



AGENDA ITEM: 11
 DATE OF MEETING: January 22, 2015
 ACTION: _____
 INFORMATION: X

FINANCIAL UPDATE

SUMMARY

First 5 California (F5CA) staff will provide an update on tax revenue projections, the annual audit conducted by the Department of Finance (DOF), and F5CA’s Financial Plan for Fiscal Years (FY) 2013–14 through FY 2019–20, based on existing authorizations and current revenue and expenditure projections.

REVENUE

The following table represents the actual tax revenues transferred from the California Children and Families Trust Fund (Fund) to F5CA state accounts beginning with FY 2008–09 through FY 2013–14, projected revenue for FY 2014–15 through 2019–20, and the percentage of decline from each fiscal year to the next.

**TABLE 1
 Actual and Projected Revenue through FY 2019–20**

Fiscal Year	Tax Revenue Amount	% Decline
2008–09	\$105,060,597	4.25%
2009–10	\$95,830,895	8.79%
2010–11	\$94,050,327	1.86%
2011–12	\$93,381,688	0.71%
2012–13	\$90,100,191	3.51%
2013–14	\$86,103,907	4.44%
Fiscal Year	Projected Tax Revenue Amount	
2014–15	\$80,985,200	5.94%
2015–16	\$78,597,200	2.95%
2016–17	\$74,767,205	4.87%
2017–18	\$71,109,560	4.89%
2018-19	\$67,616,509	4.91%
2019–20	\$64,280,645	4.93%

Revenue Adjustments

The California State Board of Equalization (BOE) collects Proposition 10 revenue and administers the Fund, which includes determining the amount of adjustments to the Fund prior to the transfer of funds to the designated F5CA accounts and County Fund. These adjustments include the annual backfill to the Proposition 99 Fund and Breast Cancer Fund (“backfill”), as well as monthly BOE operational costs for tax collection and enforcement programs.

Backfill

Pursuant to Health and Safety Code (HSC) Section 130105, the Fund was created in the State Treasury and consists of tobacco tax revenue collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code. BOE 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 backfill amount is deducted annually from the tax revenue prior to the BOE’s transfer of funds to F5CA’s state accounts and the County Fund.

At the BOE Board meeting on November 19, 2014, the Board approved the staff recommendation to adjust the Fund by \$14.7 million for backfill. Attachment A explains the backfill determination in detail. This adjustment offsets November tax revenue, which was transferred by BOE on January 7, 2015.

BOE Administration

According to the FY 2015–16 Governor’s Budget, BOE has authority to spend \$17.8 million in FY 2014–15 and \$17.9 million in FY 2015–16 for operational costs incurred for tax collection and enforcement activities. Although BOE is authorized to spend up to these amounts, historically, actual expenditures incurred have been approximately \$1 million less than budgeted.

Revenue Projections

Historically, DOF projections have demonstrated tobacco tax revenue is declining. The rate of decline is caused by both intended and unintended factors, which include federal legislation, state initiatives, F5CA’s parent education and outreach efforts, and comprehensive smoking cessation programs to reduce tobacco use. The growing popularity of e-cigarettes and the condition of the state’s economy also have an impact on the tobacco tax revenue.

Total tobacco tax revenue received by the Fund decreased by 4.2 percent in FY 2013–14 compared to the previous year and is expected to decrease by another 5 percent in FY 2014–15. Recent revenue projections provided by DOF anticipate tax revenue to decline between 2.3 to 2.6 percent between FYs 2015–16 and 2018–19. Based on the significantly greater decrease over the past two fiscal years, staff did not

use DOF's revenue projections for FYs 2016–17 through 2019–20. Instead, staff adopted a more conservative approach and projected the annual revenue decline at 4.5 percent. Table 2 below displays revenue projections, anticipated adjustments to the Fund, and allocations to the County Fund and state accounts.

TABLE 2
First 5 California Projected Revenue by Account

	ACTUAL	GOVERNOR'S BUDGET FY 2015-16		PROJECTED			
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
TOTAL REVENUE (1)	\$460,634,451	\$437,366,000	\$425,555,000	\$406,405,025	\$388,116,799	\$370,651,543	\$353,972,223
OTHER COSTS AND BACKFILL							
Prior Year Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	0
Administration (2)	(\$16,588,489)	(\$17,810,000)	(\$17,939,000)	(\$17,939,000)	(\$17,939,000)	(\$17,939,000)	(\$17,939,000)
0623 SMIF (3)	\$73,574	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
Backfill (4)	(\$13,600,000)	(\$14,700,000)	(\$14,700,000)	(\$14,700,000)	(\$14,700,000)	(\$14,700,000)	(\$14,700,000)
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OTHER COSTS	(\$30,114,915)	(\$32,440,000)	(\$32,569,000)	(\$32,569,000)	(\$32,569,000)	(\$32,569,000)	(\$32,569,000)
AVAILABLE TO TRANSFER	\$430,519,536	\$404,926,000	\$392,986,000	\$373,836,025	\$355,547,799	\$338,082,543	\$321,403,223
FUNDS TRANSFERRED TO:							
County Commissions	\$344,415,629	\$323,940,800	\$314,388,800	\$299,068,820	\$284,438,239	\$270,466,034	\$257,122,579
First 5 California	\$86,103,907	\$80,985,200	\$78,597,200	\$74,767,205	\$71,109,560	\$67,616,509	\$64,280,645
30% Mass Media - 0631	\$25,831,172	\$24,295,560	\$23,579,160	\$22,430,162	\$21,332,868	\$20,284,953	\$19,284,193
25% Education - 0634	\$21,525,977	\$20,246,300	\$19,649,300	\$18,691,801	\$17,777,390	\$16,904,127	\$16,070,161
15% Child Care - 0636	\$12,915,586	\$12,147,780	\$11,789,580	\$11,215,081	\$10,666,434	\$10,142,476	\$9,642,097
15% Research and Development - 0637	\$12,915,586	\$12,147,780	\$11,789,580	\$11,215,081	\$10,666,434	\$10,142,476	\$9,642,097
5% Administration - 0638	\$4,305,195	\$4,049,260	\$3,929,860	\$3,738,360	\$3,555,478	\$3,380,825	\$3,214,032
10% Unallocated - 0639	\$8,610,391	\$8,098,520	\$7,859,720	\$7,476,721	\$7,110,956	\$6,761,651	\$6,428,064
100% Total:	\$430,519,536	\$404,926,000	\$392,986,000	\$373,836,025	\$355,547,799	\$338,082,543	\$321,403,223
(1) Total revenue as forecasted by DOF for FYs 2014-15 through 2015-16, and a 4.5% decline thereafter.							
(2) Administration costs per FY 2015-16 Governor's Budget, carried through 2019-20.							
(3) SMIF costs projected based on amount received in prior year.							
(4) Backfill - BOE memo dated October 21, 2014. Used same amount for outgoing years.							

FIRST 5 CALIFORNIA ANNUAL AUDIT

F5CA contracts with the Office of State Audits and Evaluations (OSAE) within DOF to conduct an annual financial audit of F5CA and the Fund as mandated by HSC Section 130150.

On January 13, 2015, OSAE issued the final report (Attachment B) related to the annual audit for the fiscal year ending June 30, 2014. The report stated the financial statements were fairly presented and there were no reportable internal control or compliance weaknesses identified for F5CA.

FINANCIAL PLAN

F5CA tracks actual and projected revenue and expenditures by fiscal year for the following six Proposition 10 accounts for use by the State Commission: Mass Media Communications, Education, Child Care, Research and Development, Administration, and Unallocated. Attachment C displays the Financial Plan for FYs 2013–14 through 2019–20. This plan includes projected revenue and expenditures by account for prior year, current fiscal year, and five budget years.

FISCAL MAPPING TO THE STRATEGIC PLAN

First 5 California's Strategic Plan, adopted by the Commission in January 2014, is the driving force behind program and operational expenditures incurred by F5CA. Generally, activities of the Commission, unless statutorily mandated, fall under at least one of the Strategic Priority Areas identified in the Strategic Plan. Attachment D maps expenditures identified in the Financial Plan to specific goals identified in the Strategic Plan.

ATTACHMENTS

- A. Effects of Proposition 10 on Cigarette and Tobacco Products Consumption-
November 2014 Board Meeting
- B. A Financial Statement Audit –California Children and Families Trust Fund and
Related Accounts For the Fiscal Year Ended June 30, 2014
- C. First 5 California Financial Plan FYs 2013–14 through FY 2019–20
- D. First 5 California Fiscal Mapping to the Strategic Plan

Memorandum

To: Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice Chair
Honorable Betty T. Yee, First District
Senator George Runner (Ret.), Second District
Honorable John Chiang, State Controller

Date: October 21, 2014

From: Joe Fitz, Chief Economist
Research and Statistics Section

Subject: **EFFECTS OF PROPOSITION 10 ON CIGARETTE AND TOBACCO PRODUCTS
CONSUMPTION**

NOVEMBER 2014 BOARD MEETING

Background. Prior to 1989, California imposed a \$0.10 per pack excise tax on cigarettes. Proposition 99 increased the cigarette tax by \$0.25 per pack, effective January 1, 1989. In 1993, the Legislature passed AB 478 (Ch. 660, 1993) and AB 2055 (Ch. 661, 1993), which became effective in January 1 1994 and added an excise tax of \$0.02 per package of cigarettes for breast cancer and early detection services. This legislation brought the total tax to \$0.37 per pack. Proposition 10 increased the cigarette tax from \$0.37 per pack to \$0.87 per pack, effective January 1, 1999.

California tax-paid cigarette distributions have decreased dramatically over the past 30 years, both before and after Proposition 10. As a result, revenues for all funds supported by cigarette taxes also have declined. Based on outcomes from similar tax increases in California and other states, strong evidence indicates that the Proposition 10 tax increase accelerates declines in annual cigarette and tobacco sales.

Section 130105(c) of the Health and Safety Code, as added by Proposition 10, requires the Board to determine the effect of Proposition 10 on the consumption of cigarettes and tobacco products and directs a transfer of funds to Proposition 99 and Breast Cancer programs to backfill for revenue losses resulting from consumption changes triggered by Proposition 10. The backfill is intended to maintain the funding of certain Proposition 99 and breast cancer programs at the same levels as they would have been without the Proposition 10 tax increase.

These determinations affect tax allocation, rather than the amount or imposition of tax. The Proposition 10 backfill determination increases funds allocated to Proposition 99 and other cigarette tax programs, including health education, health research, breast cancer education, and breast cancer research and decreases funds otherwise allocated to the California Children and Families First Trust Fund enacted by Proposition 10. (See Attachment 1 for a detailed breakout of the cigarette taxes.) These allocation adjustments ensure that Proposition 99 program funding is not negatively impacted by the enactment of Proposition 10.

Recommended Determination. We recommend that the Board approve a backfill determination of \$14.7 million for fiscal year 2013-14 as an item on the Administrative Consent Agenda of November 2014. The transfer would be made from revenues received in fiscal year 2014-15 to backfill funds affected by changes in consumption during fiscal year 2013-14.

In January 2014, the Board approved a total backfill figure of \$13.6 million for fiscal year 2012-13. This year's proposed backfill figure of \$14.7 million for fiscal year 2013-14 is \$1.1 million more than the prior fiscal year. This year-over-year difference appears typical in the context of historical year-over-year differences. For example, despite the \$1.1 million year-over-year increase from fiscal year 2012-13 to fiscal year 2013-14, the total backfill for fiscal year 2013-14 is smaller than for fiscal year 2011-12.

Yearly variation is expected because backfill determinations are not simple linear trends. As discussed in Attachment 2, backfill determinations result from multiple calculations involving population, tax-paid distributions, cigarette prices, federal and state excise taxes, and the California consumer price index.

The \$14.7 million total backfill determination is approximately 3.4 percent of the estimated \$434.5 million in total 2013-14 California Children and Families First Commission spending.

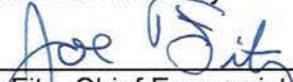
Table 1 of Attachment 2 summarizes the calculations necessary to derive the proposed backfill determination. Breaking down this \$14.7 million quantity, the proposed transfer to breast cancer programs is \$3.3 million, and the proposed transfer to targeted Proposition 99 programs is \$11.4 million.

JF:jm

Attachments

- cc: Mr. Michael Cohen, Director, Department of Finance
- Mr. Peter Ng, Department of Finance
- Ms. Cynthia Bridges, Executive Director
- Mr. Randy Ferris, Chief Counsel
- Mr. Robert Lambert
- Ms. Michele Pielsticker
- Mr. Mark Durham
- Ms. Joann Richmond
- With Attachments

Recommendation by:



 Joe Fitz, Chief Economist
 Research and Statistics Section
 Legislative and Research Division

Approved:



 Ms. Cynthia Bridges
 Executive Director

BOARD APPROVED

at the _____ Board Meeting

 Joann Richmond, Chief
 Board Proceedings Division

Breakdown of Cigarette Taxes								
Tax of 87 Cents on a 20-Count Pack of Cigarettes								
Pack 87¢	Initial Fund	Target Fund or Agency	Account		Program		Purpose	
10¢	Cigarette Tax Fund	100%	General Fund					
2¢	Cigarette Tax Fund	100%	Breast Cancer Fund	50%	Breast Cancer Research Account 1/	10%	Cancer Surveillance Section	Conduct epidemiological research on the rate of breast cancer occurrence in the population.
						90%	Breast Cancer Research Program	Research the cause, cure, treatment, and earlier detection of breast cancer.
				50%	Breast Cancer Control Account 1/		Provide screening, referral, advocacy, outreach, and education services for uninsured and underinsured women.	
25¢	Cigarette and Tobacco Products Surtax Fund	100%	Cigarette and Tobacco Products Surtax Fund	20%	Health Education Account 1/		School and community health education programs	Prevent and reduce tobacco use, primarily among children.
				35%	Hospital Services Account			Treat people who cannot afford to pay for hospital services and are not covered by insurance or a federal program.
				10%	Physician Services Account			Treat people who cannot afford to pay physician services and are not covered by insurance or a federal program.
				5%	Research Account 1/			Research tobacco-related diseases.
				5%	Public Resources Account	50%		Restore, protect, enhance, or maintain fish, waterfowl, and wildlife habitat.
						50%		Enhance state and local park and recreation resources.
25%	Unallocated			Provide monies for any of the purposes to which money is allocated from the surtax fund.				

1/ Programs to receive transfers from Proposition 10 funds.

Breakdown of Cigarette Taxes
Tax of 87 Cents on a 20-Count Pack of Cigarettes

Pack 87¢	Initial Fund	Target Fund or Agency	Account	Program	Purpose	
50¢	California Children and Families First Trust Fund	20%	CC&FF State Commission	30%	Mass Media Communications Account	Communicate to general public on childhood development, child care, and health and social services; prevention of tobacco, alcohol, and drug use by pregnant women; detrimental effect of second-hand smoke on children.
				25%	Education Account	Develop educational materials; provide professional and parental education and training; provide technical support to CC&FF county commissions.
				15%	Child Care Account	Educate and train child care providers; develop educational materials and guidelines for childcare workers.
				15%	Research and Development Account	Determine best practices of and assess early childhood development programs and services.
				5%	Administration Account	Cover administrative expenditures of the CC&FF State Commission.
				10%	Unallocated Account	Provide monies for any of the purposes of the CC&FF Act except administrative expenditures.
		80%	CC&FF County Commissions			Provide, sponsor, or facilitate programs relating to early childhood development; measure outcomes; integrate childhood development programs, services, and projects into a consumer-oriented and easily accessible system.

Proposition 10 Backfill Methodology and Documentation of Calculations

I. Methodology

Cigarette Consumption Impacts. We continue to estimate California cigarette consumption with an econometric equation that is similar to those used in other studies found in the literature. The model isolates California excise taxes from other relevant factors affecting consumption.¹ As in previous years, we updated the data and used our econometric model to estimate the cigarette consumption impacts of Proposition 10.²

We calculated the difference in consumption with and without Proposition 10 using model-generated estimates of actual consumption in both cases. The model is run twice, with two different tax rates, \$0.37 per pack before Proposition 10 and \$0.87 per pack after Proposition 10. All other factors that affect tax-paid distributions in the model remain unchanged, including federal taxes.

In the model, percentage changes in cigarette consumption per capita are related to percentage changes in cigarette prices, federal excise taxes, and California excise taxes. All dollar figures are converted to constant dollars using the California consumer price index. Our model estimates cigarette consumption based on packs of cigarettes per capita. To calculate total consumption, we multiply the model-projected per capita consumption estimate by California civilian population.³

Tobacco Products Consumption Impacts. To estimate the impacts of Proposition 10 on tobacco products consumption,⁴ we assumed a typical relationship between price and consumption based studies of such relationships for cigarettes and tobacco products. Specifically, BOE staff assumed a price elasticity of demand of -0.50. We then applied this relationship to the increase in tax rates resulting from Proposition 10 to estimate the consequential decline in tobacco products consumption. We assumed the entire tax increase was passed on to consumers in the form of higher prices, again based on our review of the relevant literature.

The -0.5 price elasticity figure means that every 10 percent increase in the price of tobacco products would result in a 5 percent decline in quantity consumed or dollar volume sales. Based on available data, we calculated the percentage price increase resulting from additional taxes due to Proposition 10. Applying this percentage price increase and a price elasticity figure, we determined an expected sales decline through an algebraic solution. Then we applied the Proposition 99 tax rate to the predicted amount by which these dollar sales declined to estimate the Proposition 99 revenues that would have been expected without the Proposition 10 tax increase.

¹ Copies of the documentation of the model are available upon request from Joe Fitz, Chief, Research and Statistics Section, (916) 323-3802.

² As used throughout this discussion, the term "consumption" refers to tax-paid distributions.

³ The model uses California civilian population, beginning fiscal year July 1, to scale mathematically total California tax-paid cigarette distributions. Including minors in these calculations has no significant effect on model results since model results are multiplied by the same scaling factor.

⁴ As defined in statute, "tobacco products" exclude cigarettes.

II. Documentation and Explanation of Backfill Calculations for Proposition 99 and Breast Cancer Programs

Cigarette Consumption Impacts

Sections 1 and 2 of Table 1 show the calculations necessary for estimating the backfill amount resulting from changes in cigarette consumption.

- July 1, 2013 civilian population of California is estimated by the California Department of Finance to have been approximately 38.042 million people.⁵ The statistical model shows that per capita consumption of cigarettes would have been 27.6 packs per person without Proposition 10. Multiplying these two figures yields an estimate of 1,050.0 million packs of cigarettes (far right column of Section 1 of Table 1).
- The statistical model estimates per capita consumption of cigarettes of 23.3 packs per person using the current tax rate of \$0.87 per pack. When multiplied by civilian population, the model estimates tax paid distributions of 886.4 million packs.
- The difference in these two estimates is 163.6 million fewer packs of cigarettes sold with Proposition 10 in effect than without Proposition 10. Some of this decline in consumption may have been caused by increased cigarette tax evasion. However, based on previous studies, most of the decline probably results from reduced cigarette consumption.

Section 2 of Table 1 shows the calculations necessary to derive revenue losses associated with 163.6 million fewer packs of cigarettes incurred by backfill-targeted programs.

- The Breast Cancer programs are funded by a tax rate of two cents per pack. Multiplying \$0.02 by 163.6 million packs yields a result of approximately \$3.3 million.
- The tax rate funding all Proposition 99 programs is twenty-five cents per pack, of which 25 percent is to be backfilled. Therefore, the backfill amount for Proposition 99 programs is \$0.0625 per pack ($\$0.25 \times .25 = \0.0625). Multiplying \$0.0625 times 163.6 million packs yields a result of approximately \$10.2 million.
- The total backfill amount related to decreased cigarette sales for the Breast Cancer programs and the targeted Proposition 99 programs combined is \$13.5 million ($\$3.3 + \$10.2 = \13.5).

Tobacco Products Consumption Impacts

Section 3 of Table 1 estimates revenue based on tobacco products sales that would have funded Proposition 99 programs in the absence of the Proposition 10 tax.⁶ Our backfill estimate for tobacco products is \$1.2 million. The calculations are shown in Table 2A.

⁵ The model is specified using July 1 California civilian population for the beginning day of the fiscal year. Therefore, to calculate total cigarette consumption for fiscal year 2013-14, we need to use July 1, 2013 California civilian population. The source of the July 1, 2013 population figure is from an e-mail from staff at the California Department of Finance Demographic Research Unit.

⁶ The Breast Cancer programs do not receive revenues from sales of tobacco products, only from sales of cigarettes.

Table 1
Summary of Backfill Calculations for Proposition 99 and Breast Cancer Programs
Fiscal Year 2013-14

(1) Change in California Cigarette Consumption a/

	Estimated July 1, 2013 Civilian California Population (Millions) b/	Estimated Per Capita Consumption (Packs/Person) c/	California Cigarette Consumption (Million Packs)
Model Estimated Cigarette Consumption:	38.042		
Without Proposition 10		27.6	1,050.0
With Proposition 10		23.3	886.4
Difference			-163.6

(2) Changes in Cigarette Revenue

	Backfill Tax Rate (Dollars Per Pack)	Estimated Change in Consumption (Million Packs) d/	Estimated Change in Revenue (\$ Millions)
Breast Cancer Programs	0.0200	-163.6	-3.3
Proposition 99 Programs e/	0.0625	-163.6	-10.2
Total	0.0825		-13.5

(3) Change in Tobacco Products Revenue

(See Tables 2A and 2B for Calculations)

	Estimated Change in Revenue (\$ Millions)
Proposition 99 Programs f/	-\$1.2

(4) Summary of Total Fund Backfill Changes

	Accounts (Millions of Dollars)	Programs (Millions of Dollars)
Breast Cancer Programs		-3.3
Proposition 99 Programs		-11.4
Health Education Account (20% of Proposition 99 Funds)	-9.15	
Research Account (5% of Proposition 99 Funds)	-2.29	
Total Backfill Amount, All Programs		-14.7

Note: All numbers are rounded off from original spreadsheet figures in order for them to sum to the specified totals.

a/ Consumption here and throughout the rest of this table refers to tax-paid consumption.

b/ Source: California Department of Finance.

c/ Source: BOE Research and Statistics Section econometric cigarette consumption estimation model.

d/ Source: Total change in consumption calculated above.

e/ As specified in Proposition 10, 25 percent of the Proposition 99 tax rate of \$0.25 per pack tax is to be backfilled.

This percentage is \$0.0625 per pack (\$0.25 x 0.25).

f/ This figure is 25% of the revenue loss due to decreased sales caused by the Proposition 10 tax increase.

Table 2A shows how we algebraically solved for the predicted sales change using the price elasticity of demand formula shown at the top of Table 2A. The table has four components in addition to the formula, which are marked off by horizontal lines. The first column of the table shows the row letters of each line. Lines (a) through (e) show the steps involved in determining the percentage increase in price caused by Proposition 10.

- As shown in line (e) of the table, Proposition 10 increased the price of tobacco products in fiscal year 2013-14 by 18.32 percent.
- Lines (f) and (g) show the calculations made to determine the resulting 9.16 percent decrease in sales.
- Lines (h) through (l) display calculations made to apply the tax to the decline in sales.
 - BOE tax return data show fiscal year sales of \$272.15 million in 2013-14 (line h).
 - Line (i) shows the \$298.27 million result of solving the price elasticity of demand formula (details shown in Table 2B).
 - Line (j) shows that these figures imply a sales decline of \$26.12 million.
 - Multiplying this figure by the Proposition 99 tax rate of 18.95 percent results in a total Proposition 99 revenue loss of \$4.95 million (line l).
- Multiplying this figure by 0.25 (since Proposition 99 programs to be backfilled receive 25 percent of Proposition 99 revenues collected) results in a figure of \$1.24 million (line m). Mathematically rounding off this figure produces a result of \$1.2 million less in revenues from sales of tobacco products that would have funded Proposition 99 programs, as shown in Table 1.

Summary of Total Backfill Changes

Cigarette tax revenues comprise about 92 percent of the entire backfill estimate amount. (Of the \$14.7 million backfill total, \$13.5 million is related to cigarette consumption changes. The remaining \$1.2 million is related to changes in tax paid consumption of tobacco products.) Section 4 of Table 1 summarizes the figures computed for the backfill amounts from Sections 1 through 3. The total backfill amount is \$14.7 million, with \$3.3 million allocated to Breast Cancer programs and \$11.4 million allocated to the specified Proposition 99 programs. Of the \$11.4 million going to Proposition 99 programs, \$9.15 million will be allocated to the Health Education Account (which receives 20 percent of Proposition 99 revenues) and \$2.29 million will be allocated to the Research Account (which receives 5 percent of Proposition 99 revenues).

Historical Consumption and Sales

Table 3 provides some additional background information on tax-paid cigarette and tobacco products consumption. The table shows tax-paid cigarette distributions from fiscal years 1987-88 through 2013-14 (preliminary data). It also shows tax-paid wholesale sales of tobacco products from fiscal years 1990-91 through 2013-14 (preliminary data).

Table 2A		
Revenue Change in Tobacco Products, Proposition 10 Backfill		
Fiscal Year 2013-14		
Price Elasticity of Demand Formula: $e_p = (Q_1 - Q_2) / ((Q_1 + Q_2) / 2) / (P_1 - P_2) / ((P_1 + P_2) / 2)$ Where (generally): P = price, and Q = sales of tobacco products Alternatively stated, $e_p = \text{average \% change in sales} / \text{average \% change in price}$ Assume $e_p = -0.50$, based on review of the literature		
Line #	Data Description or Calculations	Result
Solving for the percentage change in tobacco products price:		
		A/
a	Average wholesale cost per pack of 20 cigarettes	\$4.59
b	Proposition 10 tobacco products equivalent per pack rate	\$1.00
c	Other per pack taxes	\$0.37
d	Estimated per pack cost, including taxes (line a + line b + line c)	\$5.96
e	Estimated change in per pack cost due to Proposition 10, % [(line b / ((line a + line c + line d) / 2))]	18.32%
Solving for the percentage change in tobacco products sales:		
f	Assumed price elasticity of demand = -0.50	-0.50
g	Estimated percent change in sales of tobacco products, % (line e x line f)	-9.16%
Applying Proposition 99-only portion of 2013-14 tax to predicted change in sales:		
h	California wholesale sales of tobacco products (excluding taxes), FY 2013-14, millions of dollars	B/ \$272.15
i	Estimated wholesale sales of tobacco products without Proposition 10, million \$ (Table 2B, line 5)	\$298.27
j	Estimated decline in wholesale sales of tobacco products due to Proposition 10, million \$ (line h - line i)	-\$26.12
k	Tobacco products tax rate, excluding Prop. 10, % [\$0.87 / wholesale cigarette cost (line a)]	C/ 18.95%
l	Estimated taxes lost due to the decline in sales caused by Proposition 10, million \$ (line j x line k)	-\$4.95
Applying proportion of Proposition 99 revenue loss to backfill Proposition 99 target accounts:		
m	Estimated 2013-14 backfill, million \$, line l * 0.25 (25% of all Proposition 99 programs are backfilled)	-\$1.24
A/ Source of wholesale price (Line a): State Board of Equalization May 22, 2013 Meeting Agenda, Item P4-1, "2013/14 Tobacco Products Tax Rate." Additional note: Substituting the equivalent per-pack rate of \$1.00 for the tobacco products tax change caused by Proposition 10 and using the sum of wholesale cost per pack and total per-pack taxes to calculate change in price isolates the change in price of tobacco products caused by Proposition 10. This is because the tax rate on tobacco products is the sum of the combined rate of tax on cigarettes imposed by Proposition 99 and the rate of tax on cigarettes imposed by Proposition 10 divided by the wholesale price of cigarettes. The change in the numerator of the tobacco products tax rate formula brought about by Proposition 10 is \$1.00 per pack--50 cents from the Proposition 99 combined rate of tax on cigarettes and 50 cents from the Proposition 10 tax on cigarettes. An increase in cigarette taxes will increase the tobacco products tax rate if wholesale cost is held constant. Conversely, an increase in wholesale cost will decrease the tobacco products tax rate if cigarette taxes are held constant.		
B/ Source: Board of Equalization Excise Taxes Division, "Big Return Report Annual Summary," line number 7, run September 2, 2014.		
C/ Note: The tobacco products tax rate excluding Proposition 10 is comprised of the original tobacco products rate (\$0.25), the general fund rate (\$0.10), the Breast Cancer rate (\$0.02) and the rate associated with Proposition 10 (\$0.50), for a total rate excluding Proposition 10 of \$0.87. There are no separate non-Proposition 99 rates on tobacco products. Tobacco products are only taxed by Propositions 99 and 10; general fund and Breast Cancer excise taxes only apply to cigarettes.		

Source: BOE Research and Statistics Section, September 8, 2014.

Table 2B		
Arc Elasticity Calculations, Tobacco Products, Solving for Q₂ With Known P₁, P₂, Q₁ and Elasticity		
		Line Number
P ₁	[Retail price per pack equivalent (includes excise taxes) Current Law, Table 2A, line d]	1
P ₂	[Retail price per pack equivalent (Without Proposition 10), line 1 - Table 2A, line b]	2
Q ₁	[Wholesale Sales (Million Dollars, Current Law), Table 2A, line h]	3
Elasticity	[Table 2A, line f]	4
Q ₂	[Estimated Wholesale Sales Without Proposition 10 (Million Dollars), see equation below]	5
<p><i>Arc elasticity of demand formula, solving for Q₂:</i></p> $Q_2 = ((-P_1 * Q_1) - (Q_1 * P_2) - (E * P_2 * Q_1) + (E * P_1 * Q_1)) / ((E * P_2) - P_2 - (E * P_1) - P_1)$ <p><i>Where:</i></p> <ul style="list-style-type: none"> <i>E = price elasticity of demand;</i> <i>Q₁ is quantity demanded in time period 1;</i> <i>Q₂ is quantity demanded in time period 2;</i> <i>P₁ is the price in time period 1;</i> <i>P₂ is the price in time period 2.</i> 		

Source: BOE Research and Statistics Section, September 8, 2014.

Table 3
Historical California Tax-Paid Cigarette Distributions and Sales of Tobacco Products

Fiscal Year	Tax Paid Cigarette Distributions (Millions of Packs) a/	Percent Change	Wholesale Sales of Tobacco Products (Millions of Dollars) b/	Percent Change
1987-88	2,570	-1.0%	n.a.	n.a.
1988-89	2,353	-8.4%	n.a.	n.a.
1989-90	2,219	-5.7%	n.a.	n.a.
1990-91	2,102	-5.3%	67.9	n.a.
1991-92	2,050	-2.5%	74.0	9.0%
1992-93	1,923	-6.2%	77.0	4.1%
1993-94	1,824	-5.1%	83.9	9.0%
1994-95	1,791	-1.8%	92.4	10.1%
1995-96	1,742	-2.7%	109.4	18.3%
1996-97	1,716	-1.5%	178.0	62.7%
1997-98 c/	1,668	-2.8%	130.7	-26.5%
1998-99	1,523	-8.7%	113.9	-12.9%
1999-00	1,353	-11.2%	95.9	-15.8%
2000-01	1,288	-4.8%	90.9	-5.2%
2001-02	1,237	-4.0%	77.1	-15.2%
2002-03	1,196	-3.3%	80.8	4.8%
2003-04	1,184	-1.0%	94.7	17.3%
2004-05	1,187	0.3%	114.8	21.2%
2005-06	1,190	0.3%	123.6	7.7%
2006-07	1,158	-2.7%	151.4	22.5%
2007-08	1,107	-4.4%	162.6	7.4%
2008-09	1,058	-4.4%	174.5	7.4%
2009-10	972	-8.1%	194.0	11.2%
2010-11	961	-1.2%	212.2	9.3%
2011-12	951	-1.0%	225.3	6.2%
2012-13	907	-4.7%	254.8	13.1%
2013-14	871 d/	-4.0%	272.2	6.8%

a/ Source: 2012-13 Board of Equalization Annual Report

b/ Source: Board of Equalization Excise Taxes Division. Represents wholesale sales of tobacco products as reported by distributors.

c/ Fiscal year 1997-98 was the last year unaffected by Proposition 10, which became law on January 1, 1999.

d/ Preliminary data. Source: Board of Equalization Excise Taxes Division.

n.a. not applicable

Source: BOE Research and Statistics Section, September 8, 2014.



Transmitted via e-mail

January 13, 2015

Mr. George C. Halvorson, Chair
California Children and Families Commission
2389 Gateway Oaks Drive, Suite 260
Sacramento, CA 95833

Dear Mr. Halvorson:

Final Report—California Children and Families Commission, 2014 Financial Statement Audit of the Children and Families Trust Fund and Related Accounts

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Children and Families Trust Fund and related accounts for the fiscal year ended June 30, 2014.

The enclosed report is for your information and use. The financial statements were fairly presented in accordance with generally accepted accounting principles. This report will be placed on our website.

We appreciate the assistance and cooperation of the California Children and Families Commission, Department of General Services, and State Board of Equalization. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Camille Maben, Executive Director, California Children and Families Commission
Ms. Jennifer Clark, Director, Administrative Services Division, California Children and Families Commission
Ms. Cynthia Bridges, Executive Director, State Board of Equalization
Ms. Lynn Bartolo, Chief, Special Taxes and Fees Division, State Board of Equalization
Ms. Ester Cabrera-Diaz, Acting Chief Accounting Officer, Accounting Branch, State Board of Equalization
Mr. Brock Wimberley, Chief, Internal Audit Division, State Board of Equalization
Ms. Sandy Wong-Guan, Accounting Administrator II, Contracted Fiscal Services, Department of General Services
State Controller's Office, Division of Audits, First 5 Oversight Unit

A F INANCIAL S TATEMENT A UDIT

California Children and
Families Trust Fund
and Related Accounts
For the Fiscal Year Ended
June 30, 2014

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Rebecca McAllister, CPA
Supervisor

Staff

Jason Narayan
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This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations
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Sacramento, CA 95814
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EXECUTIVE SUMMARY

The Department of Finance, Office of State Audits and Evaluations, performed this audit in accordance with an interagency agreement with the California Children and Families Commission (First 5 California). The objectives of our audit were to:

- Express an opinion on the *Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance* of the California Children and Families Trust Fund (Trust Fund) and related accounts for the fiscal year ended June 30, 2014.
- Verify that the financial statements were prepared in conformity with generally accepted accounting principles for governmental funds.
- Report on internal control and compliance weaknesses, and provide recommendations for improving controls over operations of the Trust Fund and related accounts.

Audit Results

- The aforementioned financial statements are fairly presented for the fiscal year ended June 30, 2014.
- The audit did not identify any reportable instances of noncompliance or other matters. However, we noted a significant deficiency in internal control over financial reporting which we have included in our report dated January 2, 2015 on our consideration of the First 5 California's internal control over financial reporting and compliance and other matters.

This report is intended solely for the information and use of the Trust Fund's management, those charged with governance, and the Legislature, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT

Mr. George C. Halvorson, Chair
California Children and Families Commission
2389 Gateway Oaks Drive, Suite 260
Sacramento, CA 95833

We have audited the accompanying financial statements of the governmental activities of the California Children and Families Trust Fund (Trust Fund) and related accounts for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Department of Finance (Finance) and the audited entity are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under *Government Auditing Standards*, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Trust Fund and related accounts as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Trust Fund and related accounts are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of California that is attributable to the transactions of the Trust Fund and related accounts. They do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 21 be presented to supplement the basic financial statements. Accounting principles also require budgetary comparison information; however, since the Trust Fund is continuously appropriated, the comparison was omitted. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2015, on our consideration of California Children and Families Commission's (First 5 California) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First 5 California's internal control over financial reporting and compliance.

This report is intended solely for the information and use of Trust Fund management, those charged with governance, and the Legislature, and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

January 2, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

To demonstrate Californians' belief that children are a top priority, voters passed Proposition 10 in 1998, adding a 50-cent tax to each pack of cigarettes sold to create First 5 California, also known as the California Children and Families Commission. First 5 California is dedicated to improving the lives of California's young children and their families through a comprehensive system of education, health services, childcare, and other crucial programs. Since its creation 16 years ago, First 5 California has brought these critical services to millions of parents, caregivers and children ages 0 to 5, and strives to reach thousands more every day.

First 5 California distributes funds to local communities through California's 58 individual counties, all of which have created their own local First 5 County Commissions. Eighty percent of the annual revenue is allocated to the 58 county commissions based upon the number of births in each county, while the remaining 20 percent funds the state's overall programs and administrative costs.

Our Mission

First 5 California's mission is to convene, partner in, support, and help lead the movement to create and implement a comprehensive, integrated, and coordinated system for California's children prenatal through five and their families. The agency also promotes, supports, and optimizes early childhood development.

Our Vision

The vision of First 5 California is for California's children to receive the best possible start in life and thrive.

Overview of the Financial Statements

First 5 California presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Financial statements have been prepared for eight special revenue funds administered by First 5 California to account for the cigarette and tobacco tax revenue received as a result of the passage of Proposition 10.

This discussion and analysis of First 5 California's financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2014. It should be read in conjunction with First 5 California's financial statements.

Financial Highlights

- For the fiscal year ending June 30, 2014, First 5 California recorded disbursements totaling \$40,928,109 (actual and accrued) for its CARES Plus and Child Signature Program (CSP).
- Total fund balance (all First 5 California funds) was \$154,545,168 as of June 30, 2014, which is an increase of \$19,031,649 from the previous year.
- Revenue recorded in all funds for the fiscal year ending June 30, 2014, was \$461,922,868, which is \$20,587,957, or 4.3 percent, less than the previous year due to a decrease in tobacco tax revenue.
- Expenditures recorded in all funds for the fiscal year ending June 30, 2014, were \$432,935,610, which is \$10,648,825 less than the expenditures reported during the previous fiscal year.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. First 5 California uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Comparisons of current year and prior year financial activities for each of the eight funds administered by First 5 California are displayed on subsequent pages.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in fund financial statements. The notes to the financial statements can be found on the pages listed in the Table of Contents of this report.

**Fund 0623 – California Children and Families Trust Fund
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 37,926,451	\$ 3,211,657	\$ 34,714,794	1080.9%
Investments	1,401,000	37,866,000	(36,465,000)	(96.3%)
Receivables	34,501,480	39,113,618	(4,612,138)	(11.8%)
Due From Other Funds	1,223,351	1,349,071	(125,720)	(9.3%)
Total Assets	\$ 75,052,282	\$ 81,540,346	\$ (6,488,064)	(8.0%)
Liabilities				
Due To Other Funds	\$ 75,048,010	\$ 81,536,074	\$ (6,488,064)	(8.0%)
Total Liabilities	75,048,010	81,536,074	(6,488,064)	(8.0%)
Fund Balance				
Restricted	4,272	4,272	-	0.0%
Total Fund Balance	4,272	4,272	-	0.0%
Total Liabilities and Fund Balance	\$ 75,052,282	\$ 81,540,346	\$ (6,488,064)	(8.0%)

Explanation of Significant Variances

Cash and Investments varied significantly between 2014 and 2013 due to the timing of the monthly transfer of funds by the Board of Equalization. In 2014, resources were moved from Investments to Cash in order to transfer funds to applicable entities; however, the transfer did not take place by June 30, 2014. This resulted in Cash being significantly higher and Investments significantly lower than reported the previous year.

**Fund 0623 – California Children and Families Trust Fund
Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Cigarette Tax Revenue	\$ 460,634,451	\$ 481,237,784	\$(20,603,333)	(4.3%)
Interest Revenue	73,574	93,648	(20,074)	(21.4%)
Other Revenue	200,000	-	200,000	-
Total Revenue	460,908,025	481,331,432	(20,423,407)	(4.2%)
Expenditures	16,588,489	15,830,475	758,014	4.8%
Excess (Deficiency of Revenue) Over (Under) Expenditures	444,319,536	465,500,957	(21,181,421)	(4.6%)
Other Financing Sources & Uses				
Operating Transfers Out	444,319,536	465,500,957	(21,181,421)	(4.6%)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	4,272	4,272	-	0.0%
Fund Balance, Ending	\$ 4,272	\$ 4,272	\$ -	0.0%

Explanation of Significant Variances

No significant variances exist between fiscal years.

**Fund 0585 – Counties Children and Families Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 918	\$ 139	\$ 779	560.4%
Investments	31,365,000	31,621,000	(256,000)	(0.8%)
Due From Other Funds	60,048,243	65,240,410	(5,192,167)	(8.0%)
Total Assets	\$ 91,414,161	\$ 96,861,549	\$ (5,447,388)	(5.6%)
Liabilities				
Due To Other Governments	\$ 91,414,161	\$ 96,861,549	\$ (5,447,388)	(5.6%)
Total Liabilities	91,414,161	96,861,549	(5,447,388)	(5.6%)
Fund Balance				
Restricted	-	-	-	-
Total Fund Balance	-	-	-	-
Total Liabilities and Fund Balance	\$ 91,414,161	\$ 96,861,549	\$ (5,447,388)	(5.6%)

Explanation of Significant Variances

No significant variances exist between fiscal years.

**Fund 0585 – Counties Children and Families Account
Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 34,315	\$ 52,954	\$ (18,639)	(35.2%)
Total Revenue	34,315	52,954	(18,639)	(35.2%)
Expenditures	344,449,944	360,453,719	(16,003,775)	(4.4%)
Excess (Deficiency of Revenue) Over (Under) Expenditures	(344,415,629)	(360,400,765)	15,985,136	(4.4%)
Other Financing Sources & Uses				
Operating Transfers In	344,415,629	360,400,765	(15,985,136)	(4.4%)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	0.0%

Explanation of Significant Variances

No significant variances exist between fiscal years.

**Fund 0631 – Mass Media Communications Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 981	\$ 319	\$ 662	207.5%
Investments	28,781,000	32,405,000	(3,624,000)	(11.2%)
Due From Other Funds	4,606,271	5,081,027	(474,756)	(9.3%)
Total Assets	\$33,388,252	\$ 37,486,346	\$ (4,098,094)	(10.9%)
Liabilities				
Accounts Payable	\$ 6,579,656	\$ 2,553,503	\$ 4,026,153	157.7%
Due To Other Funds	6,222,248	14,712,764	(8,490,516)	(57.7%)
Total Liabilities	12,801,904	17,266,267	(4,464,363)	(25.9%)
Fund Balance				
Restricted	20,586,348	20,220,079	366,269	1.8%
Total Fund Balance	20,586,348	20,220,079	366,269	1.8%
Total Liabilities and Fund Balance	\$33,388,252	\$ 37,486,346	\$ (4,098,094)	(10.9%)

Explanation of Significant Variances

The Accounts Payable account was higher in 2014 than 2013 due to the timing of contract payments. Because several large contract invoices had not been received as of June 30, 2014, the amounts were accrued at year-end but not yet paid. For the prior year, similar contract invoices were received and paid prior to the year-end.

The Due To Other Funds account was significantly less in 2014 than 2013 as a result of a contract ending June 30, 2013, between First 5 California and the Department of Developmental Services. An accrual in the amount of \$10,000,000 was recorded in 2013 to account for this fund's portion of the final contract payment. This decrease was offset by increased CSP accruals, which were higher in 2014 than 2013 due to increased activities reported by Lead Agencies¹ during the last billing cycle of the fiscal year, \$23,795,540 versus \$16,573,732, respectively.

¹ Lead Agencies are entities that participate in First 5 California's signature programs.

**Fund 0631 – Mass Media Communications Account
Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 61,309	\$ 67,788	\$ (6,479)	(9.6%)
Other Revenue	578,751	711,165	(132,414)	(18.6%)
Total Revenue	640,060	778,953	(138,893)	(17.8%)
Expenditures	26,960,954	27,319,986	(359,032)	(1.3%)
Excess (Deficiency of Revenue) Over (Under) Expenditures	(26,320,894)	(26,541,033)	220,139	(0.8%)
Other Financing Sources & Uses				
Operating Transfers In	26,031,172	27,030,057	(998,885)	(3.7%)
PY Expenditure Refund	655,991	-	655,991	-
Net Change in Fund Balance	366,269	489,024	(122,755)	(25.1%)
Fund Balance, Beginning	20,220,079	19,731,055	489,024	2.5%
Fund Balance, Ending	\$ 20,586,348	\$ 20,220,079	\$ 366,269	1.8%

Explanation of Significant Variances

Other Revenue consists of matching federal funds received from the Department of Health Care Services to produce and distribute the Kit for New Parents to Medi-Cal beneficiaries who have become new parents. The decrease of \$132,414 in 2014 was due to fewer kits being distributed compared to the previous year.

The Prior Year (PY) Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during the fiscal year. Detailed information is provided in Note 4 of the Notes to Financial Statements section of this report.

**Fund 0634 – Education Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 843	\$ 556	\$ 287	51.6%
Investments	50,500,000	39,492,000	11,008,000	27.9%
Due From Other Funds	3,779,566	4,099,073	(319,507)	(7.8%)
Total Assets	\$ 54,280,409	\$ 43,591,629	\$ 10,688,780	24.5%
Liabilities				
Due To Other Funds	\$ 11,815,536	\$ 9,564,568	\$ 2,250,968	23.5%
Due To Other Governments	-	78,061	(78,061)	(100.0%)
Total Liabilities	11,815,536	9,642,629	2,172,907	22.5%
Fund Balance				
Restricted	42,464,873	33,949,000	8,515,873	25.1%
Total Fund Balance	42,464,873	33,949,000	8,515,873	25.1%
Total Liabilities and Fund Balance	\$ 54,280,409	\$ 43,591,629	\$ 10,688,780	24.5%

Explanation of Significant Variances

Due To Other Funds was higher in 2014 than 2013 due to increased CSP accruals. Accruals for this program were higher in 2014 than 2013 due to increased activities reported by Lead Agencies during the last billing cycle of the fiscal year, \$23,795,540 versus \$16,573,732, respectively.

Fund 0634 – Education Account
Statement of Revenues, Expenditures and Changes in Fund Balance

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 98,976	\$ 113,365	\$ (14,389)	(12.7%)
Total Revenue	98,976	113,365	(14,389)	(12.7%)
Expenditures	14,566,836	9,926,388	4,640,448	46.7%
Excess (Deficiency of Revenue) Over (Under) Expenditures	(14,467,860)	(9,813,023)	(4,654,837)	47.4%
Other Financing Sources & Uses				
Operating Transfers In	21,525,977	22,525,048	(999,071)	(4.4%)
PY Expenditure Refund	1,457,756	-	1,457,756	-
Net Change in Fund Balance	8,515,873	12,712,025	(4,196,152)	(33.0%)
Fund Balance, Beginning	33,949,000	21,236,975	12,712,025	59.9%
Fund Balance, Ending	\$42,464,873	\$ 33,949,000	\$ 8,515,873	25.1%

Explanation of Significant Variances

Expenditures were higher in 2014 due to the increased amount of reimbursement claims submitted by Lead Agencies participating in CSP, as well as contract payments related to this program. The increase in CSP activity is partially due to the implementation of CSP 3, which started July 1, 2013, as well as increased services provided by the Lead Agencies.

The PY Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during the fiscal year. Detailed information is provided in Note 4 of the Notes to Financial Statements section of this report.

**Fund 0636 – Child Care Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 90	\$ 358	\$ (268)	(74.9%)
Investments	34,617,000	31,768,000	2,849,000	9.0%
Due From Other Funds	2,270,197	2,464,730	(194,533)	(7.9%)
Total Assets	\$ 36,887,287	\$ 34,233,088	\$ 2,654,199	7.8%
Liabilities				
Accounts Payable	\$ 58,863	\$ 262,068	\$ (203,205)	(77.5%)
Due To Other Funds	2,949,723	2,354,978	594,745	25.3%
Due To Other Governments	4,093,111	3,828,506	264,605	6.9%
Total Liabilities	7,101,697	6,445,552	656,145	10.2%
Fund Balance				
Restricted	29,785,590	27,787,536	1,998,054	7.2%
Total Fund Balance	29,785,590	27,787,536	1,998,054	7.2%
Total Liabilities and Fund Balance	\$ 36,887,287	\$ 34,233,088	\$ 2,654,199	7.8%

Explanation of Significant Variances

The Accounts Payable account was higher in 2014 than 2013 due to the timing of contract payments. Because several large contract invoices had not been received as of June 30, 2014, the amounts were accrued at year-end but not yet paid. For the prior year, similar contract invoices were received and paid prior to the year-end.

Due To Other Funds was higher in 2014 than 2013 due to increased CSP accruals. Accruals for this program were higher in 2014 than 2013 due to increased activities reported by Lead Agencies during the last billing cycle of the fiscal year, \$23,795,540 versus \$16,573,732, respectively.

Fund 0636 – Child Care Account
Statement of Revenues, Expenditures and Changes in Fund Balance

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 75,135	\$ 83,929	\$ (8,794)	(10.5%)
Total Revenue	75,135	83,929	(8,794)	(10.5%)
Expenditures	11,612,213	10,310,850	1,301,363	12.6%
Excess (Deficiency of Revenue)				
Over (Under) Expenditures	(11,537,078)	(10,226,921)	(1,310,157)	12.8%
Other Financing Sources & Uses				
Operating Transfers In	12,915,586	13,515,029	(599,443)	(4.4%)
PY Expenditure Refund	619,546	-	619,546	-
Net Change in Fund Balance	1,998,054	3,288,108	(1,290,054)	(39.2%)
Fund Balance, Beginning	27,787,536	24,499,428	3,288,108	13.4%
Fund Balance, Ending	\$ 29,785,590	\$ 27,787,536	\$ 1,998,054	7.2%

Explanation of Significant Variances

The PY Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during the fiscal year. Detailed information is provided in Note 4 of the Notes to Financial Statements section of this report.

**Fund 0637 – Research and Development Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 850	\$ 800	\$ 50	6.3%
Investments	27,003,000	22,787,000	4,216,000	18.5%
Due From Other Funds	2,265,649	2,458,923	(193,274)	(7.9%)
Total Assets	\$ 29,269,499	\$ 25,246,723	\$ 4,022,776	15.9%
Liabilities				
Accounts Payable	\$ 40,654	\$ 100,117	\$ (59,463)	(59.4%)
Due To Other Funds	2,952,381	7,355,695	(4,403,314)	(59.9%)
Due To Other Governments	375,000	418,998	(43,998)	(10.5%)
Total Liabilities	3,368,035	7,874,810	(4,506,775)	(57.2%)
Fund Balance				
Restricted	25,901,464	17,371,913	8,529,551	49.1%
Total Fund Balance	25,901,464	17,371,913	8,529,551	49.1%
Total Liabilities and Fund Balance	\$ 29,269,499	\$ 25,246,723	\$ 4,022,776	15.9%

Explanation of Significant Variances

The Due To Other Funds account was significantly less in 2014 than 2013 as a result of a contract ending June 30, 2013, between First 5 California and the Department of Developmental Services. An accrual in the amount of \$5,000,000 was recorded in 2013 to this account for this fund's portion of the contract payment. This decrease was offset by increased CSP accruals, which were higher in 2014 than 2013 due to increased activities reported by Lead Agencies during the last billing cycle of the fiscal year, \$23,795,540 versus \$16,573,732, respectively.

**Fund 0637 – Research and Development Account
Statement of Revenues, Expenditures and Changes in Fund Balance**

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 53,192	\$ 47,690	\$ 5,502	11.5%
Total Revenue	53,192	47,690	5,502	11.5%
Expenditures	5,350,325	8,575,133	(3,224,808)	(37.6%)
Excess (Deficiency of Revenue) Over (Under) Expenditures	(5,297,133)	(8,527,443)	3,230,310	(37.9%)
Other Financing Sources & Uses				
Operating Transfers In	12,915,586	13,515,029	(599,443)	(4.4%)
PY Expenditure Refund	911,098	-	911,098	-
Net Change in Fund Balance	8,529,551	4,987,586	3,541,965	71.0%
Fund Balance, Beginning	17,371,913	12,384,327	4,987,586	40.3%
Fund Balance, Ending	\$ 25,901,464	\$ 17,371,913	\$ 8,529,551	49.1%

Explanation of Significant Variances

Expenditures were lower in 2014 than 2013 due to the Department of Developmental Services contract payment in the amount of \$5,000,000. This decrease was offset by an increase of expenditures associated with CSP.

The PY Expenditure Refund displayed in 2014 represents this fund's portion of an abatement received during the fiscal year. Detailed information is provided in Note 4 of the Notes to Financial Statements section of this report.

**Fund 0638 – Administration Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 44,644	\$ 46,338	\$ (1,694)	(3.7%)
Investments	21,432,000	22,056,000	(624,000)	(2.8%)
Receivables	30,467	8,257	22,210	269.0%
Due From Other Funds	762,524	829,813	(67,289)	(8.1%)
Prepaid Expenses	60,767	56,181	4,586	8.2%
Total Assets	\$ 22,330,402	\$ 22,996,589	\$ (666,187)	(2.9%)
Liabilities				
Accounts Payable	\$ 50,102	\$ 32,069	\$ 18,033	56.2%
Due To Other Funds	839,737	125,139	714,598	571.0%
Total Liabilities	889,839	157,208	732,631	466.0%
Fund Balance				
Restricted	21,440,563	22,839,381	(1,398,818)	(6.1%)
Total Fund Balance	21,440,563	22,839,381	(1,398,818)	(6.1%)
Total Liabilities and Fund Balance	\$ 22,330,402	\$ 22,996,589	\$ (666,187)	(2.9%)

Explanation of Significant Variances

The majority of the Due To Other Funds account represents funds due to First 5 California's Clearing Account. Effective July 1, 2013, payroll expenditures were initially disbursed from First 5 California's Clearing Account, located in Fund 0639, and then allocated to the Administration Account. The amount of Due to Other Funds representing payroll expenditures initially paid from Fund 0639 as of June 30, 2014, was \$725,179.

Fund 0638 – Administration Account
Statement of Revenues, Expenditures and Changes in Fund Balance

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 52,749	\$ 66,620	\$ (13,871)	(20.8%)
Total Revenue	52,749	66,620	(13,871)	(20.8%)
Expenditures	5,756,762	4,821,671	935,091	19.4%
Excess (Deficiency of Revenue) Over (Under) Expenditures	(5,704,013)	(4,755,051)	(948,962)	20.0%
Other Financing Sources & Uses				
Operating Transfers In	4,305,195	4,505,010	(199,815)	(4.4%)
Net Change in Fund Balance	(1,398,818)	(250,041)	(1,148,777)	459.4%
Fund Balance, Beginning	22,839,381	23,089,422	(250,041)	(1.1%)
Fund Balance, Ending	\$ 21,440,563	\$ 22,839,381	\$ (1,398,818)	(6.1%)

Explanation of Significant Variances

No significant variances exist between fiscal years.

**Fund 0639 – Unallocated Account
Balance Sheet**

The following is a summary comparison of prior year to current year balance sheet:

	June 30,		Change	
	2014	2013	Dollar	Percentage
Assets				
Cash	\$ 40	\$ 195	\$ (155)	(79.5%)
Investments	13,329,000	14,365,000	(1,036,000)	(7.2%)
Receivables	1,171	-	1,171	-
Due From Other Funds	28,800,817	37,845,083	(9,044,266)	(23.9%)
Total Assets	\$ 42,131,028	\$ 52,210,278	\$ (10,079,250)	(19.3%)
Liabilities				
Accounts Payable	\$ 694,805	\$ 46,402	\$ 648,403	1397.4%
Due To Other Funds	2,949,779	17,585,410	(14,635,631)	(83.2%)
Due To Other Governments	24,124,386	21,237,128	2,887,258	13.6%
Total Liabilities	27,768,970	38,868,940	(11,099,970)	(28.6%)
Fund Balance				
Restricted	14,362,058	13,341,338	1,020,720	7.7%
Total Fund Balance	14,362,058	13,341,338	1,020,720	7.7%
Total Liabilities and Fund Balance	\$ 42,131,028	\$ 52,210,278	\$ (10,079,250)	(19.3%)

Explanation of Significant Variances

The Due From Other Funds account was significantly less in 2014 than 2013 as a result of a contract ending June 30, 2013, between First 5 California and the Department of Developmental Services. An accrual in the amount of \$15,000,000 was initially recorded in the Clearing Account, residing in Fund 0639, and allocated to funds 0631 and 0637. The amounts due from funds 0631 and 0637 were represented in this account in 2013.

The Accounts Payable account was higher in 2014 than 2013 due to the timing of contract payments. Because several large contract invoices had not been received as of June 30, 2014, the amounts were accrued at year-end but not yet paid. For the prior year, similar contract invoices were received and paid prior to the year-end.

In conjunction with the Due From Other Funds explanation, the Due To Other Funds account was significantly less in 2014 than 2013 as a result of the \$15,000,000 accrual representing the payment to the Department of Developmental Services.

Fund 0639 – Unallocated Account
Statement of Revenues, Expenditures and Changes in Fund Balance

The following is a summary comparison of prior year to current year Statement of Revenues, Expenditures and Changes in Fund Balance:

	For the year ended June 30,		Change	
	2014	2013	Dollar	Percentage
Revenue				
Interest Revenue	\$ 60,416	\$ 35,882	\$ 24,534	68.4%
Total Revenue	60,416	35,882	24,534	68.4%
Expenditures	7,650,087	6,346,213	1,303,874	20.5%
Excess (Deficiency of Revenue) Over (Under) Expenditures	(7,589,671)	(6,310,331)	(1,279,340)	20.3%
Other Financing Sources & Uses				
Operating Transfers In	8,610,391	9,010,019	(399,628)	(4.4%)
Net Change in Fund Balance	1,020,720	2,699,688	(1,678,968)	(62.2%)
Fund Balance, Beginning	13,341,338	10,641,650	2,699,688	25.4%
Fund Balance, Ending	\$ 14,362,058	\$ 13,341,338	\$ 1,020,720	7.7%

Explanation of Significant Variances

No significant variances exist between fiscal years.

Requests for Information

This financial report is designed to provide a general overview of First 5 California's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

First 5 California
 Attn: Administrative Services Division
 2389 Gateway Oaks Drive, Suite 260
 Sacramento, CA 95833

BALANCE SHEET

California Children and Families Commission California Children and Families Trust Fund and Related Accounts As of June 30, 2014

	California Children and Families Trust Fund (0623)	Counties Children and Families Account (0585)	Mass Media Communications Account (0631)	Education Account (0634)	Child Care Account (0636)	Research and Development Account (0637)	Administration Account (0638)	Unallocated Account (0639)
Assets								
Cash	\$ 37,926,451	\$ 918	\$ 981	\$ 843	\$ 90	\$ 850	\$ 44,644	\$ 40
Investments	1,401,000	31,365,000	28,781,000	50,500,000	34,617,000	27,003,000	21,432,000	13,329,000
Receivables	34,501,480						30,467	1,171
Due from Other Funds ¹	1,223,351	60,048,243	4,606,271	3,779,566	2,270,197	2,265,649	762,524	28,800,817
Prepaid Expenses							60,767	
Total Assets	\$ 75,052,282	\$ 91,414,161	\$ 33,388,252	\$ 54,280,409	\$ 36,887,287	\$ 29,269,499	\$ 22,330,402	\$ 42,131,028
Liabilities								
Accounts Payable			\$ 6,579,656		\$ 58,863	\$ 40,654	\$ 50,102	\$ 694,805
Due to Other Funds ²	\$ 75,048,010		6,222,248	\$ 11,815,536	2,949,723	2,952,381	839,737	2,949,779
Due to Other Governments		\$ 91,414,161			4,093,111	375,000		24,124,386
Total Liabilities	75,048,010	91,141,161	12,801,904	11,815,536	7,101,697	3,368,035	889,839	27,768,970
Fund Balance								
Restricted	4,272	0	20,586,348	42,464,873	29,785,590	25,901,464	21,440,563	14,362,058
Total Fund Balance	4,272	0	20,586,348	42,464,873	29,785,590	25,901,464	21,440,563	14,362,058
Total Liabilities and Fund Balance	\$ 75,052,282	\$ 91,414,161	\$ 33,388,252	\$ 54,280,409	\$ 36,887,287	\$ 29,269,499	\$ 22,330,402	\$ 42,131,028

The accompanying notes are an integral part of the financial statements.

² See Note 3

STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE

**California Children and Families Commission
California Children and Families Trust Fund and Related Accounts
For the Fiscal Year Ended June 30, 2014**

	California Children and Families Trust Fund (0623)	Counties Children and Families Account (0585)	Mass Media Communications Account (0631)	Education Account (0634)	Child Care Account (0636)	Research and Development Account (0637)	Administration Account (0638)	Unallocated Account (0639)
Revenue								
Cigarette Tax Revenue	\$ 460,634,451							
Interest Revenue	73,574	\$ 34,315	\$ 61,309	\$ 98,976	\$ 75,135	\$ 53,192	\$ 52,749	\$ 60,416
Other Revenue	200,000		578,751					
Total Revenue	460,908,025	34,315	640,060	98,976	75,135	53,192	52,749	60,416
Expenditures	16,588,489	344,449,944	26,960,954	14,566,836	11,612,213	5,350,325	5,756,762	7,650,087
Excess (Deficiency) of Revenues Over(Under) Expenditures	444,319,536	(344,415,629)	(26,320,894)	(14,467,860)	(11,537,078)	(5,297,133)	(5,704,013)	(7,589,671)
Other Financing Sources & Uses								
Operating Transfers In ¹		344,415,629	26,031,172	21,525,977	12,915,586	12,915,586	4,305,195	8,610,391
Operating Transfers Out ¹	444,319,536							
PY Expenditure Refund ²			655,991	1,457,756	619,546	911,098		
Net Change in Fund Balance	0	0	366,269	8,515,873	1,998,054	8,529,551	(1,398,818)	1,020,720
Fund Balance July 1, 2013	4,272	0	20,220,079	33,949,000	27,787,536	17,371,913	22,839,381	13,341,338
Fund Balance June 30, 2014	\$ 4,272	\$ 0	\$ 20,586,348	\$ 42,464,873	\$ 29,785,590	\$ 25,901,464	\$ 21,440,563	\$ 14,362,058

The accompanying notes are an integral part of the financial statements.

¹ See Note 3

² See Note 4

NOTES TO FINANCIAL STATEMENTS

California Children and Families Commission California Children and Families Trust Fund and Related Accounts For the Fiscal Year Ended June 30, 2014

NOTE 1 Reporting Entity and Summary of Significant Accounting Policies

A. Definition of Reporting Entity

The California Children and Families Trust Fund (Trust Fund) and its related accounts were created by the *California Children and Families Act of 1998 (Act)*. Programmatic and fiscal oversight for the Act was placed with the California Children and Families Commission (First 5 California). The Act is intended to promote, support, and improve the early development of children from the prenatal stage to five years of age. The Trust Fund and its related accounts are included as a special revenue fund in the State of California's financial statements.

The programs authorized by this Act are administered by First 5 California and by county children and families commissions. The First 5 California Commission is comprised of seven members.

Prior to January 1, 1999, the State Board of Equalization (BOE) was authorized to collect 37 cents for each cigarette pack distributed. On January 1, 1999, section 30131.2 of the Revenue and Taxation Code authorized BOE to collect an additional 50 cents for each cigarette pack distributed, for a total of 87 cents per cigarette pack, as well as a surtax on other tobacco products. Of the 87 cents collected, 50 cents is allocated and deposited into the Trust Fund. The remainder funds Proposition 99 and Breast Cancer programs.

While First 5 California has full responsibility for the program and financial statements, BOE receives, accounts for, and deposits the cigarette and tobacco product tax revenue into the Trust Fund. Further, the Department of General Services performs accounting services for First 5 California.

The Trust Fund was established to provide funding for promoting, supporting, and improving the early development of children from the prenatal stage to five years of age, with emphasis on community awareness, education, nurturing, child care, social services, health care, and research. It primarily functions as a pass-through account which transfers funds to the seven related accounts according to allocation percentages established by the Act. The county commissions receive 80 percent of the funding and First 5 California receives 20 percent, which is allocated to six separate accounts that implement specific functions of the Act, as illustrated in Table 1.

**Table 1: California Children and Families Trust Fund (0623)
Cigarette Tax Revenue Allocation**

Account	Account Title	Percent Allocation	Account Purpose
0585	Counties Children and Families Account	80%	For allocation to county commissions ¹ for the purposes authorized in the Act and in accordance with each county's strategic plan. All county commission expenditures must be incurred in accordance with the provisions of the Health and Safety Code section 130105 (d)(2).
0631	Mass Media Communications Account	6%	For funding communications to the general public utilizing television, radio, newspapers, and other mass media furthering the goals and purposes specified in the Act.
0634	Education Account	5%	For funding education goals and purposes as specified in the Act.
0636	Child Care Account	3%	For funding child care goals and purposes as specified in the Act.
0637	Research and Development Account	3%	For funding research and development goals and purposes as specified in the Act.
0638	Administration Account	1%	For funding administrative costs and other purposes as specified in the Act.
0639	Unallocated Account	2%	For funding any other purposes of the Act, except for administrative costs.

B. Basis of Presentation—Fund Accounting

The Trust Fund and related accounts are classified as *Other Governmental Cost Funds* for State of California financial reporting purposes. *Other Governmental Cost Funds* are special revenue funds used to account for revenues restricted by law for specified purposes. The financial statements are presented in accordance with generally accepted accounting principles.

C. Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. This measurement focus concentrates on transactions that increase or decrease resources available for spending in the near future. Under the modified accrual basis of accounting, First 5 California records revenues when they are measurable and available within the ensuing 12 months. Expenditures are recorded when the related liability is incurred.

¹ Each First 5 county commission is allocated funds from Account 0585 based on the number of live births recorded in each county in proportion to the entire number of live births recorded statewide. For the fiscal year 2013-14 allocations, the 2011 birth vital statistics compiled by the California Department of Public Health were used as this was the most recent reporting period available.

D. Budget and Budgetary Control

Under Revenue and Taxation Code section 30131.3, the moneys deposited into the Trust Fund are continuously appropriated for the exclusive purpose of the California Children and Families Program.

E. Investment Basis and Allocation of Investment Income

Investments consist of cash in excess of current needs on deposit in the Surplus Money Investment Fund (SMIF). The Trust Fund and related accounts participate in the State of California's Pooled Money Investment Program, whereby cash on deposit in the State Treasury determined to be in excess of immediate needs is transferred to the SMIF for investment purposes. All earnings from investments are apportioned to the contributing fund as provided in the Government Code. The participant's shares are valued on an amortized cost basis, which approximates fair value. Because the difference between the amortized cost and fair value is not material, no adjustment has been made in the financial statements.

F. Accounts Receivable

Accounts receivable consists of unbilled earned revenues and revenues collected by BOE but not yet transferred to the Trust Fund as of June 30, 2014. Accounts receivable is recorded net of estimated uncollectible amounts.

G. Revenue

Revenue consists of the taxes collected on the sales of cigarette packs and other tobacco products, interest income earned on funds deposited in the SMIF, and unclaimed checks escheated to the issuing fund.

H. Fund Balance

First 5 California's fund balance classification is restricted according to Governmental Accounting Standard Board (GASB) Statement Number 54. Restricted fund balances include resources that are subject to constraints that are externally enforceable legal restrictions such as the Act's enabling legislation.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2 Investments

For disclosures related to investment policy and related investment risk categories, see the State of California Comprehensive Annual Financial Report.

NOTE 3 Interfund Transactions

Interfund Balances

These balances result from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments are made between funds. The Due From Other Funds general ledger account consists of revenue recorded in the originating fund that is pending transfer to another fund for disbursement purposes. The Unallocated Account (0639) includes the clearing account and related reimbursement accruals for expenditures incurred on behalf of the other accounts.

Table 2: Due From Other Funds

Fund/Account	Due From Fund/Account	Amount
Fund 0623: Trust Fund		
	BOE General Fund (0001)	\$ 1,208,798
	Surplus Money Investment Fund (0681)	<u>14,553</u>
	Total Due From Other Funds	\$ 1,223,351
Account 0585: Counties Children and Families Account		
	Trust Fund (0623)	\$ 60,038,408
	Surplus Money Investment Fund (0681)	<u>9,835</u>
	Total Due From Other Funds	\$ 60,048,243
Account 0631: Mass Media Communications Account		
	Trust Fund (0623)	\$ 4,502,881
	Health Care Deposit Fund (0912)	88,324
	Surplus Money Investment Fund (0681)	<u>15,066</u>
	Total Due From Other Funds	\$ 4,606,271
Account 0634: Education Account		
	Trust Fund (0623)	\$ 3,752,401
	Mass Media Communications Account (0634)	20
	Child Care Account (0636)	27
	Research and Development Account (0637)	29
	Unallocated Account (0639)	16
	Surplus Money Investment Fund (0681)	<u>27,073</u>
	Total Due From Other Funds	\$ 3,779,566
Account 0636: Child Care Account		
	Trust Fund (0623)	\$ 2,251,440
	Surplus Money Investment Fund (0681)	<u>18,757</u>
	Total Due From Other Funds	\$ 2,270,197
Account 0637: Research and Development Account		
	Trust Fund (0623)	\$ 2,251,440
	Surplus Money Investment Fund (0681)	<u>14,209</u>
	Total Due From Other Funds	\$ 2,265,649
Account 0638: Administration Account		
	Trust Fund (0623)	\$ 750,480
	Surplus Money Investment Fund (0681)	<u>12,044</u>
	Total Due From Other Funds	\$ 762,524

Fund/Account	Due From Fund/Account	Amount
Account 0639: Unallocated Account		
	Trust Fund (0623)	\$ 1,500,960
	Mass Media Communications Account (0631)	5,899,391
	Education Account (0634)	11,815,536
	Child Care Account (0636)	2,949,696
	Research and Development Account (0637)	2,952,352
	Administration Account (0638)	725,179
	Unallocated Account (0639)	2,949,696
	Surplus Money Investment Fund (0681)	<u>8,007</u>
	Total Due From Other Funds	\$ 28,800,817

The Due To Other Funds general ledger account represents revenue accrued for transfer to the related accounts as of year-end, and reimbursements to the Unallocated Account (0639) at year-end.

Table 3: Due To Other Funds

Fund/Account	Due To Fund/Account	Amount
Fund 0623: Trust Fund		
	Counties Children and Families Account (0585)	\$ 60,038,408
	Mass Media Communications Account (0631)	4,502,881
	Education Account (0634)	3,752,401
	Child Care Account (0636)	2,251,440
	Research and Development Account (0637)	2,251,440
	Administration Account (0638)	750,480
	Unallocated Account (0639)	<u>1,500,960</u>
	Total Due To Other Funds	\$ 75,048,010
Account 0631: Mass Media Communications Account		
	Education Account (0634)	\$ 20
	Unallocated Account (0639)	5,899,391
	Various other funds	<u>322,837</u>
	Total Due To Other Funds	\$ 6,222,248
Account 0634: Education Account		
	Unallocated Account (0639)	\$ 11,815,536
Account 0636: Child Care Account		
	Education Account (0634)	\$ 27
	Unallocated Account (0639)	<u>2,949,696</u>
	Total Due To Other Funds	\$ 2,949,723
Account 0637: Research and Development Account		
	Education Account (0634)	\$ 29
	Unallocated Account (0639)	<u>2,952,352</u>
	Total Due To Other Funds	\$ 2,952,381
Account 0638: Administration Account		
	General Fund	\$ 49,751
	Unallocated Account (0639)	725,179
	Various other funds	<u>64,807</u>
	Total Due To Other Funds	\$ 839,737

Fund/Account	Due To Fund/Account	Amount
Account 0639: Unallocated	Account	
	General Fund	\$ 67
	Education Account (0634)	16
	Unallocated Account (0639)	<u>2,949,696</u>
	Total Due To Other Funds	\$ 2,949,779

Interfund Transfers

Legally authorized transfers between state funds are reported on the *Statement of Revenue, Expenditures, and Changes in Fund Balance* as Transfers In or Transfers Out, and are accounted for as increases or decreases in residual equity.

The Transfers In for the seven related accounts are calculated based on the applicable allocation percentages specified in Note 1.

Table 4: Transfers In

Transfers in from Fund 0623 Trust Fund to:	
Account 0585: Counties Children and Families	\$ 344,415,629
Account 0631: Mass Media Communications	26,031,172
Account 0634: Education	21,525,977
Account 0636: Child Care	12,915,586
Account 0637: Research and Development	12,915,586
Account 0638: Administration	4,305,195
Account 0639: Unallocated	<u>8,610,391</u>
Total Operating Transfers in	\$ 430,719,536

Table 5: Transfers Out

Transfers out from Fund 0623 Trust Fund to:	
Related accounts	\$ 430,719,536
Backfill	<u>13,600,000</u>
Total Operating Transfers Out	\$ 444,319,536

The Trust Fund's Transfers Out represents the sum of the Transfers In to the seven related accounts and the statutorily required backfill of \$13.6 million for Proposition 99 and Breast Cancer programs. Section 130105 of the Health and Safety Code requires the Trust Fund, on an annual basis, to backfill the loss of funding for certain Proposition 99 (Tobacco Tax and Health Protection Act of 1988) and Breast Cancer Fund programs to offset the revenue loss from declining cigarette and tobacco product consumption resulting from the imposition of additional taxes on cigarettes and tobacco products by the Act. BOE makes the fiscal determination of the backfill amount and transfers the appropriate funds.

NOTE 4 Prior Year Expenditure Refund

In March 2014, First 5 Los Angeles returned \$3,545,619 in unspent advances and accrued interest of \$98,772 related to Cycle 2 of First 5 California's School Readiness Program. Remitted funds totaled \$3,644,391 and were allocated to Accounts 0631, 0634, 0636, and 0637, based on the initial funding.

NOTE 5 Contingent Liabilities

BOE is involved in legal proceedings that, if decided against BOE, may result in a loss of funds available for transfer to the various programs supported by tobacco taxes. Specifically, a distributor has filed claims for the periods January 2008 through October 2011, and is anticipated to continue filing claims as the statute of limitations periods approach for each reporting period. Claims filed to date total \$57,574,583. The claims are being scheduled for appeals conferences. At this time, it is not possible to predict the ultimate outcome concerning these claims or the amount of any future claims filed on this issue. Therefore, no provision for the potential liability has been made in the financial statements.

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. George C. Halvorson, Chair
California Children and Families Commission
2389 Gateway Oaks Drive, Suite 260
Sacramento, CA 95833

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the California Children and Families Trust Fund and related accounts for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise California Children and Families Commission's (First 5 California) financial statements, and have issued our report thereon dated January 2, 2015.

The Department of Finance (Finance) and the audited entity are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under *Government Auditing Standards*, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered First 5 California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First 5 California's internal control. Accordingly, we do not express an opinion on the effectiveness of First 5 California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a

deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control relating to the uncleared reconciling items in the cash account, that we consider to be a significant deficiency.

FINDING 2014-01

Condition: Beginning with the September 2013 fund reconciliation, the Administration Account (0638) reconciliation prepared by the Department of General Services contained differences between the First 5 California's cash account (account 1140) balance and the State Controller's Office (SCO) cash account balance. The differences continued throughout the fiscal year and were not cleared until after the start of the audit.

Criteria: State Administrative Manual section 7901 requires monthly reconciliations of accounts to disclose errors, analyze differences and make corrections between First 5 California's and the SCO's records.

Cause: Transfers made by the SCO from the cash account were not posted in the First 5 California's accounting records. The preparer and reviewer of the cash reconciliation failed to identify and correct the discrepancy in a timely manner.

Recommendation: Ensure all reconciling differences are identified and corrected timely.

Response: The Department of General Services acknowledged the uncleared difference in the reconciliations of the Administration Account (0638) cash account and stated they will ensure all reconciling differences are identified and corrected in a timely manner.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether First 5 California's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The Department of General Services' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

January 2, 2015

**First 5 California
Financial Plan
FYs 2013-14 through 2019-20**

Account/Project	ACTUAL FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Mass Media Communications (0631)							
Beginning Balance	\$20,220,080	\$20,498,024	\$7,114,458	\$6,112,961	\$3,959,461	\$4,702,208	\$5,399,267
Projected Expenditures and Obligations	26,475,939	38,240,620	25,102,000	25,102,000	21,102,000	20,102,000	20,102,000
Projected Revenue	25,831,172	24,295,560	23,579,160	22,430,162	21,332,868	20,284,953	19,284,193
Projected Interest	61,309	61,494	21,343	18,339	11,878	14,107	16,198
Federal Reimbursement for Kit	661,401	500,000	500,000	500,000	500,000	500,000	500,000
Other Revenue	200,000						
Year-end Balance	\$20,498,024	\$7,114,458	\$6,112,961	\$3,959,461	\$4,702,208	\$5,399,267	\$5,097,658
Education (0634)							
Beginning Balance	\$33,949,000	\$42,464,873	\$42,714,957	\$37,235,523	\$35,937,031	\$31,670,232	\$26,267,370
Projected Expenditures and Obligations	13,109,080	20,123,610	25,256,879	20,102,000	22,152,000	22,402,000	22,152,000
Projected Revenue	21,525,977	20,246,300	19,649,300	18,691,801	17,777,390	16,904,127	16,070,161
Projected Interest	98,976	127,395	128,145	111,707	107,811	95,011	78,802
Year-end Balance	\$42,464,873	\$42,714,957	\$37,235,523	\$35,937,031	\$31,670,232	\$26,267,370	\$20,264,333
Child Care (0636)							
Beginning Balance	\$27,787,536	\$29,785,590	\$27,226,822	\$22,522,355	\$22,803,004	\$18,535,848	\$13,731,933
Projected Expenditures and Obligations	10,992,666	14,795,905	16,575,727	11,002,000	15,002,000	15,002,000	15,002,000
Projected Revenue	12,915,586	12,147,780	11,789,580	11,215,081	10,666,434	10,142,476	9,642,097
Projected Interest	75,134	89,357	81,680	67,567	68,409	55,608	41,196
Year-end Balance	\$29,785,590	\$27,226,822	\$22,522,355	\$22,803,004	\$18,535,848	\$13,731,933	\$8,413,226
Research and Development (0637)							
Beginning Balance	\$17,371,913	\$25,901,464	\$31,777,150	\$34,598,882	\$29,535,759	\$24,283,800	\$18,492,128
Projected Expenditures and Obligations	4,439,228	6,349,798	9,063,180	16,382,000	16,007,000	16,007,000	16,007,000
Projected Revenue	12,915,586	12,147,780	11,789,580	11,215,081	10,666,434	10,142,476	9,642,097
Projected Interest	53,193	77,704	95,331	103,797	88,607	72,851	55,476
Year-end Balance	\$25,901,464	\$31,777,150	\$34,598,882	\$29,535,759	\$24,283,800	\$18,492,128	\$12,182,701
Unallocated (0639)							
Beginning Balance	\$13,341,338	\$14,362,059	\$12,349,691	\$14,233,791	\$15,501,583	\$16,407,344	\$16,966,517
Projected Expenditures and Obligations	7,650,087	10,153,974	6,012,969	6,251,929	6,252,000	6,252,000	6,252,000
Projected Revenue	8,610,391	8,098,520	7,859,720	7,476,721	7,110,956	6,761,651	6,428,064
Projected Interest	60,417	43,086	37,349	43,001	46,805	49,522	51,200
Year-end Balance	\$14,362,059	\$12,349,691	\$14,233,791	\$15,501,583	\$16,407,344	\$16,966,517	\$17,193,781
Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:							
Total Cigarette and Tobacco Tax Revenue	\$81,798,712	\$76,935,940	\$74,667,340	\$71,028,845	\$67,554,082	\$64,235,683	\$61,066,612
Total Resources Per Year	\$195,679,009	\$210,846,985	\$196,714,267	\$186,576,768	\$176,114,432	\$160,622,215	\$142,666,700
Total Expenditures Per Year	\$62,666,999	\$89,663,908	\$82,010,755	\$78,839,929	\$80,515,000	\$79,765,000	\$79,515,000
Total Over/Under	\$133,012,010	\$121,183,077	\$114,703,512	\$107,736,839	\$95,599,432	\$80,857,215	\$63,151,700
Administration (0638)							
Beginning Balance	\$22,839,381	\$21,440,563	\$19,334,872	\$16,839,766	\$13,865,981	\$10,395,752	\$6,420,100
Projected Expenditures and Obligations	5,756,762	6,219,273	6,482,970	6,762,665	7,067,304	7,387,665	7,724,583
Projected Revenue	4,305,195	4,049,260	3,929,860	3,738,360	3,555,478	3,380,825	3,214,032
Projected Interest	52,749	64,322	58,005	50,519	41,598	31,187	19,260
Year-end Balance	\$21,440,563	\$19,334,872	\$16,839,766	\$13,865,981	\$10,395,752	\$6,420,100	\$1,928,810
ALL FIRST 5 CALIFORNIA FUNDS							
Total Cigarette and Tobacco Tax Revenue	\$86,103,907	\$80,985,200	\$78,597,200	\$74,767,205	\$71,109,560	\$67,616,509	\$64,280,645
Total Resources Per Year	\$222,876,334	\$236,401,131	\$220,037,003	\$207,205,414	\$193,577,489	\$174,429,980	\$152,320,093
Total Expenditures Per Year	\$68,423,761	\$95,883,181	\$88,493,725	\$85,602,594	\$87,582,304	\$87,152,665	\$87,239,583
Total Over/Under	\$154,452,573	\$140,517,949	\$131,543,278	\$121,602,820	\$105,995,185	\$87,277,315	\$65,080,510
Total 15% Reserve	\$12,915,586	\$12,147,780	\$11,789,580	\$11,215,081	\$10,666,434	\$10,142,476	\$9,642,097
Net After Reserve	\$141,536,987	\$128,370,169	\$119,753,698	\$110,387,739	\$95,328,751	\$77,134,839	\$55,438,413

**First 5 California
Financial Plan
FYs 2013-14 through 2019-20**

	Account/Project	Strategic Plan Goal	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1	Mass Media Communications (0631)								
	Beginning Balance		\$20,220,080	\$20,498,024	\$7,114,458	\$6,112,961	\$3,959,461	\$4,702,208	\$5,399,267
A	Parent Signature Program - Education and Outreach	3.1	17,997,911	12,694,942	0	0			
B	Parent Signature Program - Education and Outreach	3.1	0	12,000,000	20,000,000	20,000,000	16,000,000	15,000,000	15,000,000
C	Parent Signature Program - 1-800 Number	3.1	100,000	100,000	100,000	100,000	100,000	100,000	100,000
D	Parent Signature Program - Kit for New Parents	3.1	1,615,409	0	0	0	0	0	0
E	Parent Signature Program - Kit for New Parents	3.1	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
F	Child Signature Program	1.1, 1.2, 2.1, 2.2	7,244,784	8,428,678	0	0	0	0	0
G	Media Storage	3.1	200	15,000	0	0	0	0	0
H	SCO/PRORATA/ADJUSTMENTS		2,305	2,000	2,000	2,000	2,000	2,000	2,000
	Total Budgeted Expenditures		26,304,619	38,240,620	25,102,000	25,102,000	21,102,000	20,102,000	20,102,000
	Prior Year Adjustments		171,320	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		26,475,939	38,240,620	25,102,000	25,102,000	21,102,000	20,102,000	20,102,000
	Subtotal		(\$6,255,859)	(\$17,742,597)	(\$17,987,542)	(\$18,989,039)	(\$17,142,539)	(\$15,399,792)	(\$14,702,733)
	Projected Revenue		25,831,172	24,295,560	23,579,160	22,430,162	21,332,868	20,284,953	19,284,193
	Projected Interest		61,309	61,494	21,343	18,339	11,878	14,107	16,198
	Federal Reimbursement for Kit		661,401	500,000	500,000	500,000	500,000	500,000	500,000
	Other Revenue		200,000	0	0	0	0	0	0
	Year-end Balance		\$20,498,024	\$7,114,458	\$6,112,961	\$3,959,461	\$4,702,208	\$5,399,267	\$5,097,658
	15% Reserve		3,874,676	3,644,334	3,536,874	3,364,524	3,199,930	3,042,743	2,892,629
	Net Year-end Balance		\$16,623,348	\$3,470,124	\$2,576,087	\$594,937	\$1,502,277	\$2,356,524	\$2,205,029
2	Education (0634)								
	Beginning Balance		\$33,949,000	\$42,464,873	\$42,714,957	\$37,235,523	\$35,937,031	\$31,670,232	\$26,267,370
A	Statewide Summit	2.1, 2.2, 3.1	0	250,000	0	250,000	0	250,000	0
B	Co-Sponsorship Funding		44,500	150,000	150,000	150,000	150,000	150,000	150,000
C	Child Signature Program - Educare	1.2, 2.1	0	2,000,000	2,000,000	1,700,000	0	0	0
D	Teacher Signature Program - CARES Plus	1.2, 2.1, 2.2	16,621	864,254	500,000	0	0	0	0
E	Child Signature Program	1.1, 1.2, 2.1, 2.2	14,489,569	16,857,357	0	0	0	0	0
F	Child Signature Program Extension	1.1, 1.2, 2.1, 2.2	0	0	10,604,879	0	0	0	0
G	Proposed CQSS	1.1, 1.2, 1.3 2.1, 2.2	0	0	12,000,000	16,000,000	20,000,000	20,000,000	20,000,000
H	Proposed Pilot Programs	1.2, 1.3	0	0	0	2,000,000	2,000,000	2,000,000	2,000,000
I	SCO/PRORATA/ADJUSTMENTS		2,305	2,000	2,000	2,000	2,000	2,000	2,000
	Total Budgeted Expenditures		13,095,239	20,123,610	25,256,879	20,102,000	22,152,000	22,402,000	22,152,000
	Prior Year Adjustments		13,841	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		13,109,080	20,123,610	25,256,879	20,102,000	22,152,000	22,402,000	22,152,000
	Subtotal		\$20,839,920	\$22,341,263	\$17,458,078	\$17,133,523	\$13,785,031	\$9,268,232	\$4,115,370
	Projected Revenue		21,525,977	20,246,300	19,649,300	18,691,801	17,777,390	16,904,127	16,070,161
	Projected Interest		98,976	127,395	128,145	111,707	107,811	95,011	78,802
	Year-end Balance		\$42,464,873	\$42,714,957	\$37,235,523	\$35,937,031	\$31,670,232	\$26,267,370	\$20,264,333
	15% Reserve		3,228,897	3,036,945	2,947,395	2,803,770	2,666,608	2,535,619	2,410,524
	Net Year-end Balance		\$39,235,976	\$39,678,012	\$34,288,128	\$33,133,261	\$29,003,624	\$23,731,751	\$17,853,809
	Purple: Amount pending Commission approval.								
	Royal Blue: Amount projected based on sustained level of effort.								
	Green: Subtotal amounts.								

**First 5 California
Financial Plan
FYs 2013-14 through 2019-20**

	Account/Project	Strategic Plan Goal	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
3	Child Care (0636)								
	Beginning Balance		\$27,787,536	\$29,785,590	\$27,226,822	\$22,522,355	\$22,803,004	\$18,535,848	\$13,731,933
A	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,622,392	4,214,339	0	0	0	0	0
B	Child Signature Program Extension	1.1, 1.2, 2.1, 2.2	0	0	1,514,983	0	0	0	0
C	Teacher Signature Program - CARES Plus	1.2, 2.1, 2.2	7,737,335	10,435,377	10,058,744	0	0	0	0
D	RTT-ELC	1.2	0	144,189	0	0	0	0	0
E	Proposed CQSS	1.1, 1.2, 1.3 2.1, 2.2	0	0	5,000,000	11,000,000	15,000,000	15,000,000	15,000,000
F	SCO/PRORATA/ADJUSTMENTS		2,305	2,000	2,000	2,000	2,000	2,000	2,000
	Total Budgeted Expenditures		10,742,486	14,795,905	16,575,727	11,002,000	15,002,000	15,002,000	15,002,000
	Prior Year Adjustments		250,180	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		10,992,666	14,795,905	16,575,727	11,002,000	15,002,000	15,002,000	15,002,000
	Subtotal		\$16,794,870	\$14,989,685	\$10,651,095	\$11,520,355	\$7,801,004	\$3,533,848	(\$1,270,067)
	Projected Revenue		12,915,586	12,147,780	11,789,580	11,215,081	10,666,434	10,142,476	9,642,097
	Projected Interest		75,134	89,357	81,680	67,567	68,409	55,608	41,196
	Year-end Balance		\$29,785,590	\$27,226,822	\$22,522,355	\$22,803,004	\$18,535,848	\$13,731,933	\$8,413,226
	15% Reserve		1,937,338	1,822,167	1,768,437	1,682,262	1,599,965	1,521,371	1,446,315
	Net Year-end Balance		\$27,848,252	\$25,404,655	\$20,753,918	\$21,120,742	\$16,935,883	\$12,210,561	\$6,966,912
4	Research and Development (0637)								
	Beginning Balance		\$17,371,913	\$25,901,464	\$31,777,150	\$34,598,882	\$29,535,759	\$24,283,800	\$18,492,128
A	Annual Report		79,189	5,000	5,000	5,000	5,000	5,000	5,000
B	CARES Plus Program Data Collection and Storage	1.2, 2.1, 2.2	569,360	780,000	780,000	0	0	0	0
C	California Health Interview Survey	1.1, 1.2	750,000	750,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
D	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,625,654	4,218,132	0	0	0	0	0
E	Child Signature Program Extension	1.1, 1.2, 2.1, 2.2	0	0	1,516,346	0	0	0	0
F	Transitional Kindergarten Study	1.2	0	555,000	740,000	375,000	0	0	0
G	Help Me Grow	1.1, 2.1	0	39,666	19,834	0	0	0	0
H	Proposed Pilots	1.2, 1.3	0	0	0	6,000,000	6,000,000	6,000,000	6,000,000
I	Proposed CQSS	1.1, 1.2, 1.3 2.1, 2.2	0	0	5,000,000	9,000,000	9,000,000	9,000,000	9,000,000
J	SCO/PRORATA/ADJUSTMENTS		2,305	2,000	2,000	2,000	2,000	2,000	2,000
	Total Budgeted Expenditures		4,138,973	6,349,798	9,063,180	16,382,000	16,007,000	16,007,000	16,007,000
	Prior Year Adjustments		300,254	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		4,439,228	6,349,798	9,063,180	16,382,000	16,007,000	16,007,000	16,007,000
	Subtotal		\$12,932,686	\$19,551,666	\$22,713,970	\$18,216,882	\$13,528,759	\$8,276,800	\$2,485,128
	Projected Revenue		12,915,586	12,147,780	11,789,580	11,215,081	10,666,434	10,142,476	9,642,097
	Projected Interest		53,193	77,704	95,331	103,797	88,607	72,851	55,476
	Year-end Balance		\$25,901,464	\$31,777,150	\$34,598,882	\$29,535,759	\$24,283,800	\$18,492,128	\$12,182,701
	15% Reserve		1,937,338	1,822,167	1,768,437	1,682,262	1,599,965	1,521,371	1,446,315
	Net Year-end Balance		\$23,964,126	\$29,954,983	\$32,830,445	\$27,853,497	\$22,683,835	\$16,970,757	\$10,736,387
	Purple: Amount pending Commission approval.								
	Royal Blue: Amount projected based on sustained level of effort.								
	Green: Subtotal amounts								

**First 5 California
Financial Plan
FYs 2013-14 through 2019-20**

	Account/Project	Strategic Plan Goal	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
5	Unallocated (0639)								
	Beginning Balance		\$13,341,338	\$14,362,059	\$12,349,691	\$14,233,791	\$15,501,583	\$16,407,344	\$16,966,517
A	Small Population County Funding Augmentation	2.2	2,894,688	4,265,188	4,393,757	4,599,929	4,600,000	4,600,000	4,600,000
B	California Smoker's Helpline	2.2, 3.1	989,622	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
C	Grant/Program Development Consultant	1.2	95,664	85,000	54,750	0	0	0	0
D	Child Signature Program	1.1, 1.2, 2.1, 2.2	3,622,392	4,214,339	0	0	0	0	0
E	Help Me Grow	1.1, 2.1		87,447	62,462	0	0	0	0
F	Stakeholder Meeting Facilitation	1.2		100,000	100,000	250,000	250,000	250,000	250,000
G	SCO/PRORATA/ADJUSTMENTS		2,305	2,000	2,000	2,000	2,000	2,000	2,000
	Total Budgeted Expenditures		7,649,513	10,153,974	6,012,969	6,251,929	6,252,000	6,252,000	6,252,000
	Prior Year Adjustments		574	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		7,650,087	10,153,974	6,012,969	6,251,929	6,252,000	6,252,000	6,252,000
	Subtotal		\$5,691,251	\$4,208,084	\$6,336,722	\$7,981,862	\$9,249,583	\$10,155,344	\$10,714,517
	Projected Revenue		8,610,391	8,098,520	7,859,720	7,476,721	7,110,956	6,761,651	6,428,064
	Projected Interest		60,417	43,086	37,349	43,001	46,805	49,522	51,200
	Year-end Balance		\$14,362,059	\$12,349,691	\$14,233,791	\$15,501,583	\$16,407,344	\$16,966,517	\$17,193,781
	15% Reserve		1,291,559	1,214,778	1,178,958	1,121,508	1,066,643	1,014,248	964,210
	Net Year-end Balance		\$13,070,500	\$11,134,913	\$13,054,833	\$14,380,075	\$15,340,701	\$15,952,269	\$16,229,571
Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:									
	Total Cigarette and Tobacco Tax Revenue		\$81,798,712	\$76,935,940	\$74,667,340	\$71,028,845	\$67,554,082	\$64,235,683	\$61,066,612
	Total Resources Per Year		\$195,679,009	\$210,846,985	\$196,714,267	\$186,576,768	\$176,114,432	\$160,622,215	\$142,666,700
	Total Expenditures Per Year		\$62,667,000	\$89,663,908	\$82,010,755	\$78,839,929	\$80,515,000	\$79,765,000	\$79,515,000
	Total Over/Under		\$133,012,009	\$121,183,077	\$114,703,512	\$107,736,839	\$95,599,432	\$80,857,215	\$63,151,700
	Total 15% Reserve		\$12,269,807	\$11,540,391	\$11,200,101	\$10,654,327	\$10,133,112	\$9,635,352	\$9,159,992
	Net After Reserve		\$120,742,203	\$109,642,686	\$103,503,411	\$97,082,512	\$85,466,320	\$71,221,862	\$53,991,708
6	Administration (0638)								
	Beginning Balance		\$22,839,381	\$21,440,563	\$19,334,872	\$16,839,766	\$13,865,981	\$10,395,752	\$6,420,100
A	Administrative Expense	4.1, 4.2	5,560,223	5,967,980	5,987,456	6,266,665	6,571,304	6,891,665	7,228,583
B	SCO/PRORATA/ADJUSTMENTS		218,214	251,293	495,514	496,000	496,000	496,000	496,000
	Total Budgeted Expenditures		5,778,437	6,219,273	6,482,970	6,762,665	7,067,304	7,387,665	7,724,583
	Prior Year Adjustments		(21,676)	0	0	0	0	0	0
	Adjusted Fund Balance Expenditures		5,756,762	6,219,273	6,482,970	6,762,665	7,067,304	7,387,665	7,724,583
	Subtotal		\$17,082,619	\$15,221,290	\$12,851,902	\$10,077,101	\$6,798,676	\$3,008,088	(\$1,304,483)
	Projected Revenue		4,305,195	4,049,260	3,929,860	3,738,360	3,555,478	3,380,825	3,214,032
	Projected Interest		52,749	64,322	58,005	50,519	41,598	31,187	19,260
	Year-end Balance		\$21,440,563	\$19,334,872	\$16,839,766	\$13,865,981	\$10,395,752	\$6,420,100	\$1,928,810
	15% Reserve		645,779	607,389	589,479	560,754	533,322	507,124	482,105
	Net Year-end Balance		\$20,794,784	\$18,727,483	\$16,250,287	\$13,305,227	\$9,862,431	\$5,912,977	\$1,446,705
ALL FIRST 5 CALIFORNIA FUNDS									
	Total Cigarette and Tobacco Tax Revenue		\$86,103,907	\$80,985,200	\$78,597,200	\$74,767,205	\$71,109,560	\$67,616,509	\$64,280,645
	Total Resources Per Year		\$222,876,334	\$236,401,131	\$220,037,003	\$207,205,414	\$193,577,489	\$174,429,980	\$152,320,093
	Total Expenditures Per Year		\$68,423,761	\$95,883,181	\$88,493,725	\$85,602,594	\$87,582,304	\$87,152,665	\$87,239,583
	Total Over/Under		\$154,452,573	\$140,517,949	\$131,543,278	\$121,602,820	\$105,995,185	\$87,277,315	\$65,080,510
	Total 15% Reserve		\$12,915,586	\$12,147,780	\$11,789,580	\$11,215,081	\$10,666,434	\$10,142,476	\$9,642,097
	Net After Reserve		\$141,536,987	\$128,370,169	\$119,753,698	\$110,387,739	\$95,328,751	\$77,134,839	\$55,438,413
	Purple: Amount pending Commission approval.								
	Royal Blue: Amount projected based on sustained level of effort.								
	Green: Subtotal amounts.								

**First 5 California
Financial Plan
FYs 2013-14 through 2019-20**

Expenditures by Program*	Authorized Amount	Term	Funding Source (F5CA Account)	Expenditures Incurred	Proposed Expenditures	Total Expenditures	
EXISTING:							
Child Signature Program	\$135,000,000	July 1, 2012 - June 30, 2015	Mass Media Communications	12,042,707	8,428,678	20,471,385	
			Education	24,085,414	16,857,357	40,942,771	
			Child Care	6,021,353	4,214,339	10,235,693	
			Research and Development	6,026,775	4,218,132	10,244,908	
			Unallocated	6,021,353	4,214,339	10,235,693	
			Total	\$54,197,603	\$37,932,846	\$92,130,449	
Teacher Signature Program - CARES Plus	\$42,000,000	July 1, 2013 - June 30, 2016	Education	16,621	1,364,254	1,380,875	
			Child Care	7,737,335	20,494,121	28,231,456	
			Research and Development	569,360	1,560,000	2,129,360	
			Total	\$8,323,317	\$23,418,375	\$31,741,692	
PROPOSED:							
Child Signature Program Extension	\$13,636,208	July 1, 2015 - June 30, 2016	Education	0	10,604,879	10,604,879	
			Child Care	0	1,514,983	1,514,983	
			Research and Development	0	1,516,346	1,516,346	
			Total	\$0	\$13,636,208	\$13,636,208	
California Quality System of Support (CQSS)	\$190,000,000	July 1, 2015 - June 30, 2020	Education	0	88,000,000	88,000,000	
			Child Care	0	61,000,000	61,000,000	
			Research and Development	0	41,000,000	41,000,000	
			Total	\$0	\$190,000,000	\$190,000,000	
Dual Language Learner Pilot	\$8,000,000	July 1, 2016 - June 30, 2020	Education	0	2,000,000	2,000,000	
			Research and Development	0	6,000,000	6,000,000	
			Total	\$0	\$8,000,000	\$8,000,000	
Family Engagement Pilots	\$24,000,000	July 1, 2016 - June 30, 2020	Education	0	6,000,000	6,000,000	
			Research and Development	0	18,000,000	18,000,000	
			Total	\$0	\$24,000,000	\$24,000,000	
* Only programs with multiple funding sources identified.							

**First 5 California
Fiscal Mapping to the Strategic Plan**

Strategic Plan Area 1: Children and Families		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 1.1	Child Health: Children prenatal through age 5 and their families access the full spectrum of health and behavioral health services needed to enhance their well-being.							
	Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Mass Media Communications	\$15,673,462	\$7,244,784	\$8,428,678	\$0	\$0	\$0	\$0
	Education	\$31,346,926	\$14,489,569	\$16,857,357	\$0	\$0	\$0	\$0
	Child Care	\$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0
	Research and Development	\$7,843,786	\$3,625,654	\$4,218,132	\$0	\$0	\$0	\$0
	Unallocated	\$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0
	Child Signature Program Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Education	\$10,604,879	\$0	\$10,604,879	\$0	\$0	\$0	\$0
	Child Care	\$1,514,983	\$0	\$1,514,983	\$0	\$0	\$0	\$0
	Research and Development	\$1,516,346	\$0	\$1,516,346	\$0	\$0	\$0	\$0
	CQSS (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)							
	Education	\$88,000,000	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
	Child Care	\$61,000,000	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
	Research and Development	\$41,000,000	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
	California Health Interview Survey							
	Research and Development	\$3,250,000	\$375,000	\$375,000	\$500,000	\$500,000	\$500,000	\$500,000
	Help Me Grow (Aggregate investment reflected in Goals 1.1 and 2.1)							
	Research and Development	\$59,500	\$0	\$39,666	\$19,834	\$0	\$0	\$0
	Unallocated	\$149,909	\$0	\$87,447	\$62,462	\$0	\$0	\$0
Goal 1.2	Early Learning: Children birth through age 5 benefit from high quality early education, early intervention, family engagement, and support that prepares all children to reach their optimal potential in school and life.							
	Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Mass Media Communications	\$15,673,462	\$7,244,784	\$8,428,678	\$0	\$0	\$0	\$0
	Education	\$31,346,926	\$14,489,569	\$16,857,357	\$0	\$0	\$0	\$0
	Child Care	\$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0
	Research and Development	\$7,843,786	\$3,625,654	\$4,218,132	\$0	\$0	\$0	\$0
	Unallocated	\$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0
	Child Signature Program Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Education	\$10,604,879	\$0	\$10,604,879	\$0	\$0	\$0	\$0
	Child Care	\$1,514,983	\$0	\$1,514,983	\$0	\$0	\$0	\$0
	Research and Development	\$1,516,346	\$0	\$1,516,346	\$0	\$0	\$0	\$0
	CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)							
	Education	\$1,380,875	\$16,621	\$864,254	\$500,000	\$0	\$0	\$0
	Child Care	\$28,231,456	\$7,737,335	\$10,435,377	\$10,058,744	\$0	\$0	\$0
	Research and Development	\$2,129,360	\$569,360	\$780,000	\$780,000	\$0	\$0	\$0
	CQSS (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)							
	Education	\$88,000,000	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
	Child Care	\$61,000,000	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
	Research and Development	\$41,000,000	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
	California Health Interview Survey							
	Research and Development	\$3,250,000	\$375,000	\$375,000	\$500,000	\$500,000	\$500,000	\$500,000
	Transitional Kindergarten Study							
	Research and Development	\$1,670,000	\$0	\$555,000	\$740,000	\$375,000	\$0	\$0
	Educare (Aggregate investment reflected in Goals 1.2 and 2.1)							
	Education	\$5,700,000	\$0	\$2,000,000	\$2,000,000	\$1,700,000	\$0	\$0

**First 5 California
Fiscal Mapping to the Strategic Plan**

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 1.2 Early Learning:	Children birth through age 5 benefit from high quality early education, early intervention, family engagement, and support that prepares all children to reach their optimal potential in school and life.							
	Environmental Rating Scales Training							
	Child Care \$144,189	\$0	\$144,189	\$0	\$0	\$0	\$0	\$0
	Stakeholder Meeting Facilitation							
	Unallocated \$1,200,000	\$0	\$100,000	\$100,000	\$250,000	\$250,000	\$250,000	\$250,000
	Grant/Program Development Consultant							
	Unallocated \$235,414	\$95,664	\$85,000	\$54,750	\$0	\$0	\$0	\$0
Dual Language Learner Pilot Program								
Education \$2,000,000	\$0	\$0	\$0	\$500,000	\$500,000	\$500,000	\$500,000	
Research and Development \$6,000,000	\$0	\$0	\$0	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	
Goal 1.3 Family and Community Support and Partnership:	Families and communities are engaged, supported, and strengthened through culturally effective resources and opportunities that assist them in nurturing, caring, and providing for their children's success and well-being.							
	CQSS (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)							
	Education \$88,000,000	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
	Child Care \$61,000,000	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
	Research and Development \$41,000,000	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
	Family Engagement Pilot Programs							
	Education \$6,000,000	\$0	\$0	\$0	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Research and Development \$18,000,000	\$0	\$0	\$0	\$4,500,000	\$4,500,000	\$4,500,000	\$4,500,000	
Strategic Plan Area 2: System and Network								
Goal 2.1 Leadership as a Convener and Partner:	Work with First 5 county commissions, state agencies, and other stakeholders to convene, align, collaborate on, support, and strengthen statewide efforts and initiatives to facilitate the creation of a seamless system of integrated and comprehensive programs and services to improve the status and outcomes for children prenatal through age 5 and their families.							
	Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Mass Media Communications \$15,673,462	\$7,244,784	\$8,428,678	\$0	\$0	\$0	\$0	\$0
	Education \$31,346,926	\$14,489,569	\$16,857,357	\$0	\$0	\$0	\$0	\$0
	Child Care \$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0	\$0
	Research and Development \$7,843,786	\$3,625,654	\$4,218,132	\$0	\$0	\$0	\$0	\$0
	Unallocated \$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0	\$0
	Child Signature Program Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Education \$10,604,879	\$0	\$0	\$10,604,879	\$0	\$0	\$0	\$0
	Child Care \$1,514,983	\$0	\$0	\$1,514,983	\$0	\$0	\$0	\$0
	Research and Development \$1,516,346	\$0	\$0	\$1,516,346	\$0	\$0	\$0	\$0
	CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)							
	Education \$1,380,875	\$16,621	\$864,254	\$500,000	\$0	\$0	\$0	\$0
	Child Care \$28,231,456	\$7,737,335	\$10,435,377	\$10,058,744	\$0	\$0	\$0	\$0
	Research and Development \$2,129,360	\$569,360	\$780,000	\$780,000	\$0	\$0	\$0	\$0
CQSS (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)								
Education \$88,000,000	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000	
Child Care \$61,000,000	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000	
Research and Development \$41,000,000	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000	

**First 5 California
Fiscal Mapping to the Strategic Plan**

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 2.1 Leadership as a Convener and Partner:	Work with First 5 county commissions, state agencies, and other stakeholders to convene, align, collaborate on, support, and strengthen statewide efforts and initiatives to facilitate the creation of a seamless system of integrated and comprehensive programs and services to improve the status and outcomes for children prenatal through age 5 and their families.							
	Educare (Aggregate investment reflected in Goals 1.2 and 2.1)							
	Education \$5,700,000	\$0	\$2,000,000	\$2,000,000	\$1,700,000	\$0	\$0	\$0
	Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)							
	Education \$750,000	\$0	\$250,000	\$0	\$250,000	\$0	\$250,000	\$0
	Help Me Grow (Aggregate investment reflected in Goals 1.1 and 2.1)							
	Research and Development \$59,500	\$0	\$39,666	\$19,834	\$0	\$0	\$0	\$0
	Unallocated \$149,909	\$0	\$87,447	\$62,462	\$0	\$0	\$0	\$0
Goal 2.2 Resource Exchange and Stewardship:	Strategically fund and co-fund, align resources, facilitate the exchange of information and best practices, and seek new opportunities to maximize positive impact for children prenatal through age 5 and their families.							
	Child Signature Program (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Mass Media Communications \$15,673,462	\$7,244,784	\$8,428,678	\$0	\$0	\$0	\$0	\$0
	Education \$31,346,926	\$14,489,569	\$16,857,357	\$0	\$0	\$0	\$0	\$0
	Child Care \$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0	\$0
	Research and Development \$7,843,786	\$3,625,654	\$4,218,132	\$0	\$0	\$0	\$0	\$0
	Unallocated \$7,836,731	\$3,622,392	\$4,214,339	\$0	\$0	\$0	\$0	\$0
	Child Signature Program Extension (Aggregate investment reflected in Goals 1.1, 1.2, 2.1, and 2.2)							
	Education \$10,604,879	\$0	\$0	\$10,604,879	\$0	\$0	\$0	\$0
	Child Care \$1,514,983	\$0	\$0	\$1,514,983	\$0	\$0	\$0	\$0
	Research and Development \$1,516,346	\$0	\$0	\$1,516,346	\$0	\$0	\$0	\$0
	CARES Plus (Aggregate investment reflected in Goals 1.2, 2.1, and 2.2)							
	Education \$1,380,875	\$16,621	\$864,254	\$500,000	\$0	\$0	\$0	\$0
	Child Care \$28,231,456	\$7,737,335	\$10,435,377	\$10,058,744	\$0	\$0	\$0	\$0
	Research and Development \$2,129,360	\$569,360	\$780,000	\$780,000	\$0	\$0	\$0	\$0
	CQSS (Aggregate investment reflected in Goals 1.1, 1.2, 1.3, 2.1, and 2.2)							
	Education \$88,000,000	\$0	\$0	\$12,000,000	\$16,000,000	\$20,000,000	\$20,000,000	\$20,000,000
	Child Care \$61,000,000	\$0	\$0	\$5,000,000	\$11,000,000	\$15,000,000	\$15,000,000	\$15,000,000
	Research and Development \$41,000,000	\$0	\$0	\$5,000,000	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
	Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)							
	Education \$750,000	\$0	\$250,000	\$0	\$250,000	\$0	\$250,000	\$0
	Small Population County Funding Augmentation							
	Unallocated \$29,953,562	\$2,894,688	\$4,265,188	\$4,393,757	\$4,599,929	\$4,600,000	\$4,600,000	\$4,600,000
	California Smoker's Helpline (Aggregate investment reflected in Goals 2.2 and 3.1)							
	Unallocated \$9,389,622	\$989,622	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000

Strategic Plan Area 3: Public Will and Investment		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 3.1 Communications:	Build public will in investing in early childhood by communicating the potential for positive outcomes for children and families, and the importance of prevention and early intervention.							
	Parent Signature Program - Education and Outreach							
	Mass Media Communications \$128,692,853	\$17,997,911	\$24,694,942	\$20,000,000	\$20,000,000	\$16,000,000	\$15,000,000	\$15,000,000
	Parent Signature Program - Kit for New Parents							
	Mass Media Communications \$31,615,409	\$1,615,409	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
	Parent Signature Program - 1-800 Number (Kit Call Center)							
	Mass Media Communications \$700,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
	Parent Signature Program - Media Storage							
	Mass Media Communications \$15,000	\$0	\$15,000	\$0	\$0	\$0	\$0	\$0

**First 5 California
Fiscal Mapping to the Strategic Plan**

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 3.1 Communications:	Build public will in investing in early childhood by communicating the potential for positive outcomes for children and families, and the importance of prevention and early intervention.							
	California Smoker's Helpline (Aggregate investment reflected in Goals 2.2 and 3.1)							
	Unallocated \$9,389,622	\$989,622	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
	Statewide Summit (Aggregate investment reflected in Goals 2.1, 2.2, and 3.1)							
	Education \$750,000	\$0	\$250,000	\$0	\$250,000	\$0	\$250,000	\$0
Goal 3.2 Legislative Engagement and Leadership:	Advocate for and influence policy change, both directly and in partnership with First 5 county commissions and other allies, from the local to federal levels that increase investments to improve conditions for children prenatal through age 5 and their families.	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Strategic Plan Area 4: Institutional Development		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Goal 4.1 Internal Structure and Systems:	Create and implement an integrated and transparent approach to internal planning, communication, and decision making.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Goal 4.2 Team Development and Engagement:	Deepen management and staff awareness, understanding, knowledge, capacity, and involvement within and across organizational areas.							
	Professional Development and Training							
	Administration \$313,077	\$13,077	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

Note: Specified program investments are aggregate, therefore total investments are not additive.