



TERRA LAWSON-REMER

CHAIR

**SUPERVISOR, THIRD DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS**

AGENDA ITEM

DATE: May 19, 2026

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TO: Board of Supervisors

SUBJECT

**SUPPORTING SAN DIEGO CHILDREN AND FAMILIES THROUGH BRIDGE
FUNDING FOR HEALTHY DEVELOPMENT SERVICES (DISTRICTS: ALL)**

OVERVIEW

Every year, thousands of San Diego children under five show early signs of developmental or behavioral delays, and for each of them, the window to intervene effectively is narrow. The First 5 Commission of San Diego (First 5) exists to make sure that support is there. Established under Proposition 10, First 5 uses dedicated tobacco tax revenue to fund early childhood programs that reach children from prenatal through age five, before small delays become lasting ones.

Among the most important of these investments is Healthy Development Services (HDS). For nearly two decades, HDS has helped fill a critical gap in care for children ages 0 to 5 with mild to moderate developmental and behavioral concerns who do not qualify for existing early intervention systems but still need timely support to stay on track. HDS helps families get help early, before delays become crises and before children fall further behind developmentally.

Due to declining Proposition 10 revenues, First 5 faces an ongoing structural funding challenge. First 5 has been developing a long-term fiscal strategy that is underway, and will be fully implemented in Fiscal Year FY 2027-28. In the interim two years, there is a significant gap that requires bridge funding to sustain services for children.

Without this bridge funding, First 5's HDS programs would be reduced by approximately 38% and nearly 3,350 children and families would lose access to critical services in the coming year, many of whom have no other options for care. That means thousands of children missing occupational therapy, speech therapy, and developmental support during the most critical window of their development.

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Last year, the Board approved a \$4.3 million transfer from the Tobacco Securitization Fund to prevent service cuts in FY 2025-26. Today's action is the second and final portion of this bridge strategy that covers FY 2026-27, while the transition to sustainable funding is completed.

Since last year's Board action, First 5 has developed a sustainable fiscal plan. That plan centers on a \$4 million annual partnership with the County's Child and Family Well-Being — a structural integration that embeds early childhood services into the County's own prevention infrastructure. Additional revenue from the Families First Prevention Services Act and Medi-Cal reimbursements further diversify the funding base. Together, these sources will allow First 5 to stabilize operations and transition HDS into a broader Integrated Prevention and Early Intervention Services model. The plan phases in beginning FY 2026-27 and reaches full funding in FY 2027-28.

Today's recommended action preserves continuity of HDS services through FY 2026-27, ensuring thousands of children remain connected to care while the new funding streams take effect.

RECOMMENDATION(S)

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1. Establish appropriations of \$4,300,000 in the Tobacco Securitization Special Revenue (12580), Operating Transfer Out, to fund First 5 Commission of San Diego for the Healthy Development Services and Integrated Prevention and Early Intervention Services program based on the available fund balance from the Tobacco Securitization Special Revenue Fund; and establish appropriations of \$4,300,000 in the Health and Human Series Agency, Services and Supplies, based on Operating Transfers In from the Tobacco Securitization Special Revenue Fund, to support the cost for First 5. This will create Proposition 10 funding capacity to avoid anticipated budget reductions for the Healthy Development Services and Integrated Prevention and Early Intervention Services program in Fiscal Year 2026-27. **(4 VOTES)**

EQUITY IMPACT STATEMENT

Children and adults with developmental delays and behavioral health conditions face a wide range of social inequities that hinder their access to resources and negatively impact their quality of life. Social stigma and deficient support systems create barriers to optimal educational attainment, employment opportunities, and healthcare access. This ultimately results in negative social outcomes, including higher rates of poverty, unemployment, housing insecurity, incarceration, and disease risk. HDS plays a vital role in identifying and working to address mild to moderate developmental and behavioral delays in children birth to five years of age. By focusing on early intervention, HDS helps get children back on track in meeting their developmental milestones and prevent mild to moderate delays from becoming severe delays that persist into adulthood and perpetuate associated negative social outcomes.

SUSTAINABILITY IMPACT STATEMENT

With the adoption of this recommendation, the County of San Diego will support Sustainability Goal #2 to provide just and equitable access to services and resources, and Sustainability Goal #4 to protect the health and well-being of everyone in the region. These actions will improve access

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to critical developmental screening and care services for children with mild to moderate developmental and behavioral delays and their caregivers. Access to these services will help address the needs of vulnerable children and families in the County of San Diego.

FISCAL IMPACT

Funds for this request are not included in the Fiscal Year (FY) 2025-26 Operational Plan in Health and Human Services Agency (HHS), First 5. If approved this request will result in costs and revenue of \$4,300,000 in FY 2025-26 for HHS to support the Healthy Development Services (HDS) and Integrated Prevention and Early Intervention Services (IPEI) programs under the First 5 Commission. The proposed funding source is the Tobacco Securitization Fund (TSF). Funds will be carried forward through the year-end process to support these programs in Fiscal Year 2026-27. Funds are not included in the Fiscal Year 2026-27 CAO Recommended Operational Plan. There will be no change in net General Fund cost and no additional staff years.

The TSF was established for the use of amounts received related to the securitization of tobacco settlement revenue due to the County of San Diego. This funding source is to be used for health-based program services and is anticipated to provide funding for these programs through Fiscal Year 2033-34, pending market conditions and the resulting return of the TSF. This additional draw on the TSF should not materially impact the life of the TSF, though may push forward the date funds are exhausted by a few months.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The First 5 Commission of San Diego was established by the California Children and Families Act (Proposition 10), passed by California voters in November 1998. This statewide Proposition imposed an additional tax on tobacco products. The revenue generated from the tax is used to fund programs and activities that promote early childhood development from the prenatal stage through age five. The First 5 Commission of San Diego (First 5) is responsible for implementing the California Children and Families Act in San Diego County.

In 2004, three studies were completed by First 5 to better understand the needs facing young children in the region. A key finding of these studies was that there was not a systematic approach to addressing the needs of children with mild to moderate developmental concerns. Additionally, The National Survey on Children's Health found that about one in four children in California from birth to five years of age are at risk for developmental and/or behavioral delays. The identification and treatment of these delays in the first five years of life have a greater positive impact on the trajectory of a child's development and a child is more likely to overcome delays with less cost than if the child is treated later in life. Only half of children with delays are identified before they enter school.

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In 2006, First 5 made a significant investment to create and implement Healthy Development Services (HDS), a groundbreaking program that promotes young children's optimal development and learning by identifying and addressing problems early. What sets HDS apart from other early intervention programs is that it fills service gaps for children aged birth to five years of age with mild to moderate developmental and behavioral concerns who do not qualify for services provided by schools or through health insurance. HDS was designed to complement existing systems of care which focus services on children with the most severe developmental delays.

The HDS model was originally built and developed as a continuum of developmental services. Over time, HDS evolved into a more comprehensive and transformational system that also includes behavioral services focusing on social-emotional development, specific behavior concerns, and promoting positive attachment relationships. HDS eventually developed into a three-tiered model of development and behavior services, including screening, assessment, and treatment based on the child's clinical need and the family's ability to engage in services. Care Coordination was added to support parents and caregivers engage in services and navigate the complex system of care. Care Coordination supports parents and caregivers understand their child's needs, how to support their child's needs at home, and how to access and advocate for appropriate services. HDS also performs screening and referrals for parents and caregivers related to mental health needs, allowing parents to optimally engage in HDS services with their children and improve outcomes.

Since its inception, HDS has continuously strived to enhance the quality of services, working alongside community experts and drawing upon current research and best practices. HDS has consistently been provided throughout San Diego County by four lead organizations, including SBCS, Palomar Health, Family Health Centers of San Diego, Rady Children's Hospital San Diego and several subcontracted organizations. Countywide coordination and technical support are provided by the American Academy of Pediatrics, California Chapter 3. These community partners have been crucial to the success of HDS and have established relationships and developed trust within their respective communities.

Since 2006, HDS has served over 352,800 children birth to five years of age, as well as their families and caregivers. On average, 95% of children who complete developmental treatment make improvements and 99.7% of families involved in HDS would recommend HDS to their friends and family. HDS helps prevent long term developmental and behavioral challenges and positions more children to succeed in school and in life by addressing development and behavior challenges early.

There are several key factors about HDS that make the program successful. HDS focuses on the whole child, and the system recognizes that a child's social, emotional, and cognitive development are tightly intertwined, dependent on the quality of their early relationships, and influential in their long-term health and learning. HDS also recognizes the importance of parent-child relationship. Services are provided in the context of the entire family as services for young children are most effective when they engage the parents along with the child to strengthen social-emotional development.

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Access to care coordination and the utilization of relational approaches by care coordinators are hallmarks of the HDS program. These approaches optimize engagement and retention of services for families. Marginalization, trauma, mistrust of systems, perceived stigma of accessing services, and a parent/caregiver's own attachment relationships have a role in influencing their willingness and readiness to address their child's development and behavior concerns. Trust is built when Care Coordinators are trained and willing to have difficult conversations with families. This approach helps Care Coordinators understand families in a more empathetic way. Through care coordination and relationship building, families are able to best address their basic needs and build their capacity to access resources.

Due to declining revenue from Proposition 10, the HDS program has faced an ongoing structural deficit. In May 2025, the Board of Supervisors established appropriations from the Tobacco Securitization Fund to fill a \$4.3 million HDS budget gap and directed First 5 to develop long-term funding strategies to ensure fiscal sustainability. Since then, First 5 has identified multiple new ongoing funding sources through partnerships and reimbursement opportunities with state and federal entities. A new programmatic and funding partnership with Child and Family Well-Being is expected to provide \$4 million in annual revenue beginning in Fiscal Year 2027-28. New reimbursement pathways through the Families First Prevention Services Act and Medi-Cal are also expected to generate up to \$1.65 million beginning in Fiscal Year 2027-28. While these strategies will help stabilize the budget in future years, HDS faces a proposed \$4.3 million budget need in Fiscal Year 2026-27 to sustain current service levels if bridge funding is not provided.

Reduced HDS services would have profound negative impacts on San Diego families with young children. The anticipated budget gap would lead to approximately 38% fewer families being served, equating to approximately 3,346 children and families not receiving services. HDS serves some of the region's most economically vulnerable families, with more than 60% of children served being Medi-Cal eligible. Medi-Cal does not pay for these specific services, underscoring the critical gap in care that HDS fills. Anticipated service cuts include a 59% reduction in clinical behavioral services, including one-on-one behavioral interventions and dyadic therapy, and a 50% reduction in clinical developmental services, including physical, occupational, and speech therapies.

Unmet funding needs will also result in staff cuts, including experts trained in early childhood mental health and development. These staff reductions will result in delays in accessing services, less time for staff to meet the individual needs of each child and family, and an increased risk of staff burnout and turnover from increased workplace stress. Additionally, families will experience increased stress as they go without the education and tools to confidently care for their children and support their child's healthy development.

Reductions in HDS service availability will mostly impact economically vulnerable families who are unable to afford private services. HDS community partners, who have been essential to the success of the program, will also feel the strain. Healthcare providers may reduce referral rates to HDS for their patients to receive treatment for development delays if there are impacts to quality and expediency of services. Other community partners and support services that complement HDS services will be further stressed by planned HDS funding reductions. Without HDS, families may

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need to wait years until their child qualifies for school district evaluation and intervention and this lack of access to early intervention will significantly impact the social outcomes for these children and families.

When children do not receive treatment for developmental delays at an early age, it is more likely that their developmental issues will become lifelong challenges. The societal impacts can be significant and far-reaching, including higher rates of school dropout, poverty, unemployment, incarceration, and chronic disease. Early intervention is very cost-effective with studies showing that every dollar spent on early intervention saves multiple dollars down the road in education, health care, and social service costs.

The Board of Supervisors has adopted Board Policy E-14, Expenditure of Tobacco Settlement Revenue in San Diego County, which establishes guidelines for the expenditure of the Tobacco Securitization Fund. HDS fits within the E-14 guidelines, as it improves the health status indicators of vulnerable populations and minimizes disparities in health status. HDS also qualifies as a health-related program that leverages funding from other sources, namely Proposition 10 funds. HDS is also consistent with the IRS Regulations for Securitized Tobacco Settlement Funds that are incorporated into Board Policy E-14.

Today's Board action provides the opportunity for our region's children and families to continue receiving vital HDS services while long-term funding strategies continue to be explored for First 5 San Diego programming. Supporting the whole family is essential to success as parents and caregivers are the agents of change for their children and HDS provides them with the tools to enrich their child's development. Today's action will help support some of our region's most vulnerable children to optimize their health, independence, education, and long-term social and economic opportunity.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support the County of San Diego 2026-2031 Strategic Plan initiatives of Sustainability (Resiliency), Equity (Economic Opportunity), and Community (Quality of Life) by expanding access to healthcare and social support services for children with mild to moderate developmental and behavioral delays and their caregivers.

Respectfully submitted,



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Supervisor, Third District

ATTACHMENT(S)

N/A