



April 22, 2021

INFORMATION  ACTION

**SUBJECT: FINANCIAL UPDATE**

**SUMMARY OF THE ISSUE**

First 5 California (F5CA) staff will provide an update on the Commission's financial plan and other topics of financial interest.

**Revenue Update**

Table 1 on the following page represents the actual and projected cigarette and tobacco tax revenues transferred from the California Department of Tax and Fee Administration (CDTFA) to the California Children and Families Trust Fund. The table further displays the statutory distribution of 20% to the First 5 California State Commission and 80% to the county commissions. Revenue transfers are presented as actuals for fiscal year (FY) 2011/12 through FY 2019/20 and projected revenues FY 2020/21 through FY 2024/25, with the percentage decline from each fiscal year to the next.

**Proposition 10**

The revenue estimates displayed for the California Children and Families Trust Fund (Fund) in the Governor's Budget, released January 8, 2021, shows the Fund receiving approximately \$318 million during FY 2020/21 for Proposition 10. The California Department of Tax and Fee Administration (CDTFA) collects Proposition 10 tax revenue and adjusts for statewide assessments, administrative costs incurred by CDTFA, and backfill to Proposition 99 prior to transferring revenue to the Fund. CDTFA has transferred \$197,607,352 million of Proposition 10 revenue thus far for the current FY 2020/21 (July 2020 through February 2021). This is approximately \$5M less than this time last year.

February Proposition 10 revenue came in lower than anticipated. The amount available for transfer was \$7.5 million with \$1.5 million allocated to the State Commission. Historically, the average amount available to transfer by CDTFA is approximately \$25

million per month with \$5 million going to the State Commission. Additional February revenue that was considered in transit to the State Controller’s Office (SCO) at month end, will be captured in March’s Proposition 10 revenue transfer.<sup>1</sup> An additional factor impacting the low revenue amount was a decline in cigarette tax stamp purchases for the month of February. In analyzing prior month’s activity, December and January’s stamp purchases were elevated, which may have contributed to the lower stamp purchase for February. First 5 California (F5CA) and the Association continue to engage CDTFA in discussions surrounding the fluctuations in revenue and continue to monitor the trends.

**Table 1  
Actual and Projected Cigarette and Tobacco Tax Revenue through FY 2024/25**

	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%
	2018/19	\$67,368,197	\$269,472,787	\$336,840,984	-4.05%
	2019/20	\$80,672,204	\$322,688,815	\$403,361,019	19.75%
Projections	2020/21	\$77,335,967	\$309,343,869	\$386,679,836	-4.14%
	2021/22	\$75,007,567	\$300,030,269	\$375,037,836	-3.01%
	2022/23	\$72,990,567	\$291,962,269	\$364,952,836	-2.69%
	2023/24	\$71,063,567	\$284,254,269	\$355,317,836	-2.64%
	2024/25	\$69,229,367	\$276,917,469	\$346,146,836	-2.58%

Note: FY 2019/20 reflects an increase in revenue due to Proposition 56 Backfill being significantly higher than the previous fiscal year. F5CA does not expect a revenue increase such as this to reoccur in the future.

**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

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<sup>1</sup> Cigarette stamp purchases and all tax returns are due by the 25<sup>th</sup> of every month to the California Department of Tax and Fee Administration (CDTFA). For shorter months, revenue may be recorded and in transit to the State Controller’s Office (SCO) by the last day of the month, but not captured and recorded by SCO until the beginning of the following month. This delay in processing will cause revenue to remain in unremitted status until recorded by the SCO, resulting in revenue transferred by CDTFA to the California Children and Families Trust Fund (Fund) to be lower.

Communications, Education, Child Care, Research and Development, Unallocated, and Administration. This information is captured in First 5 California'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 First 5 California's accounts.

## **ATTACHMENTS**

- A. First 5 California Financial Plan FY 2020/21 through FY 2024/25
- B. First 5 California Fund Condition Summary FY 2020/21 through FY 2024/25
- C. First 5 California Financial Plan PowerPoint