



## CHILDREN'S INITIATIVES FUND: A LOOK AT PAST AND FUTURE BUDGET PROPOSALS, PROGRAMS

### What is the Children's Initiatives Fund and How is it Funded?

The 1999 Legislature created the Children's Initiatives Fund (CIF) to support programs promoting the health and welfare of Kansas children. Historically the CIF has supported programs and services with a focus on early childhood, health, mental health and child welfare.

The CIF is funded by the money from a settlement with the nation's largest tobacco companies known as the Master Settlement Agreement (MSA). To handle the settlement money, the Legislature established

the Kansas Endowment for Youth (KEY) Fund as an endowment for ongoing funding of children's programs and specified that annual transfers would be made from the KEY Fund to the CIF.

The MSA requires the nation's largest tobacco companies to make annual payments to states in perpetuity as reimbursement for past tobacco-related costs. Through the MSA, which was signed in 1998 by officials in Kansas and 45 other states, tobacco companies will pay an estimated \$206 billion in the first 25 years of

the settlement. Kansas' share of the national settlement is 0.83 percent, which will total

#### CIF IN THE NEWS

The Brownback administration has expressed concerns about possible declining tobacco settlement payments due to a legal dispute by the tobacco companies over portions of the MSA payments. On December 17, 2012, the tobacco companies and 17 states, including Kansas, settled the dispute. According to a statement by Kansas Attorney General Derek Schmidt, while the anticipated settlement "would not eliminate all risk of payment interruption, it would significantly reduce that risk and increase the likelihood that funding for critical children's programs can continue as anticipated." In April 2013, the state received tobacco settlement payments of \$68 million, about \$12.2 million more than expected.

#### KEY POINTS

- The Children's Initiatives Fund (CIF) plays a large role in funding children's programs in Kansas, historically those with a focus on early childhood, health, mental health and child welfare.
- The CIF is funded by the money from a settlement with the nation's largest tobacco companies. Concerns still exist regarding the certainty and level of future payments, but recent litigation resulted in a settlement between Kansas and the tobacco companies that reduces some of the uncertainty.
- The biggest changes from the FY 2013 budget to the FY 2014 and FY 2015 budget recommendations are an increased focus on fourth-grade reading programs and the removal of CIF funding for two large programs. Alternative funding exists for one of these programs, the Newborn Screening program, but not the other, the Family Centered System of Care grant for children's mental health. The governor's recommendations keep overall CIF spending level.

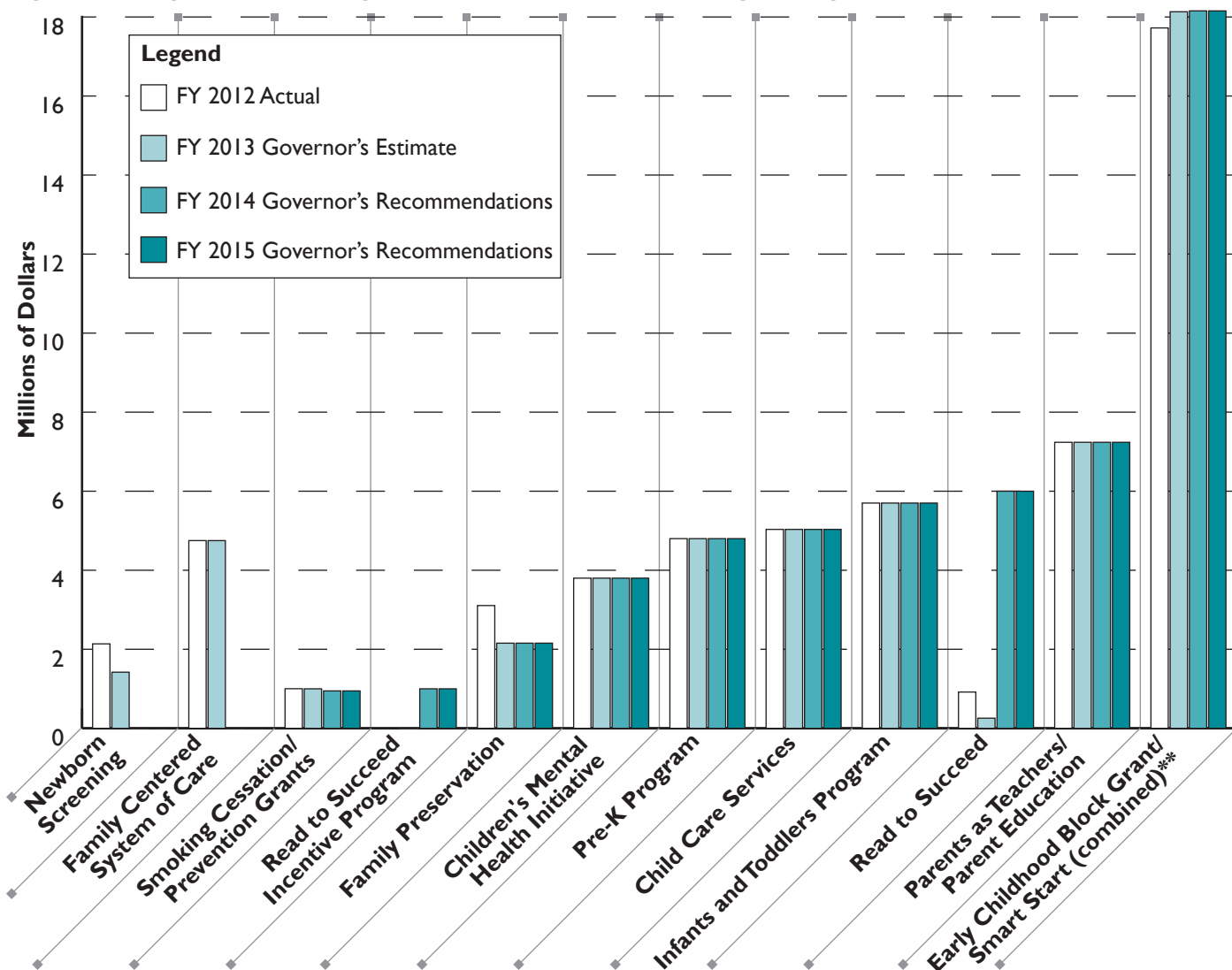
more than \$1.5 billion during the first 25 years of the agreement. Payments have averaged around \$56 million per year but vary year to year. States are free to use the MSA funds for any purpose. Kansas statute requires that all revenue from the MSA should be deposited in the KEY Fund, and this revenue should remain in the KEY Fund and serve as an endowment unless transferred to the CIF.

Even though much of the KEY Fund money has been allocated to the CIF each year, some KEY Fund money also has been transferred to the State General Fund,

especially in difficult budget times, as opposed to accumulating as originally envisioned into an endowment. In an April 2013 budget amendment, the governor recommended transferring \$9.5 million from the KEY Fund to the State General Fund.

The 1999 Legislature also established the Kansas Children's Cabinet, a 15-member committee consisting of appointees of the governor and Legislature and ex officio members. The Children's Cabinet advises the governor and the Legislature regarding the use of money

**Figure I. Changes in CIF Funding from FY 2012 to FY 2015 for Largest Programs\***



\*This chart does not show seven programs with CIF funding \$500,000 or less. These programs include Newborn Hearing Aid Loaner Program, Early Childhood Block Grant–Autism, Early Head Start, SIDS Network Grant, Healthy Start/Home Visitor, Children's Cabinet Accountability Fund and the Child Care Quality Initiative. These programs stayed fairly level from FY 2012 to FY 2015 (governor's recommendations).

\*\*In FY 2012, the Early Childhood Block Grant (ECBG) and the Smart Start Kansas programs were funded as separate line items. The ECBG received \$10.6 million and the Smart Start program received \$7.3 million. For FY 2013, the two programs were combined and received a total of \$18.1 million. For FY 2014 and FY 2015, the governor recommended about \$13.5 million for the ECBG from CIF spending. A February budget amendment added \$4.6 million in State General Funds to the ECBG. An April budget amendment recommended using \$4.6 million from the CIF instead of the State General Fund for the ECBG.

Source: KHI analysis of Governor's Budget FY 2012–2015.

credited to the CIF and evaluates programs that receive CIF money. While the Children's Cabinet submits CIF spending requests through the Department for Children and Families (DCF), the governor's office decides what spending levels to recommend and the Legislature ultimately must approve all CIF spending.

## What Programs are Supported by the CIF?

State law requires that the CIF be used to provide additional funding for programs and services that benefit children. Funding has been allocated largely for programs within DCF, but also for programs within the Kansas Department of Health and Environment, the Kansas Department for Aging and Disability Services, the Kansas State Department of Education and, until recently, the Juvenile Justice Authority (JJA). Since its inception, the CIF

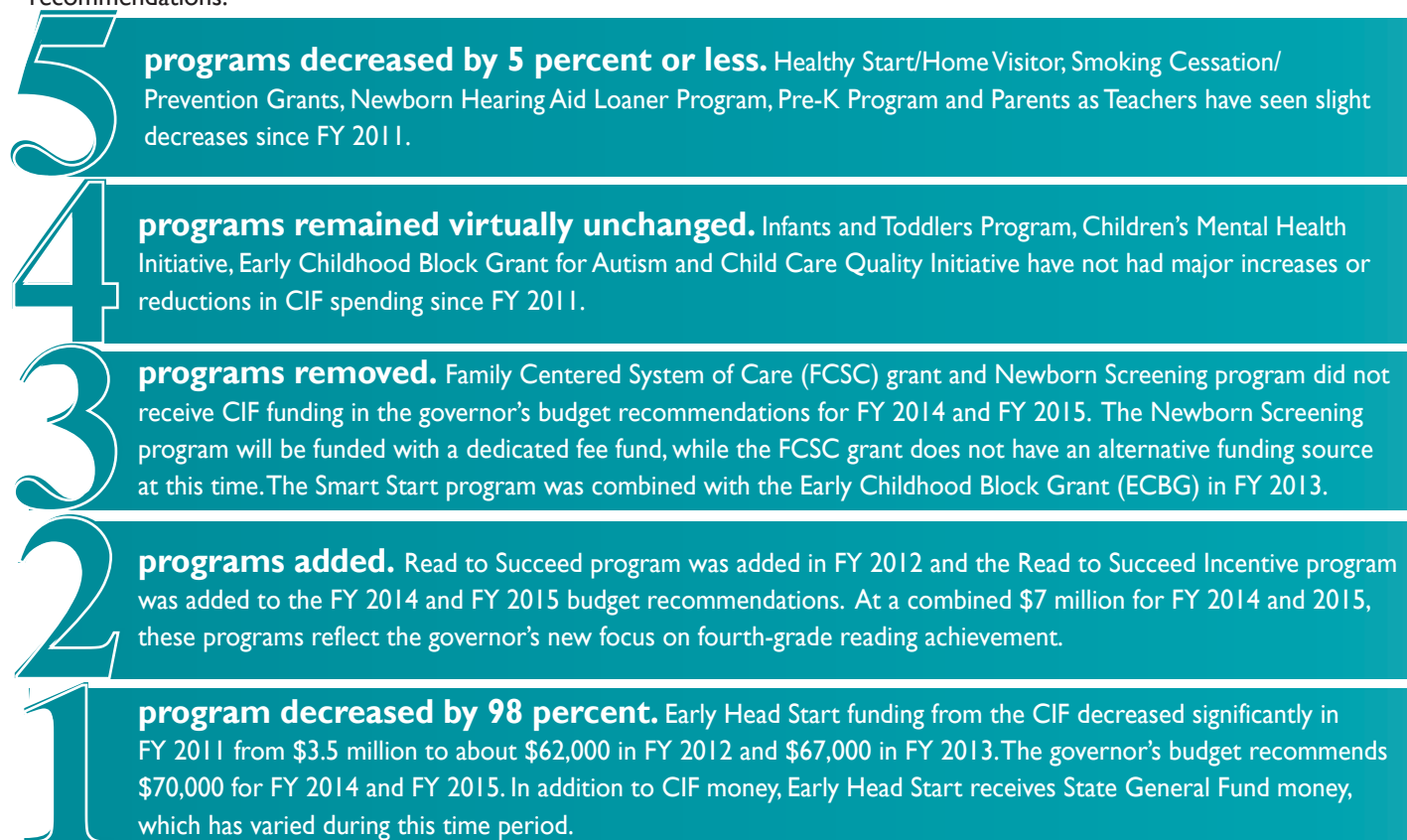
has supported about 50 early childhood, health, mental health, education and child welfare programs. Examples of these programs are the Infant Toddlers Program (Tiny K), the Early Childhood Block Grant and the Pre-K Program. About one-fifth of these programs have been funded consistently over time. More commonly, however, programs received new funding for several years and CIF dollars then were transferred to other programs. About one quarter of the programs were funded for one year only.

## What is Recommended for Fiscal Years 2014 and 2015? How Does it Compare to Past Years?

For FY 2013, the Legislature approved almost \$56 million in CIF spending, similar to previous years. For FY 2014 and FY 2015, the governor recommended that the overall

### Figure 2. Children's Initiatives Fund — Changes Over Five Years (FY 2011–FY 2015)

Since 2011, about 20 programs have been funded by the CIF, most of which focused on early childhood, health, mental health and child welfare. The following list highlights some funding changes from the FY 2011 budget to the governor's FY 2015 budget recommendations.



Note: This graphic is not meant to represent all changes in the CIF funding from FY 2011 to FY 2015. It is meant to highlight some common trends and significant changes, but is not an exhaustive list. It does not account for the various federal, state, local or private funding that some programs may receive in addition to CIF funding.

Source: KHI analysis of Governor's Budget FY 2011–2015.

spending level stays flat around \$56 million. Originally, the governor recommended \$13.5 million in spending for the Early Childhood Block Grant (ECBG), about \$4.6 million less than the previous year. However, a February budget amendment added \$4.6 million from the State General Fund to the ECBG for FY 2014 and FY 2015. An April budget amendment shifted the funding source for this \$4.6 million from the State General Fund to the CIF.

In the governor's proposed FY 2014 and FY 2015 budgets, 17 children's programs would receive the \$56 million from the CIF. Since 2010, roughly the same 20 programs received money from the CIF. As shown in Figure 1, the governor's FY 2014 and FY 2015 budgets recommend removing CIF funding for two programs that were funded in FY 2013: the Family Centered System of Care (FCSC) grant and the Newborn Screening program.

In FY 2013, the FCSC grant provided \$4.75 million to community mental health centers to enhance and improve services to children with severe emotional disturbance and their families, with a primary focus on children who are uninsured or have health insurance that does not cover mental health rehabilitation services. No alternative source of funding has been suggested for this program.

The Newborn Screening program, funded at \$1.42 million in FY 2013, screens Kansas newborns for metabolic conditions, follows up with families and physicians, and provides education and training to outside partners. Beginning in FY 2014, the Newborn Screening program CIF funding is replaced with a dedicated fee paid by health maintenance organizations.

Another change in the governor's recommendations for FY 2014 and FY 2015 is a new focus on fourth-grade reading achievement, including a proposal to use about \$7 million from the CIF to support the Read to Succeed and Read to Succeed Incentive programs. In addition, for calendar year 2013, the criteria for making awards within

the ECBG were modified to reflect this focus on fourth-grade reading. The ECBG's new criteria prioritize nine targeted communities that had low fourth-grade reading scores in 2010 and 2011.

In the FY 2013 budget, the ECBG was combined with the Smart Start program, which focused on addressing gaps in early childhood learning through grants to local community partners. For the FY 2014 and FY 2015 budgets, the Smart Start program essentially is eliminated, although former Smart Start grantees can apply for funding under ECBG, with priority given to programs meeting the new criteria.

## Conclusion

Since its inception as part of a settlement with tobacco companies, the CIF has been a source of financial support for Kansas children's programs, especially those that focus on early childhood, health, mental health and child welfare.

While small in comparison to the state budget, the CIF plays a large role in supporting evidence-based children's programs. CIF spending has remained fairly stable over the years, although the original intent of using the tobacco settlement money to establish an endowment for these children's programs has not yet been achieved.

The governor's proposed budgets for FY 2014 and FY 2015 use CIF money to reinforce an increased focus on fourth-grade reading programs, but remove CIF funding for two large programs: the Family Centered System of Care grant for children's mental health and the Newborn Screening program. While the Newborn Screening program will be funded with a dedicated fee fund, the FCSC grant does not have an alternative funding source at this time. Overall, the governor's budget recommendations keep CIF spending level around \$56 million annually.

### About the Issue Brief

This brief is based on work done by Emily Meissen-Sebelius, M.S.W. It is available online at [www.khi.org](http://www.khi.org).

#### KANSAS HEALTH INSTITUTE

*The Kansas Health Institute is a nonprofit, nonpartisan, independent health policy and research organization based in Topeka, Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.*

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