



AGENDA ITEM: 7

DATE OF MEETING: October 21, 2009

ACTION: _____

INFORMATION: X

FISCAL YEAR-END SUMMARY - FISCAL YEAR ENDING JUNE 30, 2009

SUMMARY

Staff will provide the Commission fiscal briefings in four areas: First 5 California's year-end revenue and expenditure report for Fiscal Year (FY) 2008-09; revenue and expenditure projections for future years; the Fund Condition for FY 2008-09 and FY 2009-10; and projected revenues for FYs 2009-10 through 2012.

BACKGROUND

Pursuant to Health and Safety Code (HSC) section 130105, the California Children and Families Trust Fund (hereinafter referred to as "the Fund"), was created in the State Treasury and consists of revenues collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code. The Board of Equalization (BOE) administers the Fund and determines the amount to be transferred to specific (non Proposition 10) programs to offset the revenue decrease directly resulting from the additional taxes imposed by Proposition 10. The transfer of funds to other programs is referred to as the "backfill." The backfill amount is deducted annually from the tax revenues prior to the BOE's transfer of funds to First 5 California and county commissions.

Per HSC sections 130100 to 130155, First 5 California disburses tobacco tax revenue to county commissions monthly if requirements specified in statute have been met. Each month, the BOE provides First 5 California with the amount of tobacco tax revenue that is available for disbursement to the county commissions. These funds are transferred into the County Account (0585). County commissions 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 in proportion to the entire number of births recorded in California. Interest that accumulates in the County Account is also disbursed annually to the county commissions using this same formula.

First 5 California provides on-line access to information on tax and interest revenues disbursed to county commissions by fiscal year: <http://www.cffc.ca.gov/pdf/fiscal>

First 5 California funds are deposited into six separate accounts: Mass Media Communications, Education, Child Care, Research and Development, Unallocated, and Administration. HSC 130105 establishes the percentage of funds to be disbursed to each account, which are all interest-bearing accounts.

First 5 California's Administrative Services Division (ASD) disburses funds consistent with the directives of the State Commission and the Executive Director or Chief Deputy Director, and the Bylaws for the California Children and Families Commission. ASD also maintains fiscal records of disbursements.

The annual Financial Statement Audits of the Children and Families Trust Fund and Related Accounts are available on <http://www.cffc.ca.gov/commission/fiscal.asp>. The audit report for FY 08-09 will be available in December 2009.

DISCUSSION

HIGHLIGHTS FOR THE YEAR

Revenues

- Proposition 10 tobacco tax revenue in FY 2008-09 totaled \$525,302,985, representing a 4.25% decrease from FY 2007-08 revenue collected by the BOE.
- The State Commission's share of the FY 2008-09 tobacco tax revenue totaled \$105,060,597, also representing a 4.25% decrease from FY 2007-08 revenue.
- State Surplus Money Investment Fund (interest) revenue for FY 2008-09 for all First 5 California accounts totaled \$8,512,431, representing a decrease of 49.19% from FY 2007-08.
- The Board of Equalization provided an adjusted tobacco tax revenue projection model to incorporate the impact of the recent increase in federal tax on tobacco products to various California funds receiving cigarette and tobacco products tax dollars, including Proposition 10 funds. Projected impact on First 5 California revenue is a decrease of \$8.72 million in FY 2009-10 and a decrease of \$8.48 million in FY 2010-11.
- The Department of Finance provides and releases tobacco tax revenue projections in January, after the release of the Governor's budget, and in May, following the release of the May budget revision. During FY 2008-09, the Department of Finance Proposition 10 projections decreased from \$541 to \$508 million, a 6.10% change within the fiscal year.

Fund Administration and Adjustment Costs

- The Board of Equalization costs for administering the Fund, including enforcement activities to reduce cigarette tax evasion, totaled \$11,721,382, an increase of 5% over FY 2007-08 costs.
- The FY 2008-09 Proposition 99 Backfill totaled \$21,200,000, an increase of 8.16% from FY 2007-08.

Expenditures

- Actual First 5 California expenditures for FY 2008-09 (including accruals) totaled \$121 million.
- Projected First 5 California expenditures for FY 2009-10 (including encumbrances, commitments, and obligations) total \$275 million, a 127.27% change over FY 2008-09.
- The Commission employs 47 permanent staff. In FY 2008-09 all personnel and administrative overhead costs totaled \$4,471,710. General operating expenses and equipment for FY 2008-09 totaled \$1,623,718.

General Observations

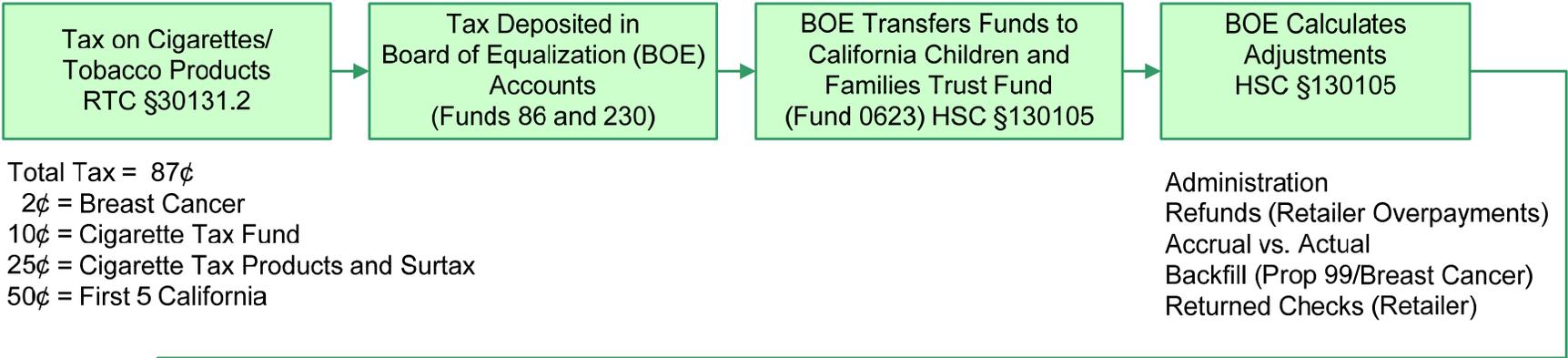
First 5 California's audit opinion for the fiscal year, that ended June 30, 2009, will be available in December 2009 and will be presented to the State Commission at its January 2010 commission meeting.

Terry Miller, Chief of the Administrative Services Division, will present additional detail related to Fiscal Year End figures and funding changes, and highlight spending commitments for Fiscal Year 2009-10 through Fiscal Year 2011-2012.

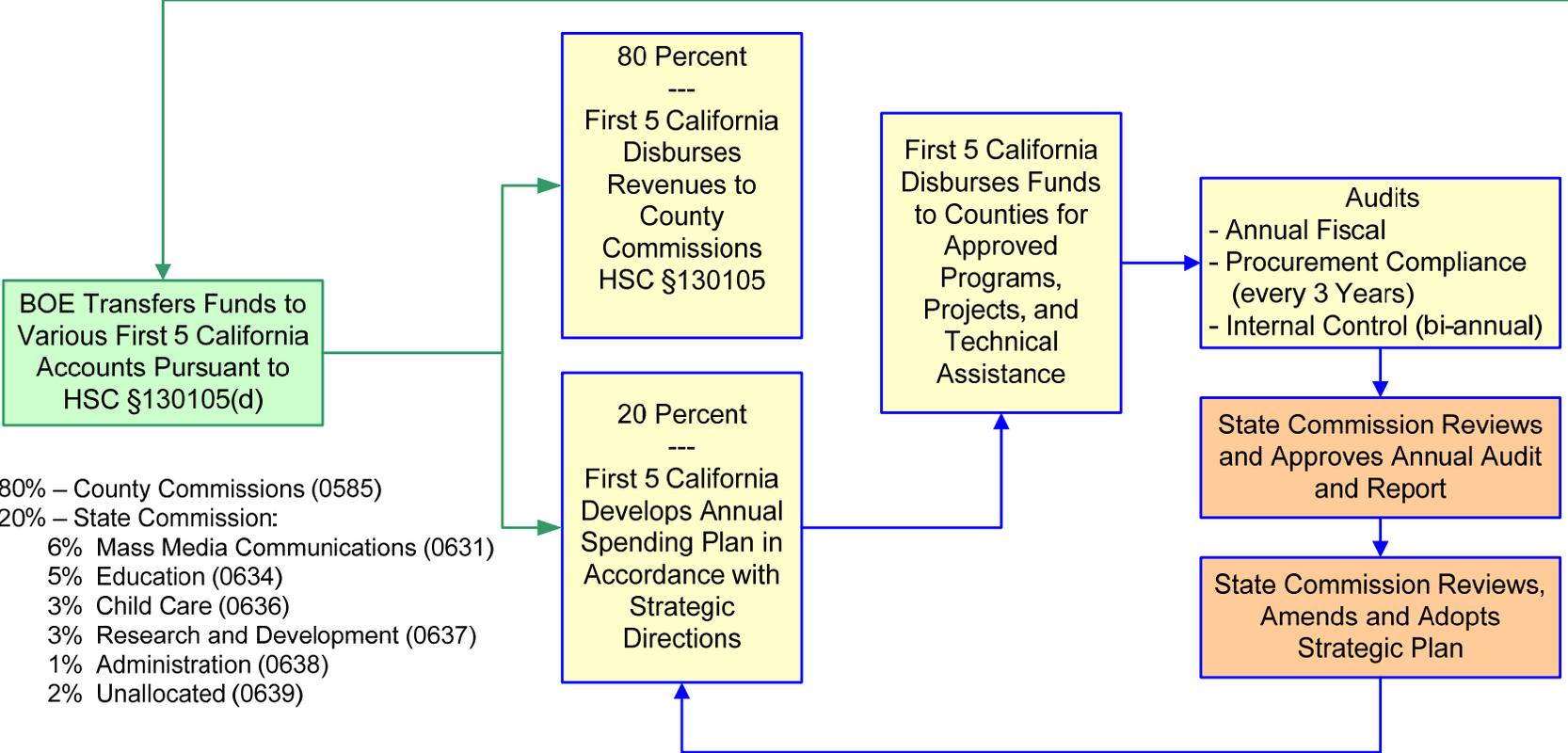
- Attachments:
- A. Funding Structure Diagram
 - B. BOE Adjustments (Administration and Backfill)
 - C. BOE Historical Trust Fund History for First 5 California
 - D. Graphical Display of Six-Year Actual and Projected Revenue
 - E. Revenue Distribution by Account (Percentage Detail)
 - F. Comparison of Prop. 10 Revenue Projections and Actuals
 - G. Two-Year Revenue Comparison by Month
 - H. SMIF Revenue by Account
 - I. State Controller's Office Yield Rates
 - J. Fund Condition Summary
 - K. Fiscal Year 2009/10 Projected Revenue by Account
 - L. Spending Plan Summary FY 2009-10 through FY 2011-12
 - M. FY 2009-10 Spending by Goal
 - N. Three-Year Total Spending Plan by Strategic Goal
 - O. Revenue and Current Commitments FY 2009-10 through FY 2011-12



Funding Structure



Total Tax = 87¢
 2¢ = Breast Cancer
 10¢ = Cigarette Tax Fund
 25¢ = Cigarette Tax Products and Surtax
 50¢ = First 5 California



80% – County Commissions (0585)
 20% – State Commission:
 6% Mass Media Communications (0631)
 5% Education (0634)
 3% Child Care (0636)
 3% Research and Development (0637)
 1% Administration (0638)
 2% Unallocated (0639)



Board of Equalization Adjustments

Board of Equalization (BOE) adjustments to total tax revenues collected are deducted before any disbursement to First 5 California accounts. The two primary deductions include BOE administrative costs and Proposition 99 backfill amounts. A summary of these costs over the past decade is listed below:

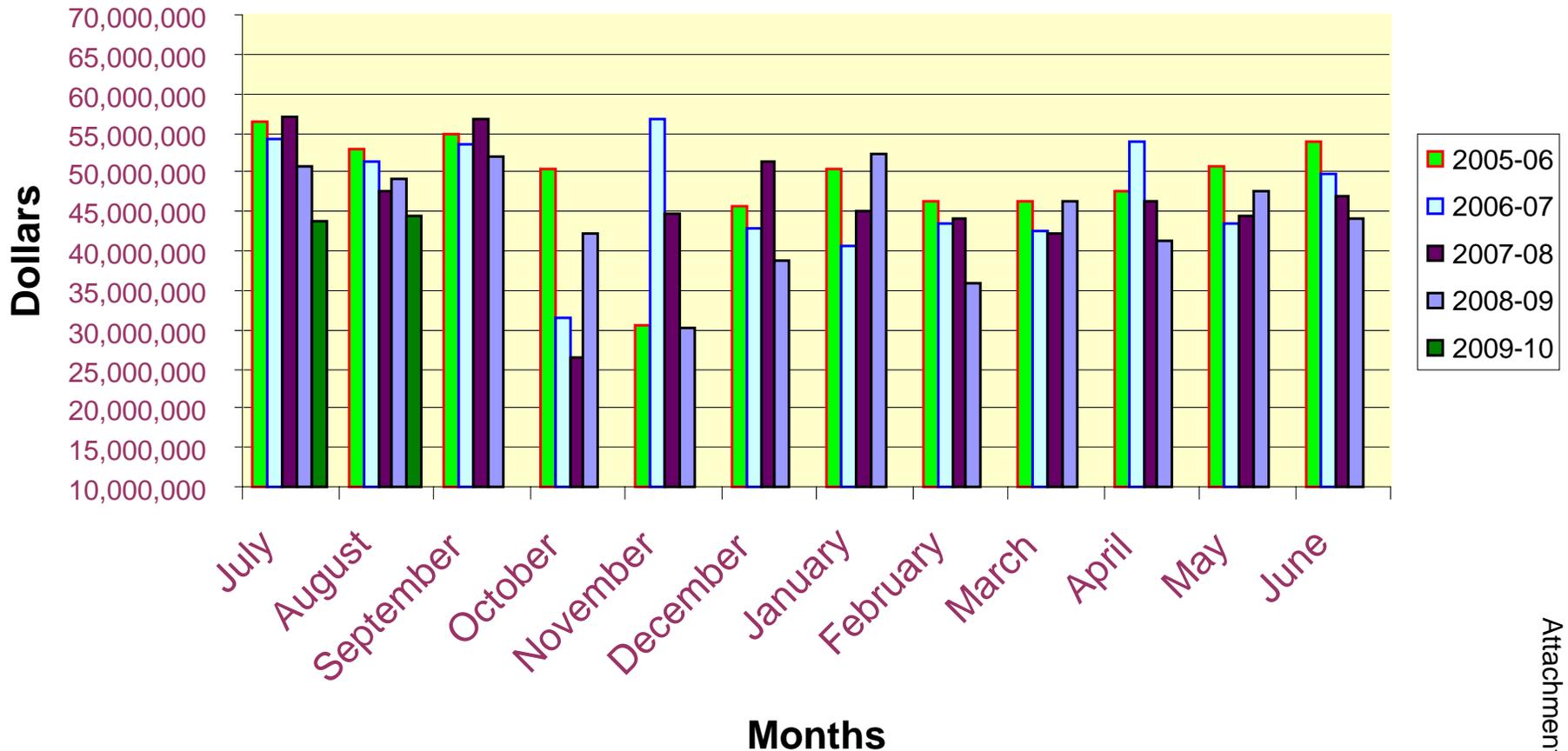
BOE Administration

FY 98-99	\$570,000
FY 99-00	\$876,000
FY 00-01	\$886,000
FY 01-02	\$959,416
FY 02-03	\$1,974,530
FY 03-04	\$2,301,371
FY 04-05	\$4,642,000
FY 05-06	\$4,958,000
FY 06-07	\$7,388,000
FY 07-08	\$11,162,000
FY 08-09	\$11,721,382

Prop 99 Backfill

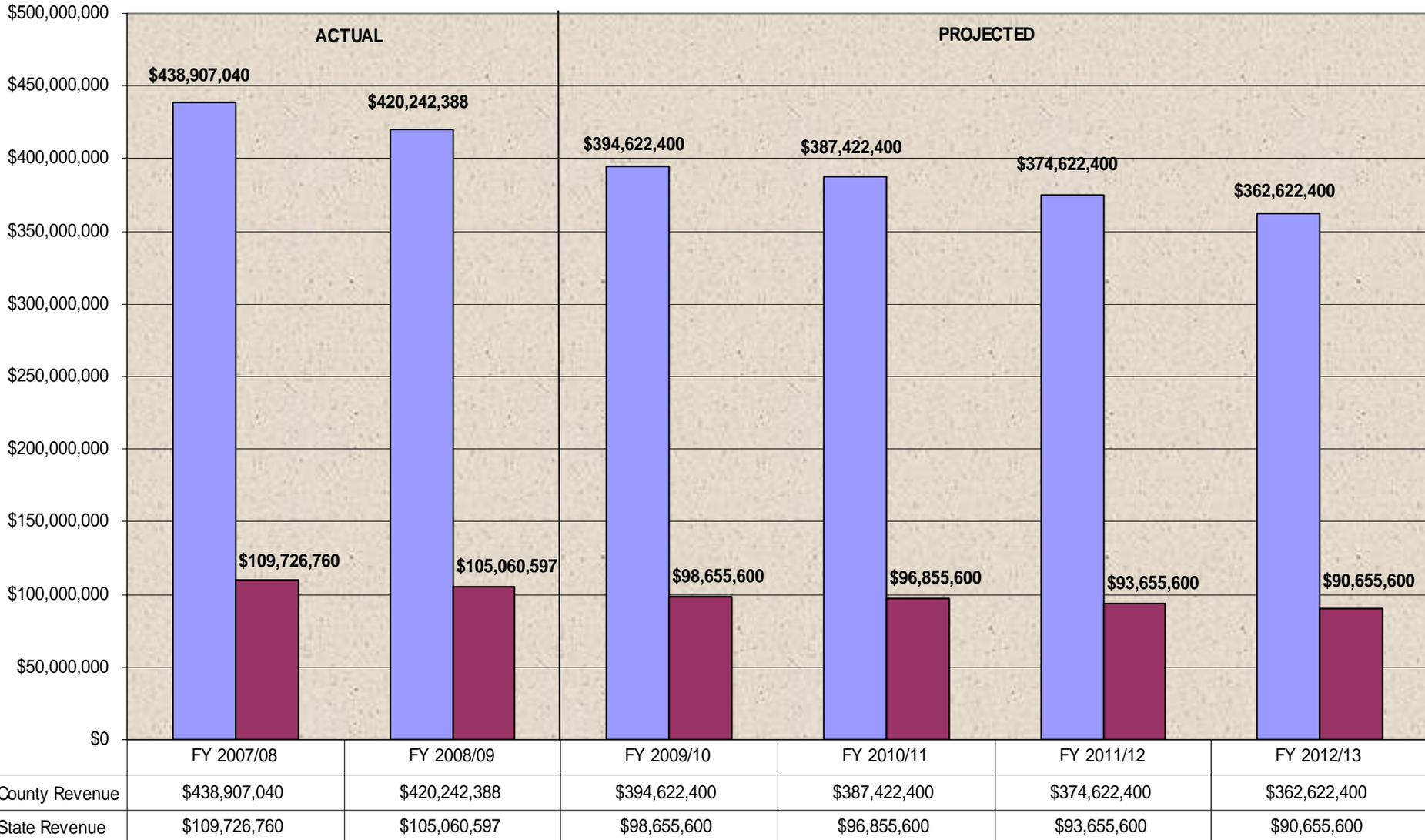
FY 00-01	\$24,000,000
FY 01-02	\$25,900,000
FY 02-03	\$35,500,000
FY 03-04	\$21,700,000
FY 04-05	\$21,300,000
FY 05-06	\$20,300,000
FY 06-07	\$18,500,000
FY 07-08	\$19,600,000
FY 08-09	\$21,200,000

Prop 10 California Children and Families Trust Fund - 0623





Actual and Projected Revenue by Fiscal Year





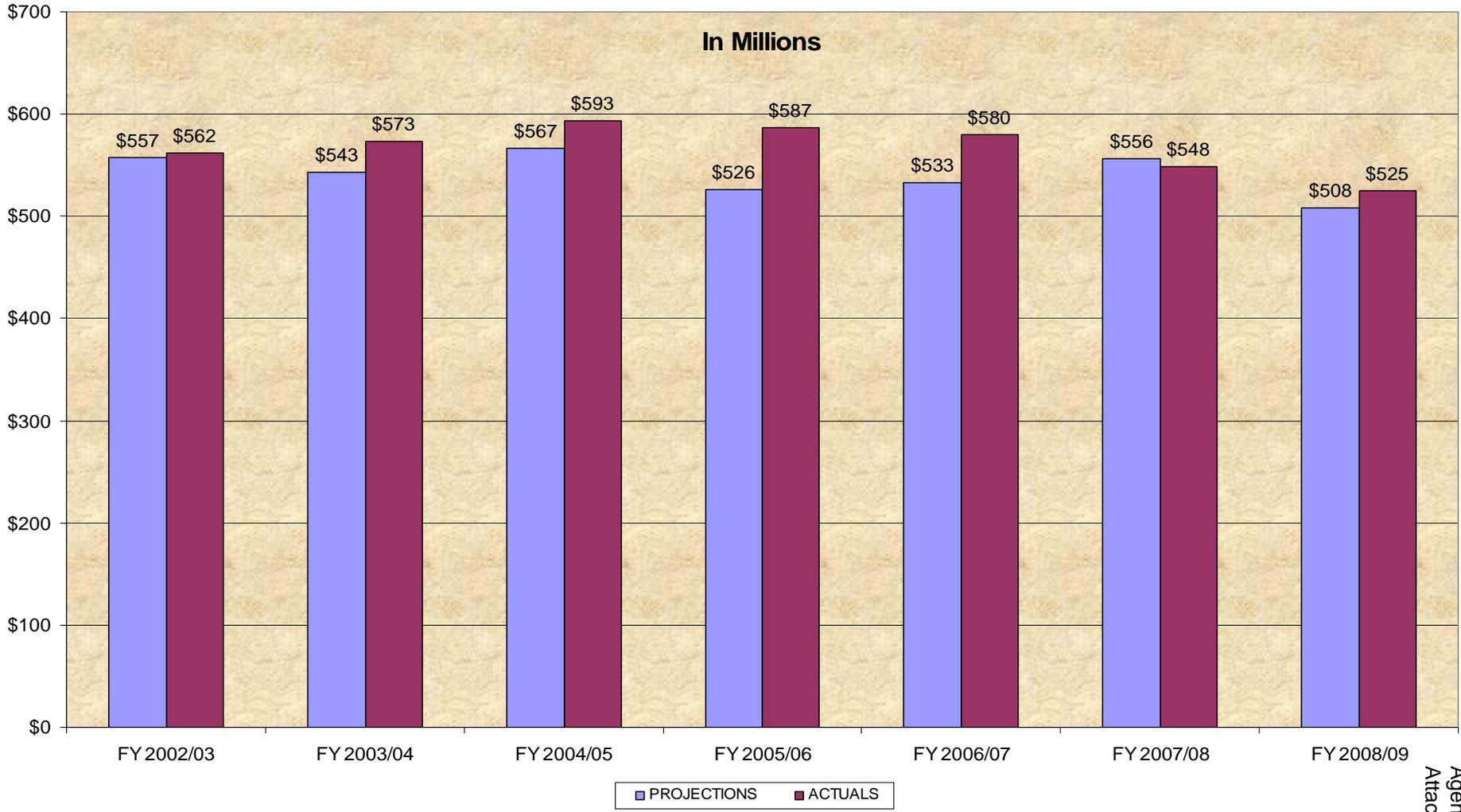
Revenue Distribution by Account

Account Type	Statutory Distribution	Distribution Conversion
Mass Media Communications	6%	30%
Education	5%	25%
Child Care	3%	15%
Research and Development	3%	15%
Unallocated	2%	10%
Administration	1%	5%
	20%	100%



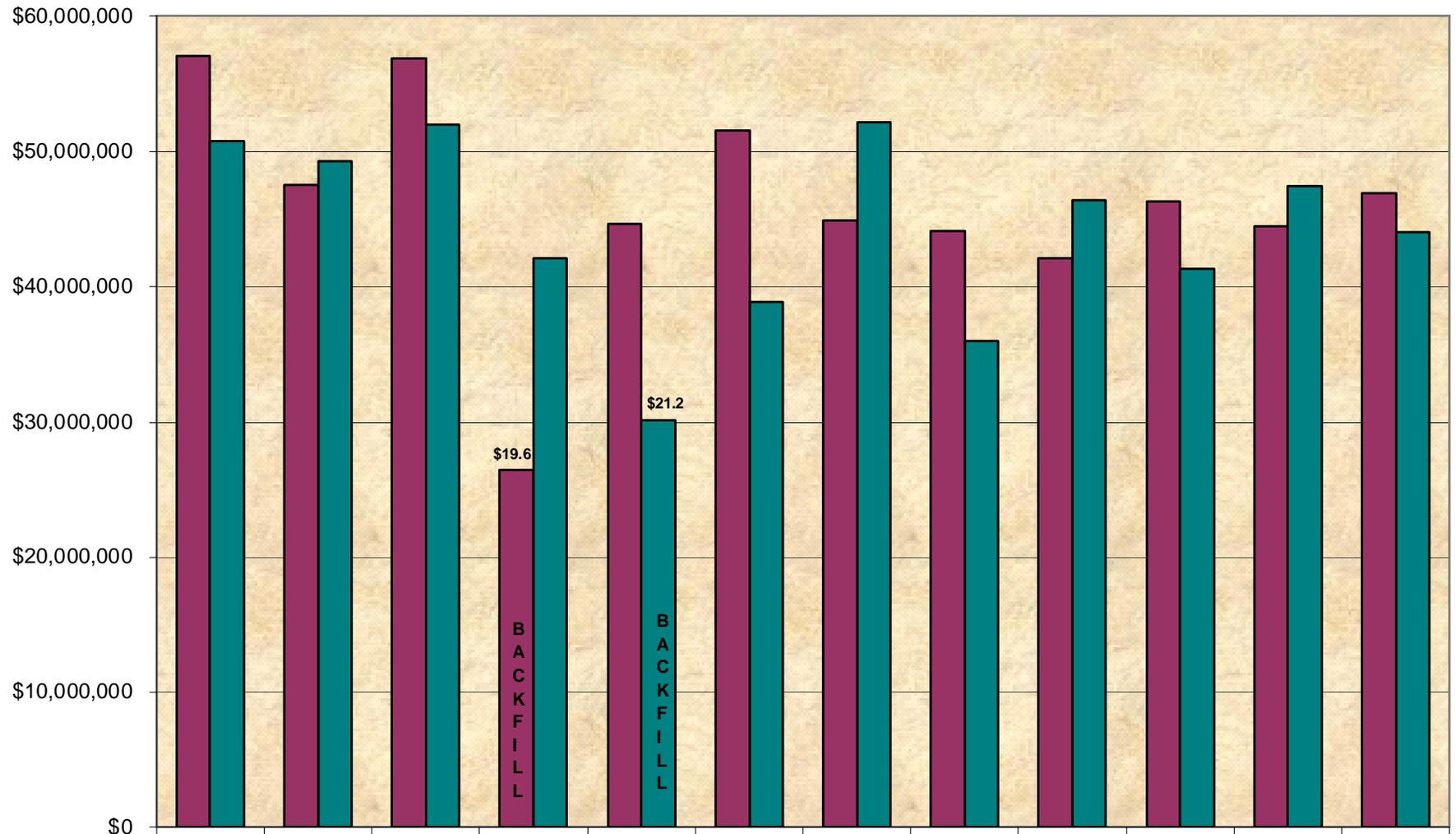
Comparison of Prop. 10 Revenue Projections and Actual Revenue Received

Model projections based on funds available for transfer, including reductions for backfill and BOE Administration





Two-Year-Revenue Comparison by Month



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 07/08	57,098,646	47,502,110	56,876,591	26,428,725	44,683,931	51,524,089	44,954,188	44,094,099	42,127,564	46,273,695	44,481,185	46,948,617
FY 08/09	50,807,310	49,284,080	52,004,013	42,074,259	30,157,341	38,831,944	52,188,843	35,959,891	46,392,811	41,337,780	47,461,613	44,061,987



SMIF Revenue by Account

SMIF Revenue by Account

Account Name	FY 06/07	FY 07/08	FY 08/09
Mass Media Communications	\$2,221,921	\$2,860,932	\$1,843,497
Education	\$6,377,941	\$6,119,513	\$2,748,882
Child Care	\$3,326,269	\$3,001,928	\$1,341,339
Research and Development	\$3,671,389	\$3,518,258	\$1,669,416
Administration	\$1,200,413	\$1,082,924	\$549,628
Unallocated	\$988,163	\$168,851	\$359,669
TOTAL	\$17,786,096	\$16,752,407	\$8,512,431

SMIF Apportionment Yield Rates

Fiscal Year	Period Ending	Interest Rate %	% Change
07/08	9/30/2007	5.236	
	12/31/2007	4.955	-5.37
	3/31/2008	4.174	-15.76
	6/30/2008	3.108	-25.54
08/09	9/30/2008	2.769	-10.91
	12/31/2008	2.533	-8.52
	3/31/2009	1.903	-24.87
	6/30/2009	1.512	-20.55



Fund Condition Summary

2008/09 Fund Condition 2009/10 Spending Plan

(Dollars in Millions)

	Actual 2008-09	Projected 2009-10
Prior-Year Fund Balance	\$373	\$364
Revenues and Transfers	\$114	\$105
Total Resources Available	\$487	\$469
Expenditures ¹	\$121	\$275
Ending Fund Balance ²	\$364	\$194

¹ Includes accruals/encumbrances

² Includes 15 percent operational reserve by account for FY 09/10



Fiscal Year 2009-10 Projected First 5 California Revenues by Account

- Includes the Department of Finance projected tax revenue disbursements to First 5 California (20 percent)
- First 5 California disbursements distributed according to statute

Account Type	Statutory Distribution	% to Total Conversion	Projected Revenue (Excluding Interest)
Media	6%	30%	\$ 29,596,680
Education	5%	25%	\$ 24,663,900
Child Care	3%	15%	\$ 14,798,340
Research	3%	15%	\$ 14,798,340
Unallocated	2%	10%	\$ 9,865,560
Administration	1%	5%	\$ 4,932,780
	<u>20%</u>	<u>100%</u>	<u>\$ 98,655,600</u>



First 5 California Spending Plan Summary FY 2009-10 through FY 2011-12

Total Resources Detail	FY 09/10	FY 10/11	FY 11/12
Total Projected Annual Tax Revenue	98,655,600	96,725,800	93,525,800
Prior Year Fund Balance	364,369,432	209,243,768	215,461,350
Other Projected Revenue	6,194,280	3,557,144	3,662,843
Total Resources	469,219,312	309,526,712	312,649,993

Spending Plan Detail	FY 09/10	FY 10/11	FY 11/12
Total Resources ¹	\$469,219,312	\$309,526,712	\$312,649,993
Total Expenditures ²	\$259,975,544	\$94,065,362	\$23,859,221
Reserve ³	\$14,798,340	\$14,508,870	\$14,028,870
Projected Fund Balance	\$194,445,428	\$200,952,480	\$274,761,902

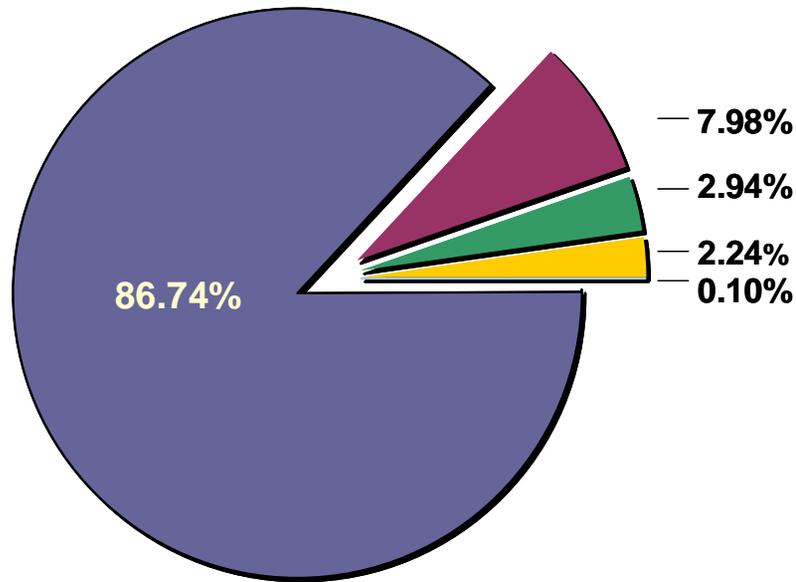
¹ Resources include prior year carryover, annual revenue, SMIF, and other revenue.

² Expenditures include program and contract encumbrances and obligations approved by the state commission.

³ 15% by account for each account (Reference Government Financial Officers Association, Governmental Accounting, Auditing, and Financial Reporting, Using the GASB 34 Model).

FY 2009-10 Spending by Strategic Goal

<u>Goal Description</u>	<u>Amount Obligated</u>
Goal 1: Focus on Policy Development	\$250,000
Goal 2: Invest in Program Development	\$225,502,660
Goal 3: Broaden Public Awareness	\$20,747,897
Goal 4: Enhance Research and Evaluation	\$7,648,065
Goal 5: Strengthen Organizational Operations and Systems	\$5,826,922
Total	\$259,975,544

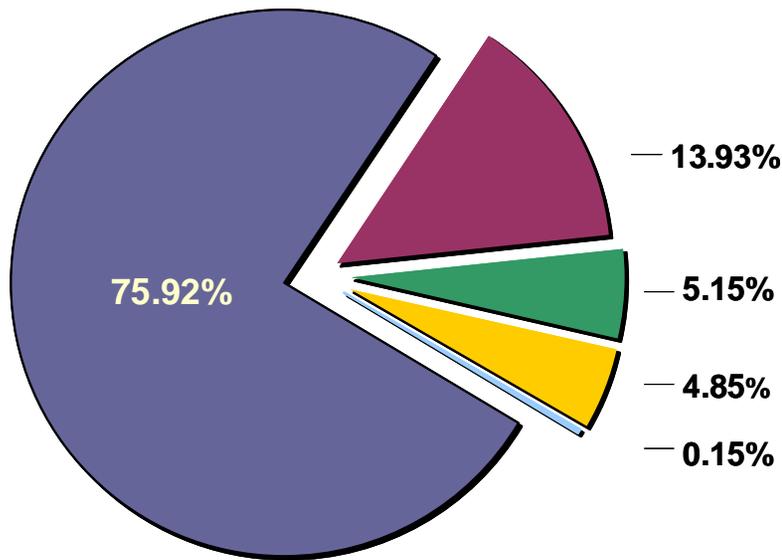




Three-Year Total Spending Plan By Strategic Goal

Three-Year Total - Spending Plan by Strategic Goal (Fiscal Years 2009/10-2011/12)

<u>Goal Description</u>	<u>Amount Obligated</u>
Goal 1: Focus on Policy Development	\$550,000
Goal 2: Invest in Program Development	\$286,915,314
Goal 3: Broaden Public Awareness	\$52,639,153
Goal 4: Enhance Research and Evaluation	\$19,472,282
Goal 5: Strengthen Organizational Operations and Systems	\$18,323,379
Total	\$377,900,127



**First 5 California
Revenue and Current Commitments
Fiscal Years 2009-10 Through 2011-12**

Account/Project	FY 09/10	FY 10/11*	FY 11/12*
Media			
Projected Revenue	\$29,596,680	\$29,017,740	\$28,057,740
Adjustment to Balance			
Projected Interest	\$1,605,272	\$1,058,652	\$1,069,682
Other Revenue			
Projected Carryover	\$94,427,736	\$62,273,633	\$62,922,494
(Available Funds)	\$125,629,687	\$92,350,024	\$92,049,917
School Readiness,Cycle 1	\$3,449	\$0	\$0
School Readiness,Cycle 2	\$12,227,715	\$9,165,160	\$1,044,793
Healthy Families Program	\$30,000,000		
Public Relations	\$3,905,346	\$0	\$0
Advertising	\$17,011,188	\$20,115,509	\$11,630,747
1-800 number	\$206,496	\$145,000	\$0
SCO/PRORATA/ADJUSTMENTS	\$1,861	\$1,861	\$1,861
Total Budgeted Expenditures	\$63,356,055	\$29,427,530	\$12,677,401
Net Over/(under)	\$62,273,633	\$62,922,494	\$79,372,515
15% Reserve	\$4,439,502	\$4,352,661	\$4,208,661
Projected Fund Balance	\$57,834,131	\$58,569,833	\$75,163,854
Education			
Projected Revenue	\$24,663,900	\$24,181,450	\$23,381,450
Adjustment to Balance			
Projected Interest	\$1,566,852	\$517,004	\$582,107
Other Revenue			
Projected Carryover	\$92,167,760	\$30,412,018	\$34,241,589
(Available Funds)	\$118,398,512	\$55,110,472	\$58,205,146
School Readiness,Cycle 1	\$6,899	\$0	\$0
School Readiness,Cycle 2	\$27,172,700	\$20,367,022	\$2,321,763
Healthy Families Program	\$10,000,000	\$0	\$0
Power of Preschool	\$47,156,973	\$0	\$0
Early Childhood Ed Comp Project	\$400,000	\$0	\$0
Statewide Conference	\$350,000	\$350,000	\$0
Co-Sponsorship Funding Requests	\$150,000	\$150,000	\$150,000
Migrant and Seasonal Farmworkers	\$1,017,711	\$0	\$0
Kits for New Parents	(\$375,133)	\$0	\$0
Regional Technical Assistance	\$348,866	\$0	\$0
TV series "Sid the Science Kid"	\$1,225,000	\$0	\$0
Special Needs Project	\$531,616	\$0	\$0
SCO/PRORATA/ADJUSTMENTS	\$1,861	\$1,861	\$1,861
Total Budgeted Expenditures	\$87,986,494	\$20,868,883	\$2,473,624
Net Over/(under)	\$30,412,018	\$34,241,589	\$55,731,522
15% Reserve	\$3,699,585	\$3,627,218	\$3,507,218
Projected Fund Balance	\$26,712,433	\$30,614,372	\$52,224,305

* FY 2010-11 and FY 2011-12 revenue is based on projections and may fluctuate. Expenditures listed for these years do not include pending or planned expenditures (i.e., First 5 California's signature programs and program support plans).

**First 5 California
Revenue and Current Commitments
Fiscal Years 2009-10 Through 2011-12**

Account/Project	FY 09/10	FY 10/11*	FY 11/12*
Child Care			
Projected Revenue	\$14,798,340	\$14,508,870	\$14,028,870
Adjustment to Balance			
Projected Interest	\$898,665	\$330,784	\$429,179
Other Revenue			
Projected Carryover	\$52,862,643	\$19,457,860	\$25,245,796
(Available Funds)	\$68,559,648	\$34,297,513	\$39,703,845
School Readiness,Cycle 1	\$4,829	\$0	\$0
School Readiness,Cycle 2	\$11,548,397	\$8,655,984	\$986,749
Healthy Families Program	\$20,000,000	\$0	\$0
Power of Preschool	\$8,745,602	\$393,872	\$0
ABCD Initiative	\$701,376	\$0	\$0
CARES	\$8,099,724	\$0	\$0
SCO/PRORATA/ADJUSTMENTS	\$1,861	\$1,861	\$1,861
Total Budgeted Expenditures	\$49,101,789	\$9,051,717	\$988,610
Net Over/(under)	\$19,457,860	\$25,245,796	\$38,715,234
15% Reserve	\$2,219,751	\$2,176,331	\$2,104,331
Projected Fund Balance	\$17,238,109	\$23,069,466	\$36,610,904
Research Account			
Projected Revenue	\$14,798,340	\$14,508,870	\$14,028,870
Adjustment to Balance			
Projected Interest	\$1,254,573	\$743,495	\$585,342
Other Revenue			
Projected Carryover	\$73,798,385	\$43,734,974	\$34,431,871
(Available Funds)	\$89,851,297	\$58,987,339	\$49,046,083
School Readiness,Cycle 1	\$5,059	\$0	\$0
School Readiness,Cycle 2	\$16,982,939	\$12,729,389	\$1,451,102
Healthy Families Program	\$21,400,000	\$0	\$0
Health Access Quality Enhance and Eval	\$78,399	\$0	\$0
Statewide Research and Eval	\$4,635,064	\$10,745,244	\$0
Technical Support for Framework	\$665,937	\$998,631	\$0
CA Health Interview Survey 2009	\$1,419,658	\$80,342	\$0
State Library Services	\$407,090	\$0	\$0
Cares Database	\$520,316	\$0	\$0
SCO/PRORATA/ADJUSTMENTS	\$1,861	\$1,861	\$1,861
Total Budgeted Expenditures	\$46,116,323	\$24,555,467	\$1,452,963
Net Over/(under)	\$43,734,974	\$34,431,871	\$47,593,120
15% Reserve	\$2,219,751	\$2,176,331	\$2,104,331
Projected Fund Balance	\$41,515,223	\$32,255,541	\$45,488,790

* FY 2010-11 and FY 2011-12 revenue is based on projections and may fluctuate. Expenditures listed for these years do not include pending or planned expenditures (i.e., First 5 California's signature programs and program support plans).

**First 5 California
Revenue and Current Commitments
Fiscal Years 2009-10 Through 2011-12**

Account/Project	FY 09/10	FY 10/11*	FY 11/12*
Unallocated			
Projected Revenue	\$9,865,560	\$9,672,580	\$9,352,580
Adjustment to Balance			
Projected Interest	\$442,817	\$488,905	\$594,523
Transfer			
Other Revenue	\$0		
Projected Carryover	\$26,048,030	\$28,759,140	\$34,971,944
(Available Funds)	\$36,356,407	\$38,920,625	\$44,919,047
School Readiness,Cycle 1	\$2,759	\$0	\$0
Small County Augmentations	\$3,500,000	\$3,500,000	\$0
CA Smoker's Helpline	\$500,069	\$0	\$0
Health Access for All	\$3,284,773	\$446,820	\$0
Health Care Reform Planning	\$307,804	\$0	\$0
SCO/PRORATA/ADJUSTMENTS	\$1,861	\$1,861	\$1,861
Total Budgeted Expenditures	\$7,597,267	\$3,948,681	\$1,861
Net Over/(under)	\$28,759,140	\$34,971,944	\$44,917,186
15% Reserve	\$1,479,834	\$1,450,887	\$1,402,887
Projected Fund Balance	\$27,279,306	\$33,521,057	\$43,514,299
Administration			
Projected Revenue	\$4,932,780	\$4,836,290	\$4,676,290
Projected Interest	\$426,103	\$418,304	\$402,010
Transfer			
Other Revenue			
Projected Carryover	\$25,064,877	\$24,606,144	\$23,647,655
(Available Funds)	\$30,423,760	\$29,860,738	\$28,725,955
Adminstrative Expense	\$5,571,458	\$5,957,602	\$6,009,280
SCO/PRORATA/ADJUSTMENTS	\$246,159	\$255,482	\$255,482
Total Budgeted Expenditures	\$5,817,616	\$6,213,083	\$6,264,762
Net Over/(under)	\$24,606,144	\$23,647,655	\$22,461,193
15% Reserve	\$739,917	\$725,444	\$701,444
Projected Fund Balance	\$23,866,227	\$22,922,211	\$21,759,750

* FY 2010-11 and FY 2011-12 revenue is based on projections and may fluctuate. Expenditures listed for these years do not include pending or planned expenditures (i.e., First 5 California's signature programs and program support plans).