

BOARD OF SUPERVISORS



# COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER

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JEFF ALMQUIST  
FIFTH DISTRICT

AGENDA: 9/15/98

August 26, 1998

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

RE: PROPOSITION 10--TOBACCO SURTAX FOR STATE  
AND COUNTY EARLY CHILDHOOD DEVELOPMENT PROGRAMS

Dear Members of the Board:

The California Children and Families First Initiative, which would raise funds for child development and health programs via an additional \$.50 tax per pack on cigarette distributors and distributed tobacco products, has been placed on the November 3, 1998, ballot as State Proposition 10. The funds would be used for the creation of State and county commissions tasked with formulating guidelines for the establishment of comprehensive early childhood development and smoking prevention programs.

Scientists have shown that the emotional, physical and intellectual experiences of children within their first three years of life dramatically influence brain growth and development. Ninety percent of brain growth occurs before age three. Smoking by pregnant women and exposure to secondhand smoke represent a major cause of illness, hospitalization and death among infants and young children.

Public agencies spend billions of dollars on education and other programs which serve children after they enter school, yet minimal funding is available for programs which provide services for children during the critical first three years of their lives. Proposition 10, the California Children and Families First Initiative, will create a major statewide program focused on delivering the services needed most by pregnant women and families with very young children. This comprehensive and integrated system of services will specifically target children less than five years of age.

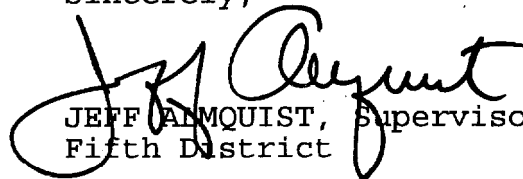
August 26, 1998  
Page 2

The California Children and Families First Initiative will provide the following services: prenatal and postnatal maternal and infant nutrition services; child immunizations; child care skills for parents and child care providers; domestic violence intervention, prevention, and treatment; child development, health care and social services not provided by existing programs; and education and training on the avoidance of tobacco, drugs, and alcohol during pregnancy.

The Proposition has received the endorsement of the California State Association of Counties, the Los Angeles County Board of Supervisors, as well as many other jurisdictions around the State, and the American Lung Association, the American Heart Association, the American Cancer Society, and the California Teacher's Association. Therefore, I urge that this Board support and endorse Proposition 10, and adopt the attached resolution urging the voters of Santa Cruz County to support this Proposition in the November election.

Accordingly, I recommend that the Board of Supervisors adopt the attached resolution in support of Proposition 10, the California Children and Families First Initiative.

Sincerely,

  
JEFF AMQUIST, Supervisor  
Fifth District

JA:lg  
Attachments

cc: County Administrative Officer; Tobacco Education Coalition; Human Resources Agency Administrator; Director of Parks, Open Space and Cultural Services; Children's Network; Children's Commission; Women's Commission; Commission on Disabilities; Community Counseling Center; Youth Services; Parent Center; Head Start; Food and Nutrition Services; County Office of Education; Cabrillo College Health Center; UCSC Health Center; all local Unified School Districts; Valley Women's Center; YWCA, Santa Cruz; YWCA, Watsonville; Dominican Hospital Pediatric Department; Dominican Hospital Health Education; Sutter Maternity and Surgical Center; Watsonville Hospital Pediatric Department; Watsonville Hospital Health Education; County Medical Society; Women's Democratic Club; People's Democratic Club; Republican Central Committee

106235

BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor  
duly seconded by Supervisor  
the following resolution is adopted

RESOLUTION SUPPORTING PROPOSITION 10: THE CALIFORNIA  
CHILDREN AND FAMILIES FIRST INITIATIVE

WHEREAS, scientists have proven that the emotional, physical and intellectual experiences of children within their first three years of life actually influence brain growth and development; that 90% of brain growth occurs before a child reaches the age of three; that children subjected to neglect and abuse enter school far behind, suffer serious disadvantages and may never catch up; that many of these children become afflicted by drugs and gang involvement; and that smoking by pregnant women and exposure to secondhand smoke represent a major cause of illness, hospitalization and death among infants and young children; and

WHEREAS, public agencies spend billions of dollars on education and other programs which serve children after they enter school, yet minimal funding is available for programs which provide services for children during the critical first three years of their lives; and

WHEREAS, the California Children and Families First Initiative will create a major statewide program focused on delivering services needed most by pregnant women and families with very young children, which will create a comprehensive and integrated system of services specifically targeting children less than five years of age; and

WHEREAS, the California Children and Families First Initiative will provide for an additional fifty-cent tax per pack of cigarettes, which will provide funding for the following services: prenatal and postnatal maternal and infant nutrition services; child immunizations, child care skills for parents and child care providers; domestic violence intervention, prevention, and treatment; child development, health care and social services not provided by existing programs; and education and training on the avoidance of tobacco, drugs, and alcohol during pregnancy; and

WHEREAS, it has been ten years since California last passed a cigarette tax, this initiative is gaining momentum, sufficient valid signatures have been obtained to qualify it for the November ballot, and current polling indicates that approximately 70 percent of California voters strongly support this initiative, and the direct beneficiaries of this initiative are also our greatest resource--California children; and

RESOLUTION SUPPORTING PROPOSITION 10: THE CALIFORNIA CHILDREN  
AND FAMILIES FIRST INITIATIVE

Page 2

WHEREAS, the Proposition has been endorsed by the American Heart Association, the American Lung Association, the American Cancer Society, the California Teacher's Association, and the California State Association of Counties.

NOW, THEREFORE, BE IT RESOLVED that the Santa Cruz County Board of Supervisors supports and endorses the California Children and Families First Initiative and urges the voters of this County to support it in the November election.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this \_\_\_\_\_ day of \_\_\_\_\_, 1998, by the following vote: \_\_\_\_\_

AYES: SUPERVISORS  
NOES: SUPERVISORS  
ABSENT: SUPERVISORS

JANET K. BEAUTZ, Chairperson  
Board of Supervisors

ATTEST: \_\_\_\_\_  
Clerk of said Board

Approved as to form:

Dwight L. Hew  
County Counsel

DISTRIBUTION: Governor Wilson  
Senator McPherson  
Assembly Member Keeley  
Assembly Member Frusetta

106235

C A L I F O R N I A L E G I S L A T U R E 99



## SENATE OFFICE OF RESEARCH

July 20, 1998

Elisabeth K. Kersten, Director

## -ERRATUM--

The "California Children and Families First Initiative," which will be Proposition 10 on the November 1998 California ballot, would impose a 50-cent-per-pack surcharge on cigarettes in California to raise new monies for early-childhood services and for an education campaign to encourage pregnant women to atop smoking. This analysis suggests the initiative would not prevent the state or counties from using these new revenues to replace money now being spent on, early-childhood programs. However, the initiative expressly requires the revenues it would generate to be spent in addition to state and local General Fund monies already being budgeted for these programs. (It does not mention the federal funds used for early-childhood services.)

## Text of Proposed Law

- **PROP 10** 100Rec'd  
CHPAC  
7/9/98**CALIFORNIA CHILDREN AND FAMILIES FIRST INITIATIVE  
CONSTITUTIONAL AMENDMENT AND STATUTE**

This initiative measure is **submitted** to the people in accordance with the **provisions** of Article **II**, Section 8 of the Constitution.

**This** initiative measure expressly amends the **Constitution** by adding **sections** thereto, and adds sections to the Health and Safety Code and the Revenue and Taxation Code, New provisions proposed to be added **are** printed in *italic type* to indicate they are new,

SECTION 1. Title. This **measure** shall be known and may be cited as the "California **Children** and Families First Act *of 1998*."

SECTION 2. Findings and declarations. The people **find** and declare as follows:

(a) There is a compelling need in **California** to create and **implement** a comprehensive, **collaborative**, and integrated system of information and services to promote, support, and optimize **early childhood** development from the prenatal **stage** to five years of age,

(b) There is a **further compelling need** in California to ensure that early childhood development programs and services are universally and continuously available for children until the beginning of kindergarten. **Proper** parenting, nurturing, and health **care** during **these** early years **will** provide the **means** for California's children to enter school in good health, ready and able to **learn**, and emotionally well developed.

(c) It has **been** determined that a child's **first three** years are the most critical in brain development, yet these **crucial years** have inadvertently been **neglected**. Experiences that **fill** the child's **first three** years have a direct and substantial impact not only on brain development but on subsequent intellectual, **social**, **emotional**, and physical **growth**.

(d) The seminal **Starting Points** report by the **Carnegie** Corporation of New York

concludes that **"how** children function **from** the **preschool years** all the way through **adolescence**, and **even adulthood**, hinges **in large** part on their experiences before the age of three."

(e) New research from many **sources**, including the **Carnegie** Corporation, the **Baylor College** of Medicine and the White House **Conference** on Early Childhood **Development**, **demonstrates** that the **capacity** of a child's brain **grows more** during **the first** three years than at any other time.

(f) The Education Commission of the States' report on the results of neuroscience research associated with early childhood development states: "Too many infants **are born** with problems that hinder their start in life. Damage that occurs **to** the embryo during critical growth -times may lead to irreversible disabilities."

(g) **California** taxpayers **spend** billions of **dollars** on public education each **year**, yet there are **few** programs designed **specifically** to help **prepare children** to enter school in good health, ready and able to **learn**, and emotionally well developed. Children who succeed in school are far **more** likely to engage in meaningful social, economic, and civic participation as adults and to avoid the use of tobacco and other addictive substances.

(h) **Dollars spent** now on well-coordinated programs that enable children to **begin** school healthy, ready and able to **learn, and emotionally** well developed will save billions of dollars in remedial programs, **treatment services**, social services, and our criminal justice system.

(i) The well-being of California's infants and children is endangered. Each year, tens of thousands of children are born exposed to **tobacco, drugs**, and alcohol, **Cigarette** smoking and other tobacco use by pregnant women and new parents represent a significant **threat** to the healthy **development** of infants and young children. **Smoking** is the leading preventable **cause** of death and **disease** in California.

(j) Studies published by the American Lung Association state: "Smoking during pregnancy **accounts** for an estimated **20 to 30** percent of **low** birth weight babies, up to 14 percent of **preterm** deliveries, and some 10 percent of **all** infant deaths. Maternal smoking has been linked to asthma among infants and young children."

(k) Research **and** studies demonstrate that low birth weight infants are particularly at risk for severe physical and developmental complications.

(l) Studies by the **federal** Environmental Protection Agency demonstrate an **increased** risk of sudden infant death syndrome (SIDS) in infants of mothers who **smoke**. The federal Environmental Protection Agency also estimates that **secondhand** smoke is **responsible** for between **150,000** and 300,000 lower respiratory tract infections in infants and children under **18** months of age annually, **resulting** in between **7,500** and **15,000** hospitalizations each year.

(m) The California **Children** and Families Fii Act of **1998** addresses these issues by facilitating the **creation** of a **seamless** system of integrated and comprehensive programs **and** services, and a funding base **for the** system with **program** and financial accountability, that will:

(1) Establish community-based programs to provide parental education **and family** support services relevant to effective childhood development. These **services** shall include **education and** skills training in **nurturing** and in avoidance of tobacco, drugs, and alcohol **during** pregnancy. Emphasis will be on services not provided by existing **programs** and on the consolidation of existing programs and new **services** provided pursuant to this Act into an integrated system **from** the consumer's perspective.

(2) Educate the public, using mass media, on the importance and the **benefits** of **nurturing, health** care, family support, and child **care**; and **inform involved** professionals and the **general** public about programs. that focus on **early childhood** development.

(3) Educate the public, **using** mass media, on the dangers caused by smoking and other tobacco use by pregnant women to themselves and to **infants** and **young** children, and the dangers of **secondhand** smoke to all children.

(4) Assist **pregnant** women and parents of young children to quit smoking.

(n) A **fifty cent per** pack increase in the state surtax on cigarettes and an equivalent increase in the state **surtax** on tobacco products to fund anti-smoking **and** early childhood development programs is necessary, appropriate, and in the public interest.

. **SECTION 3 .** **Addition** of Section 7 to Article **XIIIA** of Constitution. **Section** 7 is added to Article **XIIIA** of the constitution, to read:

**Section 7.** *Section 3 of Article XIIIA does not apply to the California Children and Families First Act of 1998.*



SECTION 4. Addition of **Section 13** to **Article XIII B** of Constitution. Section 13 is added to Article **XIII B** of the Constitution, to read:

103

**Section 13.** *"Appropriations subject to limitation" of each entity of government shall nor include appropriations of revenue from the California Children and Families First Trust Fund created by the California Children and Families First Act of 1998. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 as a result of revenue being deposited in or appropriated from the California Children and Families First Trust Fund. The surtax created by the California Children and Families First Act of 1998 shall not be considered General Fund revenues for the purposes of Article XVI, Section 8 of the California Constitution.*

**SECTION 5.** Addition of Division **108** (commencing with Section 130100) to the Health and Safety Code. **Division 108** (commencing with Section 130100) is added to the Health and Safety Code, to read:

**Division 108.** *California Children and Families First Program*

**130100.** *There is hereby created a program in the state for the purposes of promoting, supporting, and improving the early development of children from the prenatal stage to five years of age. These purposes shall be accomplished through the establishment, institution, and coordination of appropriate standards, resources, and integrated and comprehensive programs emphasizing community awareness, education, nurturing, child care, social services, health care, and research.*

(a) *It is the intent of this Act to facilitate the creation and implementation of an integrated, comprehensive and collaborative system of information and services to enhance optimal early childhood development. This system should function as a network that promotes the accessibility to all information and services from any entry point into the system. It is the further intent of this Act to emphasize local decisionmaking, to provide for greater local flexibility in designing delivery systems, and to eliminate duplicate administrative systems.*

(b) *The programs authorized by this Act shall be administered by the California Children and Families First Commission and by county children and families*

*first commissions. In administering this Act, the state and county commissions shall use outcomes-based accountability to determine future expenditures.*

(c) *This division shall be known, and may be cited as the "California Children and Families First Act of 1998."*

130105. *The California Children and Families First Trust Fund is hereby created in the State Treasury.*

(a) *The California Children and Families First Trust Fund shall consist of moneys collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code,*

(b) *All costs to implement this Act shall be paid from moneys deposited in the California Children and Families First Trust Fund.*

(c) *The State Board of Equalization shall determine within one year of the passage of this Act the effect that additional taxes imposed on cigarettes and tobacco products by this Act has on the consumption of cigarettes and tobacco products in this state. To the extent that a decrease in consumption is determined by the State Board of Equalization to be the direct result of additional taxes imposed by this Act, the State Board of Equalization shall determine the fiscal effect the decrease in consumption has on the funding of any Proposition 99 (the Tobacco Tax and Health Protection Act of 1988) state health-related education or research programs in effect as of November 1, 1998 and the Breast Cancer Fund programs which are funded by excise taxes on cigarettes and tobacco products. Funds shall be transferred from the California Children and Families First Trust Fund to those affected programs as necessary to offset the revenue decrease directly resulting from the imposition of additional taxes by this Act. Such reimbursements shall occur, and at such times, as determined necessary to further the intent of this division (c).*

(d) *Moneys shall be allocated and appropriated from the California Children and Families First Trust Fund as follows:*

(1) *Twenty percent shall be allocated and appropriated to separate accounts of the state commission for expenditure according to the following formula:*

(A) *Six percent shall be deposited in a Mass Media Communications Account*

*for expenditures for communications to the general public utilizing television, radio, newspapers, and other mass media on subjects relating to and furthering the goals and purposes of this Act, including, but not limited to, methods of nurturing and parenting which encourage proper childhood development, the informed selection of child care, information regarding health and social services, the prevention of tobacco, alcohol, and drug use by pregnant women, and the detrimental effects of secondhand smoke on early childhood development.*

*(B) Five percent shall be deposited in an Education Account for expenditures for programs relating to education, including, but not limited to, the development of educational materials, professional and parental education and training, and technical support for county commissions in the areas described in subdivision (b) (1) (A) of Section 130125.*

*(C) Three percent shall be deposited in a Child Care Account for expenditures for programs relating to child care, including, but not limited to, the education and training of child care providers, the development of educational materials and guidelines for child care workers, and the other areas described in subdivision (b) (1) (B) of Section 130125.*

*(D) Three percent shall be deposited in a Research and Development Account for expenditures for the research and development of best practices and standards for all programs and services relating to early childhood development established pursuant to this Act, and for the assessment and quality evaluation of such programs and services.*

*(E) One percent shall be deposited in an Administration Account for expenditures for the administrative functions of the state commission.*

*(F) Two percent shall be deposited in an Unallocated Account for expenditures by the state commission for any of the purposes of this Act as described in Section 130100; provided, however, that no such moneys shall be expended for the administrative functions of the state commission.*

*(G) In the event that, for whatever reason, the expenditure of any moneys allocated and appropriated for the purposes specified in subdivisions (A) through (F), inclusive, is enjoined by a final judgment of a court of competent jurisdiction, then such*

*moneys shall be available for expenditure by the state commission for mass media communication emphasizing the need to eliminate smoking and other tobacco use by pregnant women, the need to eliminate smoking and other tobacco use by persons under eighteen years of age, and the need to eliminate exposure to secondhand smoke.*

*(H) Any moneys allocated and appropriated to any of the accounts described above in subdivisions (A) through (F), inclusive, which are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same account for the next fiscal period.*

*(2) Eighty percent shall be allocated and appropriated to county commissions in accordance with the provisions of Section 130140. .*

*(A) The moneys allocated and appropriated to county commissions still be deposited in each local Children and Families First Trust Fund administered by each county commission, and shall be expended only for the purposes authorized by this Act and in accordance with the county strategic plan approved by each county commission.*

*(B) Any moneys allocated and appropriated to any of the county commissions which are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same local Children and Families First Trust Fund for the next fiscal period under the same conditions set forth in subdivision (d)(2)(A) 'above.*

*(e) All grants, gifts, or bequests of money made to or for the benefit of the state commission from public or private sources to be used for early childhood development programs shall be deposited in the California Children and Families First Trust Fund and expended for the specific purpose such grant, gift, or bequest was made. The amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the state commission pursuant to subdivision (d)(1) above.*

*(f) All grants, gifts, or bequests of money made to or for the benefit of any county commission from public or private sources to be used for early childhood development programs shall be deposited in the Local Children and Families First Trust Fund and expended for the specific purpose such grant, gift, or bequest was made. The*

amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the county commissions pursuant to subdivision (d) (2) above.

130110. There is hereby established a California Children and Families First Commission composed of seven voting members and two ex officio members.

(a) The voting members shall be selected, pursuant to Section 130115, from persons with knowledge, experience, and expertise in early child development, child care, education, social services, public health, the prevention and treatment of tobacco and other substance abuse, behavioral health, and medicine (including, but not limited to, representatives of statewide medical and pediatric associations or societies), upon consultation with public and private sector associations, organizations, and conferences composed of professionals in these fields.

(b) The state Secretary of the Health and Welfare Agency and the state Secretary of Child Development and Education, or their designees, shall serve as ex officio nonvoting members of the state commission.

130115. The Governor shall appoint three members of the state commission, one of whom shall be designated as chairperson. One of the Governor's appointee shall be either a county health officer or a county health executive. The Speaker of the Assembly and the Senate Rules Committee shall each appoint two members of the state commission. Of the members first appointed by the Governor, one shall serve for a term of four years, and two for a term of two years. Of the members appointed by the Speaker of the Assembly and the Senate Rules Committee, one appointed by the Speaker of the Assembly and the Senate Rules Committee shall serve for a period of four years with the other appointees to serve for a period of three years. Thereafter, all appointments shall be for four-year terms. No appointee shall serve as a member of the state commission for more than two four-term terms.

130120. The state commission shall, within three months after a majority of its voting members have been appointed, hire an executive director. The state commission shall thereafter hire such other staff as necessary or appropriate. The executive director and staff shall be compensated as determined by the state commission

*consistent with moneys available for appropriation in the Administration Account. All professional staff employees of the state commission shall be exempt from civil service. The executive director shall act under the authority **of and** in accordance with the direction of the state commission.*

108

*130125. The powers and duties of the state commission shall include, but are not limited to, the following:*

*(a) Providing for statewide dissemination of public information and educational materials to members of the general public and to professionals for the purpose of developing appropriate awareness and knowledge regarding the promotion, support, and improvement of early childhood development.*

*(b) Adopting guidelines for an integrated and comprehensive statewide program of promoting, supporting, and improving early childhood development that enhances the intellectual, social, emotional, and physical development of children in California.*

*(1) The state commission's guidelines shall, at a minimum, address the following matters:*

*(A) Parental education and support services in all areas required for and relevant to informed and healthy parenting. Examples of parental education shall include, but are not limited to, prenatal and postnatal infant and maternal nutrition, education and training in newborn and infant care and nurturing for optimal early childhood development, parenting and other necessary skills, child abuse prevention, and avoidance of tobacco, drugs, and alcohol during pregnancy. Examples of parental support services shall include, but are not limited to, family support centers offering an integrated system of services required for the development and maintenance of self-sufficiency, domestic violence prevention and treatment, tobacco and other substance abuse control and treatment, voluntary intervention for families at risk, and such other prevention and family services and counseling critical to successful early childhood development.*

*(B) The availability and provision of high quality, accessible, and affordable child care, both in-home and at child care facilities, that emphasizes education, training*

*and qualifications of care providers, increased availability and access to child care facilities, resource and referral services, technical assistance for care givers, and financial and other assistance to ensure appropriate child care for all households.*

*(C) The provision of child health care services that emphasize prevention, diagnostic screenings, and treatment not covered by other programs; and the provision of prenatal and postnatal maternal health care services that emphasize prevention, immunizations, nutrition, treatment of tobacco and other substance abuse, general health screenings, and treatment services not covered by other programs.*

*(2) The state commission shall conduct at least one public hearing on its proposed guidelines before they are adopted.*

*(3) The state commission shall, on at least an annual basis, periodically review its adopted guidelines and revise them as may be necessary or appropriate.*

*(c) Defining the results to be achieved by the adopted guidelines, and collecting and analyzing data to measure progress toward attaining such results.*

*(d) Providing for independent research, including the evaluation of any relevant programs, to identify the best standards and practices for optimal early childhood development, and establishing and monitoring demonstration projects.*

*(e) Soliciting input regarding program policy and direction from individuals and entities with experience in early childhood development, facilitating the exchange of information between such individuals and entities, and assisting in the coordination of the services of public and private agencies to deal more effectively with early childhood development.*

*(f) Providing technical assistance to county commissions in adopting and implementing county strategic plans for early childhood development.*

*(g) Reviewing and considering the annual audits and reports transmitted by the county commissions and, following a public hearing, adopting a written report that consolidates, summarizes, analyzes, and comments on such annual audits and reports.*

*(h) Applying for gifts, grants, donations, or contributions of money, property, facilities, or services from any person, corporation, foundation, or other entity, or from the state or any agency or political subdivision thereof, or from the federal government*

*or any agency or instrumentality thereof in furtherance of a statewide program of early childhood development.*

*(i) Entering into such contracts as necessary or appropriate to carry out the provisions and purposes of this Act.*

*(j) Making recommendations to the Governor and the Legislature for changes in state laws, regulations, and services necessary or appropriate to carry out an integrated and comprehensive program of early childhood development in an effective and cost-efficient manner.*

130130. *Procedures for the conduct of business by the state commission not specified in this Act shall be contained in bylaws adopted by the state commission. A majority of the voting members of the state commission shall constitute a quorum. All decisions of the state commission, including the hiring of the executive director, shall be by a majority of four votes.*

130135. *Voting members of the state commission shall not be compensated for their services, except they shall be paid reasonable per diem and reimbursement of reasonable expenses for attending meetings and discharging other official responsibilities as authorized by the state commission.*

130140. *Any county or Counties developing, adopting, promoting, and implementing local early childhood development programs consistent with the goals and objectives of this Act shall receive moneys pursuant to subdivision (d)(2) of Section 130105 in accordance with the following provisions:*

*(a) For the period between January 1, 1999 and June 30, 2000, county commissions shall receive the portion of the total moneys available to all county commissions equal to the percentage of the number of births recorded in the relevant county (for the most recent reporting period) in proportion to the entire number of births recorded in California (for the same period), provided that each of the following requirements has first been satisfied:*

*(1) The county's board of supervisors has adopted an ordinance containing the following minimum provisions:*

*(A) The establishment of a county children and families first commission. The*



*country commission shall be appointed by the board of supervisors and shall consist of at least five but not more than nine members.* 111

(i) *Two members of the country commission shall be from among the county health officer and persons responsible for management of the following county functions: children's services, public health services, behavioral health services, social services, and tobacco and other substance abuse prevention and treatment services.*

(ii) *One member of the country commission shall be a member of the board of supervisors.*

(iii) *The remaining members of the country commission shall be from among the persons described in subdivision (a)(1) (A) (i) above and persons from the following categories: recipients of project services included in the county strategic plan; educators specializing in early childhood development; representatives of a local child care resource or referral agency, or a local child care coordinating group; representatives of a local organization for prevention or early intervention for families at risk; representatives of community-based organizations which have the goal of promoting nurturing and early childhood development; representatives of local school districts; and representatives of local medical, pediatric, or obstetric associations or societies.*

(B) *The manner of appointment, selection, or removal of members of the county commission, the duration and number of terms country commission members shall serve, and any other matters as the board of supervisors deems necessary or convenient for the conduct of the country commission's activities; provided, however, that members of the country commission shall not be compensated for their services, except they shall be paid reasonable per diem, and reimbursement of reasonable expenses for attending meetings and discharging other official responsibilities as authorized by the country commission.*

(C) *The requirement that the country commission adopt an adequate and complete county strategic plan for the support and improvement of early childhood development within the county.*

(i) *The county strategic plan shall be consistent with and in furtherance of the purposes of this Act and any guidelines adopted by the state commission pursuant to*

*subdivision (b) of Section 130125 that are in effect at the time the plan is adopted.*

*(ii) The county strategic plan shall, at a minimum, include: a description of the goals and objectives proposed to be attained; a description of the programs, services, and projects proposed to be provided, sponsored, or facilitated; and a description of how measurable outcomes of such programs, services, and projects will be determined by the county commission using appropriate reliable indicators. No county strategic plan shall be deemed adequate or complete until and unless the plan describes how programs, services, and projects relating to early childhood development within the county will be integrated into a consumer-oriented and easily accessible system.*

*(ii) The county commission shall, on at least an annual basis, be required to periodically review its county strategic plan and to revise the plan as may be necessary or appropriate.*

*(D) The requirement that the county commission conduct at least one public hearing on its proposed county strategic plan before the plan is adopted.*

*(E) The requirement that the county commission conduct at least one public hearing on its periodic review of the county strategic plan before any revisions to the plan are adopted.*

*(F) The requirement that the county commission submit its adopted county strategic plan, and any subsequent revisions thereto, to the state commission.*

*(G) The requirement that the county commission prepare and adopt an annual audit and report pursuant to Section 130150. The county commission shall conduct at least one public hearing prior to adopting any annual audit and report,*

*(H) The requirement that the county commission conduct at least one public hearing on each annual report by the state commission prepared pursuant to subdivision (b) of Section 130150.*

*(I) Two or more counties may form a joint county commission, adopt a joint county strategic plan, or implement joint programs, services, or projects,*

*(2) The county's board of supervisors has established a county commission and has appointed a majority of its members.*

*(3) The county has established a local Children and Families First Trust Fund*

*pursuant to subdivision (d)(2)(A) of Section 130105.*

*(b) Notwithstanding any provision of this Act to the contrary, no moneys made available to county commissions under subdivision (a) above shall be expended to provide, sponsor, or facilitate any program, services, or projects for early childhood development until and unless the county commission has first adopted an adequate and complete county strategic plan that contains the provisions required by subdivision (a)(1)(C)(ii) above.*

*(c) In the event that any county elects not to participate in the California Children and Families First program, the monies remaining in the California Children and Families First Trust Fund shall be reallocated and reappropriated to participating counties in the following fiscal year.*

*(d) For the fiscal year commencing on July 1, 2000, and for each fiscal year thereafter, county commissions shall receive the portion of the total moneys available to all county commissions equal to the percentage of the number of births recorded in the relevant county (for the most recent reporting period) in proportion to the number of births recorded in all of the counties participating in the California Children and Families First program (for the same period), provided that each of the following requirements has first been satisfied:*

*(1) The county commission has, after the required public hearings, adopted an adequate and complete county strategic plan conforming to the requirements of subdivision (a)(1)(C) above, and has submitted the plan to the state commission.*

*(2) The county commission has conducted the required public hearings, and has prepared and submitted all audits and reports required pursuant to Section 130150.*

*(3) The county commission has conducted the required public hearings on the state commission annual reports prepared pursuant to subdivision (b) of Section 130150.*

*(e) In the event that any county elects not to continue participation in the California Children and Families First program, any unencumbered and unexpended monies remaining in the local Children and Families First Trust Fund shall be returned to the California Children and Families First Trust Fund for reallocation and reappropriation to participating counties in the following fiscal year.*

**130145.** *The state commission and each county commission shall establish one or more advisory committees to provide technical and professional expertise and support for any purposes that will be beneficial in accomplishing the purposes of this Act. Each advisory committee shall meet and shall make recommendations and reports as deemed necessary or appropriate.*

**130150.** *On or before October 15 of each year, the state commission and each county commission shall conduct an audit of and issue a written report on the implementation and performance of their respective functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended, the progress toward and the achievement of program goals and objectives, and the measurement of specific outcomes through appropriate reliable indicators.*

(a) *The audits and reports of each county commission shall be transmitted to the state commission.*

(b) *The state commission shall, on or before January 31 of each year, prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions for the preceding fiscal year. This report by the state commission shall be transmitted to the Governor, the Legislature, and each county commission.*

(c) *The state commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The state commission shall furnish each county commission with copies of such documents in a number sufficient for local distribution by the county commission to members of the general public on request and at no cost.*

(d) *Each county commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost.*

**130155.** *The following definitions shall apply for purposes of this Act:*

(a) *"Act" means the California Children and Families First Act of 1998.*

(b) *"County commission" means each county children and families first commission established in accordance with Section 130140.*

(c) *"County strategic plan" means the plan adopted by each county children*

CC 115

*and families first commission and submitted to the California Children and Families First Commission pursuant to Section 130140.*

*(d) "State commission" means the California Children and Families First Commission established in accordance with Section 130110.*

**SECTION 6.** Addition of **Article 2.5** (commencing with Section **30131**) to Chapter 2 of **Part 13** of **Division 2** of the Revenue and Taxation Code. Article 2.5 (commencing with **Section 30131**) is added to Chapter 2 of **Part 13** of Division 2 of the Revenue and Taxation Code, to read:

*Article 3, California Children and Families First Trust Fund Account*

*30131. Notwithstanding Section 30122, the California Children and Families First Trust Fund is hereby created in the State Treasury for the exclusive purpose of funding the California Children and Families First Act of 1998 established in Division 108 (commencing with Section 130100) of the Health and Safety Code.*

*30131.1. The following definitions shall apply for purposes of this article:*

*(a) "Cigarette" has the same meaning as in Section 30003, as it read on January 1, 1997.*

*(b) "Tobacco products" includes, but is not limited to, all forms of cigars, smoking tobacco, chewing tobacco, snuff, and any other articles or products made of, or containing at least fifty (50) percent, tobacco, but does not include cigarettes.*

*30131.2. (a) In addition to the taxes imposed upon the distribution of cigarettes by Article 1 (commencing with Section 30101) and Article 2 (commencing with Section 30121) and any other taxes in this Chapter, there shall be imposed an additional surtax upon every distributor of cigarettes at the rate of twenty-five mills (\$0.025) for each cigarette distributed.*

*(b) In addition to the taxes imposed upon the distribution of tobacco products by Article 1 (commencing with Section 30101) and Article 2 (commencing with Section 30121) and any other taxes in this Chapter, there shall be imposed an additional tax upon every distributor of tobacco products, based on the wholesale cost of these products, at a tax rate, as determined annually by the State Board of Equalization, which*

is equivalent to the rate of tax imposed on cigarettes by subdivision (a) of this Section 30132.2. 116

**30131.3.** Except for payments of refunds made pursuant to Article 1 (commencing with Section 30361) of Chapter 6, reimbursement of the State Board of Equalization for expenses incurred in the administration and collection of the taxes imposed by Section 31031.2, and transfers of funds in accordance with Section 130105, subdivision (c) of the Health and Safety Code, all moneys raised pursuant to the taxes imposed by Section 31031.2 shall be deposited in the California Children and Families First Trust Fund and is continuously appropriated for the exclusive purpose of the California Children and Families First Program established by Division 108 (commencing with Section 130100) of the Health and Safety Code.

**30131.4.** All moneys raised pursuant to taxes imposed by Section 31031.2 shall be appropriated and expended only for the purposes expressed in the California Children and Families First Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service. No moneys in the California Children and Families First Trust Fund shall be used to supplant state or local General Fund money for any purpose..

**30131.5.** The annual determination required of the State Board of Equalization pursuant to subdivision (b) of Section 30131.2 shall be made based on the wholesale cost of tobacco products as of March 1, and shall be effective during the state's next fiscal year.

**30131.6.** The taxes imposed by Section 30131.2 shall be imposed on every cigarette and on tobacco products in the possession or under the control of every dealer and distributor on and after 12:01 a.m. on January 1, 1999, pursuant to rules and regulations promulgated by the State Board of Equalization.

SECTION 7. Effective date. Notwithstanding the imposition of the taxes authorized by Section 30131.2 of the Revenue and Taxation, Code as of January 1, 1999, this Act shall take effect and become operative on the date the Secretary of State certifies the results of the election at which the Act was approved.

**SECTION 8.** *FOR FORTH...* This Act may be amended **only** by a **vote** of two-thirds of the **membership** of both **houses** Of the **Legislature**. All amendments to this Act shall be to further the Act and must be **consistent** with its **purposes**.

**SECTION 9. Liberal construction.** The provisions of this Act shall be **liberally** construed to **effectuate** its purposes 'of promoting, **supporting**, and **improving** early childhood development **from** the prenatal stage to five years of age.

**SECTION 10.** No **conflict** with **other laws**. The provisions of this Act are **intended to be in addition** to and not in **conflict with** any **other** initiative **measure** that may be **adopted** by the **people** at the November 1998 election, and the **provisions** of this Act shall be interpreted and **construed so** as to avoid conflicts with any such measure whenever **possible**.

**SECTION 11. Severability.** If any provision of this Act, or part thereof, is for any reason held to be invalid or **unconstitutional**, the **remaining** provisions shall not be **affected**, but shall remain **in full** force and **effect**, and to **this** end the provisions of this Act are severable.



California  
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Office of  
Research

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July 1998

98-7

Sacramento, CA  
95814

**"California Children and Families First Initiative"**

Phone;  
916/445-1727

***Proposed Tobacco Surtax Would Fund  
Early-Childhood Development***

Fax:  
916/ 324-3944

***Summary of Provisions***

Internet:  
[www.sen.ca.gov/sor](http://www.sen.ca.gov/sor)



The "California Children and Families First Initiative," sometimes referred to as the "Reiner Initiative" for its campaign chairman, movie producer and actor Rob Reiner of Castle Rock Productions, is a proposed etate constitutional amendment and statutory initiative. Its supporters submitted more than 1.1 million signatures to successfully qualify it for the November 1998 state ballot in California.

This initiative has two parts:

- It would raise tobacco taxes by ☐ cents on a pack of 20 cigarettes.
- It would establish state and county **commissions** to expend these new **funds** on **early-childhood programs** and on efforts to encourage pregnant women to atop smoking.

**This** initiative would raise \$256 **million** to \$350 million in the 1998-99 budget year and up to \$700 million in its first full **year** of implementation in 1999-2000. Eighty percent of these funds would be



distributed by county **commissions** created by the initiative to develop and carry out "**strategic plans**" for improving early-childhood **development** within their counties. A state, **commission** would **distribute** the remaining 20 percent for public education, child care, and research.

Currently, the average price for a pack of 20 cigarettes, with taxes included, is \$2.55 in California.

## ***Tobacco Tax Issues and Answers***

### ***What cigarette taxes are imposed in California and other states?***

California taxes cigarettes at **37** cents per pack. Of that, 25 cents is levied under Proposition 99, approved by California voters in 1988 to raise funds for public health programs and a state-sponsored **anti-smoking** campaign,

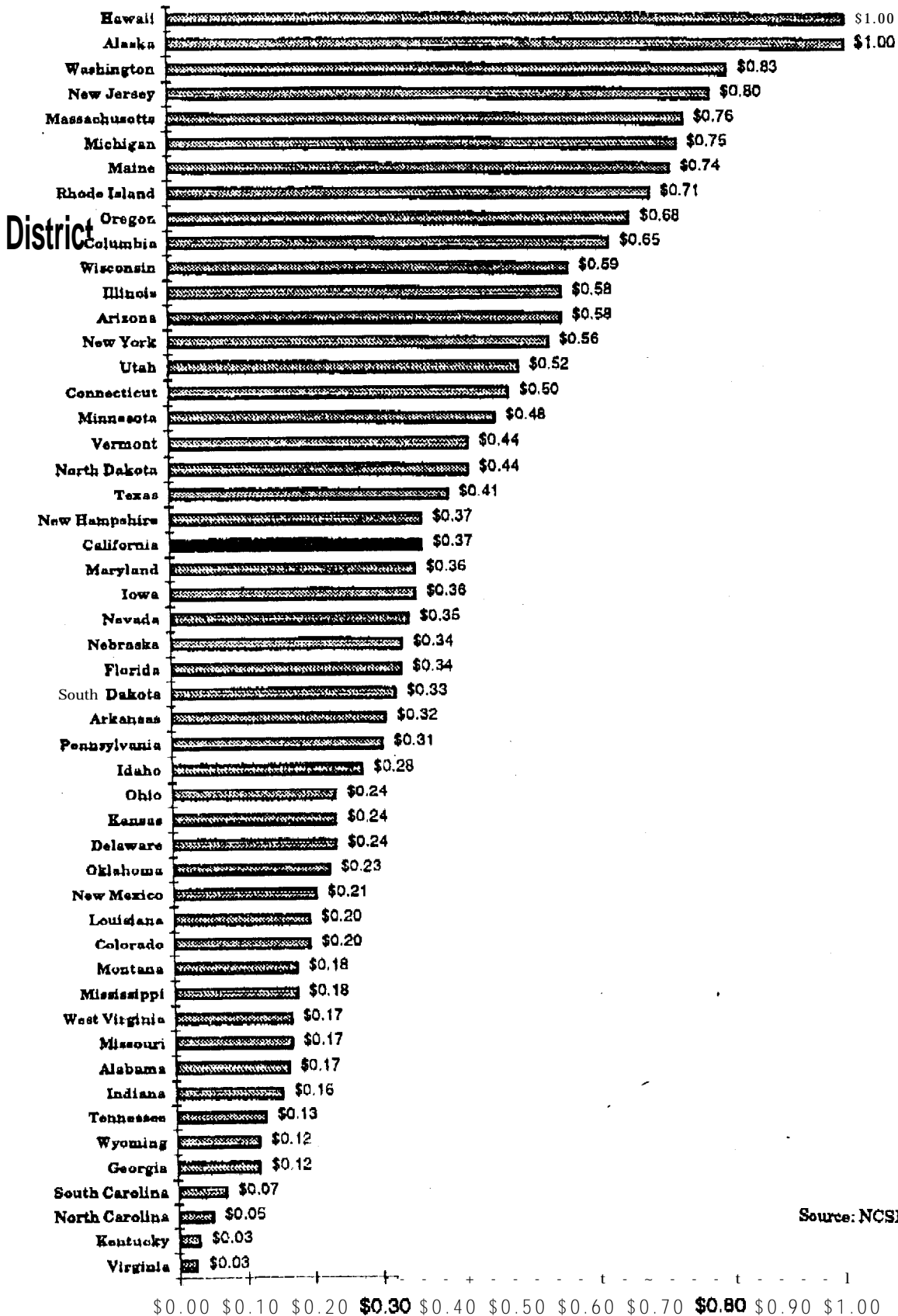
Table 1 ranks the states and the **District** of Columbia **from** the highest to lowest in cigarette taxes, as reported by the National Conference of State Legislatures in 1998.

Currently, California **ranks 22nd**, behind 20 other states and the District of Columbia. Table 2 displays where California's tax would be -- third-highest in the nation, behind Alaska and Hawaii's \$1 per pack -- if the proposed **50-cent** increase is adopted for a total of 87 cents.

Currently, six states besides **Alaska** and Hawaii -- Maine, Massachusetts, **Michigan**, Rhode Island, New Jersey, and Washington -- levy taxes of more than 70 cents per pack,

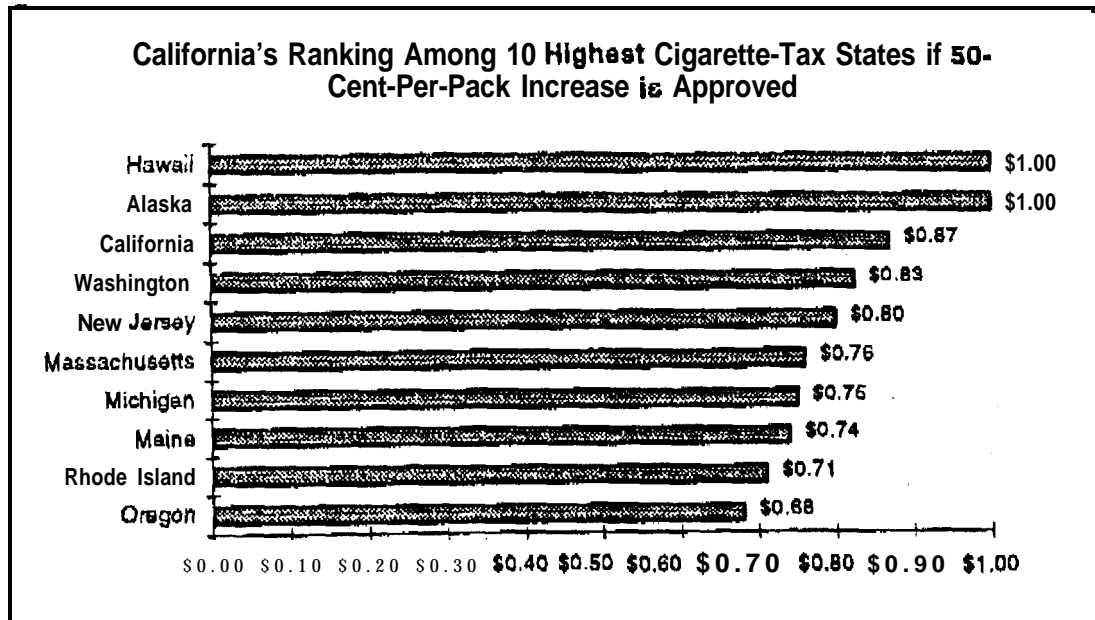
120

Table 1  
Taxes Per Pack of 20 Cigarettes by State, 1998



Source: NCSL, February 1898

Table 2



Source: NCSL, February 1998

### ***Who Pays Cigarette Taxes?***

According to the National Vital Statistics System, the lower a household's income, the larger the share of the household's budget spent on tobacco products. Poorer people and **adults** with less education tend to smoke more **than** wealthier **persons** and persons with more education.

The **Bureau** of Labor Statistics reports that all **households** at or below **the** poverty level spend an average of 1 percent to 1.5 percent of gross income on tobacco products. **About one-third** of low-income households include a smoker. This means that below-poverty **households** where tobacco products actually are used spend **from 3 percent to 4.5 percent** of gross income on tobacco.

The average annual expenditure on tobacco products in California households with gross incomes at or below \$15,000 per year, with at least one smoker, is \$600 **plus** \$270 in cigarette taxes. The amount spent on taxes would increase by \$170 if the initiative passes.

### ***Is There a Connection Between Tobacco Taxes and Under-age Smoking?***

According to the National Bureau of Economic Research (NBER), tobacco tax increases can be effective in reducing cigarette smoking among **the** young, but do not **have** much impact on adult smoking. NBER's research suggests large increases in cigarette excise taxes **can** trigger predictable reductions in smoking among those under 18.<sup>1</sup>

Teen smoking can be sensitive to price changes in two ways -- price increases can reduce the number of youths who smoke and the number of packs **smoked** per day. According to the NBER, a 10 percent increase **in** the price of cigarettes lowers the ratio of youths who smoke by 6.75 percent and lowers the packs smoked per day by **youths** by 6.88 percent. The initiative would raise the price of cigarettes by approximately 20 percent, from \$2.55 to \$3.05. Using NBER's approach, this-would mean a 26 percent reduction in smoking by youths -- a 13.5 percent decline in the number of youthful smokers and a 12.76 percent drop in the number of packs smoked by youths who are using tobacco.

Research findings on this topic are not unanimous. Two Cornell University economists reported earlier this **year** that a **20-cent-per-pack** tax increase would reduce **the** ratio of new teenage smokers in grades 8 through 12 by less **than** 0.5 percent. Further, they estimated a **\$1.50-per-pack boost** in price -- which President Clinton has said would cut teen smoking in half -- would reduce the ratio of new smokers by just 2 percent.

### ***What are the Connections Between Smoking and Pregnancy?***

Smoking **during** pregnancy increases the risk of neonatal complications, including low birth weight. Publicity surrounding **this** issue may have contributed **to** a documented reduction in smoking among pregnant women in recent years. National data that excluded California found a drop **from** 19.5 percent in 1989 to 15.8 percent in 1993 in the rate of smoking among pregnant women,

The good news for California is that Mexican-American women and women from Central and South America, who make up a significant

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<sup>1</sup> The average overall estimated "price elasticity" of youthful cigarette demand is 1.313. NBER suggests the percentage of the price increase or decrease of a pack of cigarettes be multiplied by 1.3 to determine how much teen smoking will increase or decrease as a result of the price change.

123

percentage of women having children in California, have very low rates of smoking during pregnancy. The 1993 rate was 3.7 percent **among** pregnant Mexican-American women **and** 2.3 percent among those **from** Central and South America. Across the country, white **non**-Hispanic women have **a** relatively high rate of smoking during pregnancy: 16.8 percent **in** 1993.

The initiative would make pregnant women and mothers of young **children** principal targets for public education campaigns to cease **smoking**.

### ***State and Local Fiscal Impacts of the Initiative***

If it passes, the initiative would take effect on January 1, 1999. The Legislative Analyst's Office and state Department of **Finance** estimate the initiative would increase state revenues by \$350 million in 1998-99 and by **\$700** million in 1999-2000. They estimate this revenue would decrease by \$4 million per year thereafter. The state Board of Equalization estimates lower revenues, \$256 million in **1998-99**, and **\$513 million** in **1999-2000**. The Board of Equalization also estimates a 3 percent drop in revenues **in** subsequent years.

The added tax of 50 cents per pack would also be subject to state and local sales tax, generating local sales tax revenues of an estimated \$12 million annually beginning **in 1999-2000**. State sales tax revenues would increase by \$27 **million annually** and **state** taxes on wholesale tobacco products would increase by \$29 million annually, the Board of Equalization estimates. But Proposition 99 revenues for health and **anti-smoking programs** would decline by \$30 million annually beginning in 1999-2000 **as** a result of decreased smoking overall, according to the Legislative Analyst's office. **In** 1997-98, the Proposition 99 revenues **were** \$450 million.

The initiative does not preclude the **Legislature** or county boards of supervisors **from** redirecting **appropriations** for early-childhood services, such as **health** care and child care, currently provided by **other state and local** funds, and expecting the state or county commissions to use new tobacco revenues to maintain **current services**.

## ***The Initiative's Focus on Early-Childhood Development***

After stating a number of findings and declarations that focus on the importance of a **child's** development during the first five years of life, the initiative would highlight three main areas for program development and expenditure: parenting, child care, and **child** health.

The **initiative** would establish a state commission on children and **families** and direct boards of supervisors to establish similar **commissions** in each county. In prescribing membership of these **commissions**, the initiative emphasizes child health. It would direct the governor to appoint at least one county health official to the state commission. Each board of supervisors would be required to appoint at least two persons **from** among those responsible for managing county health and **human** services to a county's **local** commission.

### ***Current State and County Early-Childhood Activities***

Federal, state, and county funds provide extensive children's health and social services that counties administer. These include Medicaid and **Medi-Cal** services; California Children's Services; the Women, Infant and **Children** (WIC) nutrition program; the Child Health Disability Prevention program; mental health services, and child welfare services. Few of these **funds** are expended at the discretion of a county: the programs are either entitlements for children **who** qualify or are strictly controlled by federal and state eligibility criteria.

In contrast, there are relatively few state and federal **resources** for parent education. Parent-participation preschool programs are open to the public through the adult education offices of school districts. Parents in these **programs** learn about child development by serving as aides in their young children's classroom.

Head Start **programs** also put an emphasis on parent participation, providing opportunities for parents to learn about child development, discipline, and other topics. Head Start-programs are federally funded and enroll low-income preschool-aged children. They receive about \$500 **million** directly from **the** federal government to **serve** 100,000 children and their **parents** in California.

The state Department of Education operates discretionary programs that provide child care and early-childhood development programs for children **from** low-income families. In addition, welfare recipients who

participate in welfare-to-work (CalWORKs) activities can receive subsidized child care through their county welfare departments or through the state Department of Education. In the 1998-99 budget year, the appropriation for these services will total about \$1.8 billion.

The state has an advisory committee on child-development policy, made up of governor's appointees and state department representatives. The committee advises the state superintendent of public instruction, the governor and the Legislature on child-care policy issues, but it administers no grant funds or programs itself.

Local child-care planning councils have various responsibilities, including providing priorities to the state Department of Education for the expansion of local early-education activities in years that the Legislature appropriates expansion funds.

### ***Proposed State Commission***

The initiative would establish a new state commission, the California Children and Families First Commission, comprised of seven voting members and two ex-officio members. The governor would appoint three members, at least one of whom must be a county health officer. The Assembly speaker and Senate Rules Committee would each appoint two members. Appointees would serve four-year terms. One of the governor's appointees would chair the commission. Both ex-officio members would come from the governor's administration: the secretary of the Health and Welfare Agency and the secretary of the governor's Office of Child Development and Education. Commissioners would receive no compensation.

The commission would hire an executive director and staff and set staff salaries. All professional staff would be exempt from civil service, the state's formal system of hiring and promoting employees based on exam performance and other standardized criteria. These provisions are unlike those governing other state agencies, departments or commissions in two key ways:

- In all other cases, salaries in state agencies, departments and commissions are set by California's Department of Personnel Administration.
- The executive branch generally operates within the civil service system. Some state boards and commissions, such as the Commission for Teacher Credentialing and the California

126

Postsecondary Education Commission, have broad latitude in hiring their executive directors but have no other employees exempt from civil service. All staff in the offices of the governor and the lieutenant governor are exempt from civil service, but other constitutional officers, such as the state controller and secretary of state, may hire only one or two employees outside the system.

The commission would spend 20 percent of the funds generated by the new tobacco tax (up to \$140 million annually), using the following formula:

- 6 percent of the total new tobacco tax revenues for mass media communications (up to \$42 million),
- 5 percent for the education of parents and professionals (up to \$35 million),
- 3 percent for research and development (up to \$21 million),
- 3 percent for child care (up to \$21 million),
- 2 percent for discretionary purposes excluding administration (up to \$14 million),
- 1 percent on commission administration (up to \$7 million).

The initiative would provide open-ended definitions for most of these activities, as long as they are consistent with the general provisions of the initiative.

### ***Proposed Local Commissions***

Each county board of supervisors would create a county Children and Families First Commission of between five and nine members. At least two members must be ranking county administrators of human services programs; at least one commissioner would have to be a member of the board of supervisors. The other commission members could be county administrators, recipients of relevant services or early childhood service providers, including representatives of local school districts. Members would not be compensated for their services.

Each commission would complete and adopt a county strategic plan for improving early-childhood development within the county.



127

Once that plan is adopted, the **commission** would receive a share of the tobacco surtax equal to the county's percentage of live births in California, to finance implementation of the plan. The Appendix displays the **approximate** amounts each county would receive. The initiative would allow counties to join together to develop joint plans and programs,

### ***Counties' Strategic Plans and Expenditures***

Under the initiative's provisions, a county's commission could expend initiative **funds** on any activity that furthered the county's strategic plan for early-childhood development. "Early childhood" would include any activity that aided the development of a child, **from** before birth to age 5, including public education to persuade women not to smoke if **they were** pregnant or **raising young** children.

Language **in** the initiative provides some focus on the topics of parenting, child care and child health but a local commission would not be prohibited from providing plans and **funds** for other activities. Each county commission would have to hold at least one public hearing before adopting or amending its initial plan.

Plans would have to include **goals** and objectives, descriptions of services to be provided, and descriptions of how measurable outcomes would be determined. Each county **commission** would have to review its plan at least annually.

**Fundable** programs -- under a general **umbrella** for improving the development of children from conception to 5 years -- would include community awareness, education, nurturing, child care, social services, health care and research. The initiative promotes a county-wide coordination of services.

Of note is that a **county** commission would not be required to submit its strategic plan to the board of supervisors for approval.

### ***Potential Federal Match for Some Expenditures***

Federal matching funds might be available if county **plans included** expenditures for addressing the health needs of children under 5 who were receiving child **welfare** services, such as foster care, or if county **plans** included money for training foster parents, adoptive parents and child welfare **staff**.

128

For example, when the health needs of young children in foster care are provided by skilled medical personnel, the federal government may provide a match of \$3 for every state or local \$1 through Title XIX of the Social Security Act. Some training activities may be matched dollar for dollar by the federal government with Title IV-E funds. Further, if a county commission used **cigarette** tax money to assist children under 5 by expanding the Healthy Families program, a **state-federal** effort to provide health insurance to otherwise uninsured **children**, the commission could apply for matching federal **funds** of \$2 for every local \$1 spent.

### ***Monitoring Local Commissions***

No state agency would evaluate a **county's** performance directly. **Annually**, each county **commission** would audit and report on its own performance, and the **audit** would be submitted to **the** state commission. The state commission would annually consolidate, analyze and comment on county **audits** and submit its report to the Legislature and the governor.

### ***Other Provisions and Policy Implications***

It **would takes** a two-thirds vote of each house of the Legislature to amend the statutory provisions of the initiative.

The initiative contains a constitutional provision **that** establishes a trust **fund** for its tax revenues outside the calculation of Proposition 98, the voter-approved initiative of 1988 **that** guarantees 40 percent of the state's general fund **will** be spent on public schools.

### ***Earmarking and Supplanting***

The initiative would **establish** a **fund** that state and county **commissions** would control. In this way, these **funds are earmarked** for **activities** that promote early-childhood development. However, the **initiative** includes no maintenance-of-effort provisions. In other words, it would be possible under the initiative for a governor, the Legislature, or a county board of supervisors to reduce an existing appropriation for an early-childhood **program** and suggest that the state or local **commissions** pick up the costs.

129

### ***Fragmentation and Governance Issues***

The initiative argues for an integrated system of information and services. It is unclear how the creation of a state **commission** and county **commissions** that are outside **the** control of the governor, the Legislature or county boards of supervisors would be able to create and sustain a coordinated system.

The initiative would set up a governance structure that is unique. Except for appointing commissioners to **fixed** terms, elected officials (**the** governor, legislators, and supervisors) would have no control over the state and county commissions. The commissions in turn would have no control over traditional state and county services for **children** and families. How these efforts would be coordinated remains to be seen.

The administrative **mechanism** for the state commission also would be unique. No other state commission sets the salary of **its** executive officer and its **staff**, no other commission has **all** professional **staff** exempt **from** civil service, and no other commission without regulatory or programmatic responsibility has an administrative budget as high as \$7 million.

### ***Cigarette Smuggling***

According to the NBER, there are increases in cigarette smuggling when the federal excise tax on **cigarettes** is increased. There may be similar increases in the smuggling of cigarettes to California **from** other states or outside the country if this state initiative is approved.

### ***Arguments in Favor of the Initiative***

There is **some** evidence that higher prices for cigarettes deter youth from smoking. While this research is not **conclusive**, its authors argue **that** teenagers are particularly **sensitive** to price changes in cigarettes: a **50-cent-per** pack increase, which would add about 20 percent to **the** current \$2.55 price per pack, would depress teenage **consumption** of **cigarettes** by about 13 percent and depress **teenage** participation in smoking by about 13.5 percent, proponents contend,

They also argue that spending more to warn pregnant women of the dangers of tobacco may reduce smoking, cause fewer low-birth-weight babies and reduce the number of young children exposed to the health risks associated with second-hand smoke.

Spending more money on **early-childhood** health services, child-care set-vices, and parent education should mean that more California children arrive at kindergarten ready and, **able** to learn, proponents **say**. The initiative contains findings and declarations citing research **and** statistics on the critical nature of a child's development **from** conception to the age of 5, when school begins, Ensuring a young child's brain development, shielding young children and unborn children **from** exposure to smoking, and assisting children's health to age 5 years will lead **to** greater school **success**, proponents assert.

Local **expenditures** for some services could generate matching federal **funds** of \$1, \$2, or \$3 for each local dollar used for **those** specific purposes, **thus** extending the purchasing power of the surtax revenues.

### ***Arguments Against the Initiative***

Tobacco taxes are regressive, opponents assert, by imposing proportionately higher costs on the poor. They contend smokers are victims of an addictive product that is aggressively marketed, and that victims normally are not required to pay taxes as a result of being victims.

Opponentia also **argue** that California's initiative process has created "ballot-box budgeting" by requiring funds to be raised or spent in certain ways that produce fiscal nightmares by limiting **flexibility**. **The** initiative would **continue** this trend, they say, by **establishing** a significant amount of funding outside the control of elected officials. County commissions would make expenditures without needing the approval of boards of supervisors. The state commission would control close to \$140 **million** outside the **annual** state budget process.

Opponents say **that** elected officials and voters may mistakenly believe this proposed initiative **would** end a need for further spending on the special needs of children. The cost of **early-childhood** health and education programs should be borne by all taxpayers, they add, not just the minority who smoke. They **also** contend **the** initiative's **two-thirds** vote requirement **would** **make** legislative changes unduly difficult.

**Finally, the** initiative provides no **ex-officio** membership on the state commission to the state superintendent of public instruction, whose Department of Education is defined in statute **as** **"the** single state agency" for child development. Yet the initiative does provide **ex-**

131

officio membership to the head of the governor's Office of Child Development and Education, a position that does not exist in state statute.

*Prepared by Jack Hailey*

132

## Appendix

### *Projected County-by-County Share of Surtax Revenues Generated by the Proposed Initiative in 1999-2000\**

This table displays each county's projected share of the cigarette surtax revenues that would be generated by the initiative in 1999-2000, the first full year of implementation. A county's share is equal to its proportion of the total number of live births in California.

County	Births, 1996	Percent of State Total	Share of 1999- 2000 Surtax Revenues
Alameda	20,668	3.8372	\$ 21,488,077
Alpine	10	0.0019	10,397
Amador	289	0.0537	300,467
Butte	2,475	0.4595	2,573,205
Calaveras	320	0.0594	332,697
Colusa	302	0.0561	313,983
Contra Costa	12,284	2.2806	12,771,412
Del Norte	333	0.0618	346,213
El Dorado	1,664	0.3089	1,730,025
Fresno	14,637	2.7175	15,217,776
Glenn	440	0.0817	457,459
Humboldt	1,500	0.2785	1,559,518
Imperial	2,497	0.4636	2,596,077
Inyo	221	0.0410	229,769
Kern	11,557	2.1456	12,015,565
Kings	2,255	0.4187	2,344,475
Lake	581	0.1079	604,053
Lassen	297	0.0551	308,785
Los Angeles	168,973	31.3710	175,677,611
Madera	2,007	0.3726	2,086,635
Marin	2,642	0.4905	2,746,831
Mariposa	154	0.0286	160,111
Mendocino	1,021	0.1896	1,061,512
Merced	3,733	0.6931	3,881,120
Modoc	114	0.0212	118,523
Mono	120	0.0223	124,761
Monterey	6,635	1.2318	6,898,267
Napa	1,509	0.2802	1,568,875
Nevada	794	0.1474	825,505
Orange	48,007	8.9128	49,911,850
Placer	2,760	0.5124	2,869,513
Plumas	148	0.0275	153,872
Riverside	23,478	4.3579	24,404,376
Sacramento	17,844	3.3129	18,552,025
San Benito	798	0.1482	829,664

133

San Bernardino	29,359	5.4507	30,523,924
San Diego	44,886	2.3334	46,667,013
San Francisco	8,368	1.5536	8,700,030
San Joaquin	8,779	1.6299	9,127,338
San Luis Obispo	2,488	0.4619	2,586,720
San Mateo	10,042	1.8644	10,440,452
Santa Barbara	5,977	1.1097	6,214,159
Santa Clara	26,646	4.9470	27,703,276
Santa Cruz	3,419	0.6348	3,554,661
Shasta	2,050	0.3806	2,131,341
Sierra	16	0.0030	16,635
Siskiyou	532	0.0988	553,109
Solano	5,806	1.0779	6,036,374
Sonoma	5,503	1.0217	5,721,351
Stanislaus	7,166	1.3304	7,450,337
Sutter	1,143	0.2122	1,188,353
Tehama	672	0.1248	698,664
Trinity	145	0.0269	150,753
Tulare	7,194	1.3356	7,479,448
Tuolumne	463	0.0860	481,371
Ventura	11,665	2.1657	12,127,851
Yolo	2,154	0.3999	2,239,468
Yuba	1,093	0.2029	1,136,369
TOTALS	538,628	100%	\$ 560,000,000

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\*NOTE: These figures are based on the joint projections of the Legislative Analyst's Office and the Stats Department of Finance. The state Board of Equalization estimates revenue that are 25 percent lower.