



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 First 5 California (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.

The Department of Finance (DOF) projected the California Children and Families Trust Fund (Fund) would receive cigarette and tobacco tax revenue of approximately \$358 million during FY 19/20. The California Department of Tax and Fee Administration (CDTFA) has recorded and transferred \$203 million of tax revenue into the fund through February of this fiscal year for Proposition 10. In addition, CDTFA recorded and transferred Proposition 56 backfill into the fund in the amount of \$91 million. CDTFA is current with revenue transfers to the fund and we anticipate the final transfer for FY 19/20 being received in July. Updated revenue projections will be provided by DOF as part of the May revise. Once received, county revenue projections will be updated and available online.

FY 19/20 reflects an increase in revenue of 21% due to Proposition 56 being significantly higher than the previous fiscal year. Last year, F5CA received \$37,160,000.00 for Proposition 56, while this year was \$91,195,000.00. F5CA does not expect a revenue increase such as this to reoccur in the future.

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 the current year and four subsequent fiscal years. Attachment B, entitled Fund Condition Summary, provides additional detail of the Financial Plan for each of F5CA's funds.

Collaboration

In collaboration with the First 5 Association, F5CA continues to engage CDTFA on discussions surrounding reconciliations for the California Children and Families Trust Fund (Fund) in an effort to achieve clarity and understanding of revenue transfers to the fund.

Audit Update

The F5CA financial records audit for the periods FY 15/16 and FY 16/17 is still in process. The DOF 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 2019/20 through FY 2023/24
- B. First 5 California Fund Condition Summary FY 2019/20 through FY 2023/24