this Initiative might be funded. The Tobacco MSA grant process recommended for Fiscal Year 2005-2006 would be an appropriate place for the Children's Health Initiative to apply for funding, since the purpose of the Initiative is consistent with the Board's approved use of Tobacco MSA funds. Thus staff is recommending that your Board suggest that the Initiative apply for MSA funds with the understanding that their application would be evaluated against other funding requests using the criteria approved by your Board. Since the current practice is to allocate MSA funding on a one-year basis, this would mean the Initiative could only apply for \$100,000 in Fiscal Year 2005-2006 and would need to apply for additional funds in subsequent years.

In the event that your Board does not want to recommend that the Children's Health Initiative apply for Tobacco MSA funds under the above criteria, but you still want to provide County support, staff has identified three other potential funding options for the Initiative:

- | Your Board could earmark a portion of the \$750,000 in MSA money for the Children's Health Initiative "off the top" and utilize the above criteria for allocating the remainder of the MSA money.
- | Your Board could allocate Tobacco MSA money in addition to the \$750,000 to the Children's Health Initiative. This would involve drawing additional MSA dollars from the Tobacco MSA Trust Fund.
- | Your Board could utilize General Fund monies to fund the Children's Health Initiative.

Staff is recommending that your Board suggest that the Children's Health Initiative apply for Tobacco MSA funds through the regular MSA allocation process because the Initiative is the sort of program that clearly fits within the general funding parameters for MSA dollars and it seems like good public policy to weigh the relative merits of the different potential uses of those funds.

SUPPORTING DOCUMENTS

- A . Fiscal Year 2005-2006 Tobacco Master Settlement Agreement Funding Process
- B . Fiscal Year 2005-2006 Funding Guidelines

CEO Recommendation: Approve

Reviewed By: Britt Ferguson