



May 12, 2015

The Honorable Richard Roth, Chair
Senate Budget and Fiscal Review Committee
Subcommittee No. 4 on State Administration
State Capitol, Room 4034
Sacramento, CA 95814

RE: Board of Equalization: Cigarette Tax and Licensing Programs

Dear Senator Roth:

First 5 California is grateful to your Committee for hearing the issue of the Board of Equalization's (BOE) Cigarette Tax and Licensing Programs.

First 5 California respectfully urges your approval of the Legislative Analyst's Office recommendations to secure a more appropriate funding source for BOE licensing and enforcement activities, and specifically to support license enforcement with license fees. Although this issue does not fully address First 5 California's concerns about BOE administrative cost overreach, it is a powerful first step that will return an estimated \$7 million annually back to children's support programs.

First 5 California, established through a voter approved initiative in 1998 known as the California Children and Families Act (Proposition 10), oversees the expenditure of tobacco tax revenues to support, promote, and optimize early childhood development through coordinated programs that emphasize child health, parent education, child care, and other services and programs for children prenatal through age 5.

Proposition 10 allows BOE to be reimbursed for the expenses incurred in its administration and collection of taxes delineated by the Act. BOE's expenses charged against First 5 California have consistently, and at times dramatically, increased since Proposition 10 was passed. BOE's administrative costs have increased 700 percent over the last 10 years. While BOE's expenses have significantly increased over time, First 5 California's revenue has decreased by approximately 30 percent over the same period.

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First 5 California has expressed concerns about the costs and funding of BOE's cigarette and tobacco programs, particularly the licensing program. We appreciate the Legislature and Legislative Analyst's Office's attention to this issue. We believe this expensive enforcement program is not consistent with the voters' intent for BOE administrative costs during Proposition 10's passage. We also are concerned about the loss of support for young children and families resulting from BOE costs.

First 5 county commissions alone are projected to pay more than \$14 million to the BOE for administrative costs this year, an amount roughly equal to the county commissions' statewide investments in health access programs (premiums, outreach, and enrollment), or their total investments in infant and toddler education programs. Clearly, there are many alternative and more impactful uses for these critical funds, in keeping with the mandates of Proposition 10.

Thank you for your consideration. We appreciate your support in protecting funds dedicated to California's youngest children. If you have questions regarding First 5 California's position on this issue, please contact Erin Gabel, Deputy Director of External and Governmental Affairs, at egabel@ccfc.ca.gov or (916) 263-1093.

Sincerely,



Camille Maben
Executive Director

cc: The Honorable Mark Leno, Chair, Senate Budget and Fiscal Review Committee
Members of the Senate Budget Subcommittee No. 4 on State Administration
Mark Ibele, Consultant, Senate Budget and Fiscal Review Committee
George Halvorson, Chair, First 5 California
Joyce Iseri, Vice Chair, First 5 California
Magdalena Carrasco, Commissioner, First 5 California
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Casey McKeever, Commissioner, First 5 California
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