

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 9, 2004
9:30 a.m.

To: Board of Supervisors

From: Department of Health and Human Services
Countywide Services Agency

Subject: Report Back On Potential Funding Plan To Fund Tobacco Cessation At A Level Consistent With The Board's Previously Established Policy Of 15.0 Percent Of Tobacco Litigation Securitization (TLS) Endowment Receipts.

Contact: AnnMarie Boylan, Senior Administrative Analyst; 874-4627

BACKGROUND:

Your Board requested the Countywide Services Agency (CSA) and the Department of Health and Human Services (DHHS) to develop a funding plan that would make available funds consistent with the 15.0 percent level established by your Board in the initial round of TLS Endowment funding. The report back request also included a discussion on how Senate Bill (SB) 1612 would impact funding if signed by the Governor.

There were seven projects funded from the original TLS Endowment Funding Request for Proposal (RFP) process. An estimated \$945,000, which represents 15.0 percent of the overall annual receipts of \$6.3 million, was set aside for these programs. The original awards totaled \$894,406 annually which is 14.1 percent of the total TLS Endowment estimated annual receipts.

DISCUSSION:

Utilization of TLS Endowment Funds In the County Executive Recommended Final Budget

In the 2004-05 County Executive Final Recommended Budget all programs, with the exception of the County operated tobacco cessation program in the Child Health and Disability Prevention (CHDP) program totalling \$100,397, were allowed to sunset and the funds were redirected toward meeting the \$1.0 million match required for the United States Department of Housing and Urban Development (HUD) funds used for the Mather Transitional Housing program. While Mather Transitional Housing program is a discretionary program it is recommended that this program funding be retained for this program on an ongoing basis as the loss of this financing would put the entire Mather Transitional Housing program and long-term lease agreement with the United States Department of Defense in jeopardy.

Proposed Funding Plan for Tobacco Cessation

This report back recommends the reestablishment of the 15.0 percent set-aside for tobacco cessation/education and prevention in the amount of \$945,000. This set-aside is proposed for funding as follows:

- **Unfunding of Child Health and Disability Prevention Program—Annual Impact \$100,397**

This program has been in place for three years and the program funded the costs of a Public Health Educator position which prepared and distributed tobacco cessation materials that were utilized by the CHDP network of medical practitioners to educate consumers about the dangers of smoking and in particular second hand smoke.

The Tobacco Coalition is not supportive of continuing this program and feels that the monies would be better spent on another target population. At this time, the program materials have been created and distributed and the current position (and only program position) of Public Health Educator is vacant. The vacant Public Health Educator position will be transferred into a funded program. The Director of DHHS is aware of the Tobacco Coalition's concerns in terms of this program and is in agreement with the request from the Tobacco Coalition to unfund this program in order to make available the \$100,397 annually for other tobacco cessation programs.

Accelerated Cash Payments from Tobacco Companies

The original schedule of the deallocated TLS Endowment revenues from the tobacco companies was predicated on a conservative payback timeline and the tobacco companies have been exceeding that expectation. The attached schedule shows what the County may expect to receive in the next four years in both annuity payment (community based organization portion) and the deallocated payment (county portion). As was stated in the previous Report Back item, this accelerated payback shortens the life of the TLS Endowment bonds; however, the County will continue to receive payments from the tobacco companies. These payments will be directed to the Sacramento County Tobacco Securitization Corporation whose representation is the Board of Supervisors plus one public member. The Sacramento County Tobacco Securitization Corporation may make any or all proceeds available to the County for utilization. Once the TLS Endowment bond principal is paid, all ongoing funds may be utilized without the restrictions currently imposed by the TLS Endowment bond covenants.

Based on the anticipated revenue receipts, it is recommended that the remaining \$845,000 is required to reestablish the full \$945,000 for tobacco cessation programs.

Administrative Process for Award of Tobacco Cessation Funding

The Tobacco Coalition was not part of the original priority setting or RFP review process in the first round of TLS Endowment funding. The current agreement is that the Tobacco Coalition sets priorities, establishes funding levels for grants, issues the RFP, reviews the submitted proposals, and proposes awards for these funds. The CSA staff provides assistance to the Tobacco Coalition during the RFP process and DHHS-Contracts Unit would execute the contracts to the awarded providers and the DHHS-Fiscal Unit would make payments to awarded providers. The current process awards \$265,000 (4.0 percent of annual receipts) which is used to fund administrative support for the entire TLS Endowment Fund. There is no request for additional administrative resources to accomplish this effort.

Impact of Governor's Signature of SB 1612

SB 1612 has been approved by both the State Senate and the Assembly and is awaiting signature from the Governor. This bill would reallocate the appropriation to provide the full match for the augmentation funds in the Child Welfare Services allocation. Your Board has an additional request before you (which is being recommended by the County Executive) to augment the DHHS General Fund allocation by \$268,670 to backfill the result of the Governor's budget veto in Child Welfare Services. The initial discussion was that if the Governor signed SB 1612 the \$268,670 could be made available to fund tobacco cessation. However, given the anticipated cash receipts in the TLS Fund this funding shift is not being recommended. If the Governor does sign SB 1612 then DHHS may bring the matter back to your Board for consideration in terms of other priorities within its Department.

Respectfully submitted,

APPROVED:

JIM HUNT, Director
Department of Health and Human Services

TERRY SCHUTTEN
County Executive

Concur:

PENELOPE CLARKE, Administrator
Countywide Services Agency

cc: Kimberly Bankston-Lee, Chair Tobacco Coalition