



January 23, 2020

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. Proposition 56 was passed by California voters in 2016, and increased cigarettes taxes by \$2.00 per pack. The proposition provided that F5CA would receive backfill, which is intended to make F5CA whole for lost revenue as a result of the significant increase in taxes. The backfill amount was substantially higher this year than the previous year. Last year, F5CA received \$37,160,000, while this year the amount was \$91,195,000. The California Department of Tax and Fee Administration (CDTFA) provided F5CA with a detailed formula for determining the backfill, and the reason for the dramatic increase.

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

	Fiscal Year	F5 Commission Tax Revenue Amount	F5 Counties Tax Revenue Amount	Total Revenue Amount	% Change
Actuals	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%
Projections	2018/19	\$68,119,320	\$272,477,278	\$340,596,598	-2.98%
	2019/20	\$82,470,793	\$329,883,172	\$412,353,965	21.07%
	2020/21	\$80,243,237	\$320,972,949	\$401,216,186	-2.70%
	2021/22	\$78,529,060	\$314,116,242	\$392,645,302	-2.14%
	2022/23	\$76,857,738	\$307,430,952	\$384,288,691	-2.13%
	2023/24	\$75,228,199	\$300,912,795	\$376,140,994	-2.12%

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.

Administrative Fees

Total Administrative fees charged for FY 18/19 were \$8,706,000 which is \$1.1 million lower from last year. CDTFA states the decrease is due to a number of factors, including the addition of funding from Prop 56, savings from fewer stamps being purchased, and salary savings from vacant positions throughout CDTFA.

Audit Update

The F5CA financial records audit for the periods FY 15/16 and FY 16/17 is still in process. The Department of Finance Office of State Audits and Evaluation completed audit testing in August 2019, and will submit preliminary findings to F5CA for management discussion and analysis response when they are completed.

ATTACHMENTS

- A. First 5 California Financial Plan FY 2018/19 through FY 2022/23
- B. First 5 California Fund Condition Summary FY 2018/19 through FY 2022/23