



October 24, 2019

**INFORMATION ITEM**

**SUBJECT: FINANCIAL UPDATE**

**SUMMARY OF THE ISSUE**

This item provides an update of the Commission's financial plan and other topics of financial interest.

**BACKGROUND OF KEY ISSUES**

Staff provides a financial update of F5CA Commission funds at each quarterly meeting of the State Commission.

**Revenue Update**

The following table represents the actual tax revenues transferred from the California Children and Families Trust Fund (Fund) to First 5 accounts (state and counties) beginning with fiscal year (FY) 11/12 through FY 18/19, and projected revenue for FY 19/20 through FY 23/24, with the percentage change from each fiscal year to the next. Proposition 56 backfill is included in these figures. There is significant variation in revenue beginning in FY 16/17 and ending in FY 19/20. Proposition 56 was enacted in FY 16/17 and revenues were not received until the following FY, FY 17/18. The impact of Proposition 56 on revenues, coupled with the timing of the first disbursement, resulted in abnormal variations in this period. Revenues stabilize in FY 20/21 and are estimated to decrease approximately 2.46% per year.

**Table 1**  
**Actual and Projected Cigarette and Tobacco Tax Revenue through FY 2023/24**

<b>Fiscal Year</b>	<b>F5 Commission Tax Revenue Amount</b>	<b>F5 Counties Tax Revenue Amount</b>	<b>Total Revenue Amount</b>	<b>% Change</b>
<b>Actuals</b>				
2011/12	\$93,381,688	\$373,526,751	\$466,908,439	-0.71%
2012/13	\$90,100,191	\$360,400,766	\$450,500,957	-3.51%
2013/14	\$86,103,907	\$344,415,629	\$430,519,536	-4.44%
2014/15	\$86,027,892	\$344,111,568	\$430,139,460	-0.09%
2015/16	\$85,473,337	\$341,893,349	\$427,366,686	-0.64%
2016/17	\$79,614,357	\$318,457,428	\$398,071,785	-6.85%
2017/18	\$70,215,057	\$280,860,227	\$351,075,284	-11.81%
2018/19	\$72,394,829	\$289,579,316	\$361,974,145	3.10%
<b>Projections</b>				
2019/20	\$71,778,600	\$287,114,400	\$358,893,000	-0.85%
2020/21	\$70,014,700	\$280,058,800	\$350,073,500	-2.46%
2021/22	\$68,294,898	\$273,179,590	\$341,474,488	-2.46%
2022/23	\$66,618,090	\$266,472,360	\$333,090,450	-2.46%
2023/24	\$64,983,203	\$259,932,811	\$324,916,014	-2.45%

**Financial Plan**

F5CA tracks actual and projected revenues 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. This information is captured in F5CA's Financial Plan (Attachment A), which includes actual and projected revenue and expenditures by account for one prior year, current year, and three subsequent fiscal years. Attachment B, entitled Fund Condition Summary, provides additional detail of the Financial Plan for each of F5CA's funds.

**Audit Update**

The F5CA financial records audit for the periods FY15/16 and FY16/17 is still in process. The Department of Finance Office of State Audits and Evaluations (OSAE) resources were diverted to a high priority audit in October 2018, delaying the completion of F5CA's FY 15/16 and 16/17 audit. OSAE resumed audit activities on March 4, 2019, and completed audit testing in August. OSAE will submit preliminary findings to F5CA for Management Discussion and Analysis response.

**ATTACHMENTS**

- A. First 5 CA Financial Plan FY 2018/19 - FY 2022/23
- B. First 5 CA Fund Condition Summary Actual/Projections FY 2018/19 - FY 2022/23