

FIRST 5 SACRAMENTO COMMISSION

Procedure No: 3003c	Contact person: Chief of Administration
DEPARTMENT POLICY	
Original Effective Date: 06/02/03 Revision Date: 08/17/09, 09/14/09 Commission Approved Date: 01/19/10	Approved By: /s/ Toni Moore, Executive Director 01/19/10
Title:	SUPLANTATION POLICY

Purpose:

The purpose of the policy is to assure compliance with Proposition 10 (Act), adopted by the voters of California in 1998.

California Revenue and Taxation Code Section 30131.4 provides, in part, that Act funds shall be used only to supplement existing levels of service and not to fund existing levels of service. It further provides that no money in the Commission's trust fund shall be used to supplant State or local general fund money for any purpose. The prohibition on supplantation was intended to prevent State and local governments from shifting fiscal responsibility for ongoing public programs to the State and local commissions.

This Policy represents the Commission's interpretation of anti-supplantation language in the Children and Families Act and the Revenue and Taxation Code, and sets forth the criteria that must be met in order to comply with that requirement. Compliance with the terms of this policy does NOT guarantee funding.

Supplantation Policy Terms:

I. Existing Levels of Service:

Commission funds shall be used only to supplement existing levels of service and not to fund existing levels of service. This requirement applies regardless of the source of income that funded the service (i.e. State/Local General funds, State categorical, Federal, or Grant funds).

II. Supplantation of State and Local General Funds:

No Commission funds shall be used to replace State or local general fund money for any purpose. This prohibition does not apply if a minimum of one (1) year has elapsed since the General Fund allocation has been reduced or eliminated (to the entity/program making the request). However, during times of economic distress,

this prohibition does not apply if a minimum of six months has elapsed since the services or General Fund allocation has been reduced or eliminated (by or to the entity/program making the request). For purposes of this policy, the term "economic distress" is defined as a period in which there was a decline in General Fund revenues (from sources beyond the entities control) for the two consecutive fiscal years preceding the request for funding.

In times of economic distress, the following shall constitute evidence that a decline in local General Fund revenues has triggered the need for the requested funding

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- a) Facts demonstrating a decrease of state and local General funds in two consecutive preceding years from sources beyond the entities control;
- b) Facts demonstrating that any increase in state and local General funds is less than increases in the recipient's standard operating costs and state and local General funds have not been redirected to a new service or program;
- c) Evidence demonstrating that any reduction of services or programs is not due to the availability of Act funds, but attributable solely to overall General fund revenue decreases;
- d) Evidence demonstrating that the recipient agency has not made administrative or legislative changes to reduce the availability of General fund revenues below the amount that would have been spent, but for availability of Act funds;
- e) Evidence that the decreased budgets are the result of the loss of funds and not the diversion of funds to other programs;
- f) A resolution or other official action of recipient agency's governing body establishing that the subject service or program would be eliminated or substantially reduced unless a new source of funds is made available from non-state and non-local General funds and the activities to be funded with Act funds are clearly consistent with the Act's purpose;
- g) Services to be provided are consistent with the Commission's current funding priorities;
- h) And the Commission has made a factual finding that the loss of such funding would result in a substantial reduction in service levels.

III. Supplantation of State Categorical, Federal or Grant Funds:

The prohibition on supplantation does not make reference to State categorical, privately funded or federally funded programs. Therefore, Proposition 10 funds may be used to replace lost State categorical, Federal, or Grant funds subject to the following:

- **Replacement of funds shifted to a program/service serving the Proposition 10 target population:**

For the purpose of this policy, the definition of supplantation shall not include the replacement of State categorical, private or federal funds if the loss of revenue is

due to funds being shifted to another program to provide increased levels of service to the Proposition 10 target population (i.e. children age 0 to 5 and their families) which are consistent with the Commission's funding priorities. Therefore those funds may be replaced by Proposition 10 funds without regard to the amount of time that has elapsed between the loss of revenue and the allocation of Proposition 10 funds.

- Replacement of all other State categorical, Federal, or Grant funds, including those shifted to a program/service NOT serving the Proposition 10 target population:

Proposition 10 funds maybe used to replace these funds if the contractor is unable to provide existing levels of service without such funds, and all of the following conditions are met:

1. Services to be provided are consistent with the Commission's current funding priorities
2. The Commission has made a factual finding that the loss of such funding would result in a substantial reduction in service levels; and
3. A minimum period of one (1) year shall have elapsed between the loss of funding (and any corresponding service reduction) and the allocation of Act funds. In times of economic distress (as defined in Section II of this Policy) the minimum period shall be six (6) months. The allocation of Act funds may be used to replace the lost revenue provided that at least one (1) business day has elapsed since the loss of funds in an existing Commission funded program if all of the following conditions are met:
 - 1) The contractor is in compliance with all terms of the existing contract; and
 - 2) The loss of funding would result in the elimination or significant reduction in a level of service which is considered critical to the success of the Commission funded program/project; and
 - 3) Either:
 - a) The loss of funds is due to the expiration of grant funding that can not be extended or renewed, and the loss is not the result of a change in the funder's funding philosophy; or
 - b) The loss of revenue to a funded program is due to the elimination of a State or Federal funding source over which local government has no control.

DEFINITIONS:

State general funds - funds that are received into the Treasury of the State and not required by law to be credited to any other fund.

Local government general funds - funds that are received into the treasury of the local government and not appropriated to any other fund.

Level of service - includes both the quality and quantity of services.

Supplant - "to take the place of."

POLICY IMPLEMENTATION:

1. Every proposer/applicant must disclose in its proposal/application whether the program has received funding from other sources (whether local or State government, private, or Federal) within the past three years, and as to any public funding, identify the law or program under which funding was received.
2. The Commission may require the applicant to provide any additional information regarding sources and uses of funds at any time. Based upon all existing facts and circumstances, the Commission shall determine whether the proposal would violate this policy. For multi-year contracts or commitments, the Commission reserves the right to re-examine its determination that its funds will not be used in violation of this policy.
3. The Contractor shall execute a certification that it has complied with the anti-supplantation requirement stated in Section 30131.4 of the California Tax & Revenue Code. Such certification shall be executed prior to the release of Proposition 10 funds and the Contractor shall annually execute such certification as part of the fiscal audit requirement. If the Commission determines that supplantation has occurred, the Contractor shall be required to reimburse the Commission for all Proposition 10 funds that were used in violation of this Section. Use of Proposition 10 funds in violation of this Section shall be grounds for termination of the contract (see Attachment #1).