



April 25, 2019

<p>SUBJECT</p> <p>FINANCIAL UPDATE</p>	<p><input type="checkbox"/> Action</p> <p><input checked="" type="checkbox"/> Information</p>
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SUMMARY OF THE ISSUE

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

RECOMMENDATION

This is an information-only item. First 5 California (F5CA) staff is not requesting action at this time.

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 F5CA state accounts beginning with fiscal year (FY) 11/12 through FY 17/18, and projected revenue for FY 18/19 through FY 21/22, 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 19/20 and are estimated to decrease approximately 2.5% per year.

Table 1
Actual and Projected First 5 California Cigarette and Tobacco Tax Revenue
through FY 2020/21

Fiscal year	Tax Revenue Amount	% Change
2011/12	\$93,381,688	0.71%
2012/13	\$90,100,191	-3.51%
2013/14	\$86,103,907	-4.44%
2014/15	\$86,027,892	-0.09%
2015/16	\$85,473,337	0.64%
2016/17	\$79,907,357	-6.51%
2017/18	\$68,180,551	-14.68%
2018/19	\$72,845,400	6.84%
2019/20	\$71,102,000	-2.39%
2020/21	\$69,128,515	-2.77%
2021/22	\$67,238,712	-2.73%

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 Attachment A, which includes actual and projected revenue and expenditures by account for one prior year, current year, and three subsequent fiscal years.

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 is expected to complete audit testing in early May. Once testing is concluded, OASE will submit preliminary findings to F5CA for Management Discussion and Analysis response.

Fiscal Mapping to the Strategic Plan

F5CA's Strategic Plan, adopted by the Commission in January 2014 and revised in February 2017, 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 C maps expenditures identified in the Financial Plan to specific goals identified in the Strategic Plan.

ATTACHMENTS

- A. First 5 California Financial Plan FY 2017/18 through FY 2021/22
- B. First 5 California Fund Condition Summary FY 2017/18 through FY 2021/22
- C. First 5 California Strategic Plan Goal Map

**First 5 California
Financial Plan**
FY 2017-18 through FY 2021-22

Item #10
Attachment A
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	2017-18	2018-19	2019-20	2020-21	2021-22
Mass Media Communications (0631)					
Beginning Balance	\$8,715,659	\$20,297,535	\$13,361,438	\$13,359,865	\$15,797,202
Projected Expenditures and Obligations	18,613,934	29,318,613	21,861,069	18,830,414	406,719
Projected Revenue	21,064,517	21,853,620	21,330,600	20,738,855	20,171,614
Projected Interest	183,301	28,896	28,896	28,896	28,896
Federal Reimbursement for Kit	500,000	500,000	500,000	500,000	500,000
Year-end Balance	\$20,297,534	\$13,361,438	\$13,359,865	\$15,797,202	\$36,090,993

Education (0634)					
Beginning Balance	\$64,049,229	\$67,433,784	\$51,492,757	\$47,514,854	\$58,972,293
Projected Expenditures and Obligations	20,108,636	34,279,752	21,880,778	5,952,314	1,241,190
Projected Revenue	17,553,764	18,211,350	17,775,500	17,282,379	16,809,678
Projected Interest	1,031,057	127,375	127,375	127,375	127,375
Year-end Balance	\$67,433,783	\$51,492,757	\$47,514,854	\$58,972,294	\$74,668,156

Child Care (0636)					
Beginning Balance	\$36,909,695	\$36,011,208	\$23,986,225	\$20,328,472	\$30,056,959
Projected Expenditures and Obligations	18,146,808	23,020,422	14,382,351	689,818	702,985
Projected Revenue	10,532,259	10,926,810	10,665,300	10,369,427	10,085,807
Projected Interest	596,631	68,629	59,298	48,878	193,359
Year-end Balance	\$36,011,209	\$23,986,225	\$20,328,472	\$30,056,959	\$39,633,140

Research and Development (0637)					
Beginning Balance	\$46,840,955	\$51,560,624	\$43,344,828	\$37,453,223	\$40,375,724
Projected Expenditures and Obligations	9,584,225	19,223,187	16,619,606	7,490,631	807,905
Projected Revenue	10,532,259	10,926,810	10,665,300	10,369,427	10,085,807
Projected Interest	718,509	80,581	62,700	43,705	43,705
Year-end Balance	\$51,560,625	\$43,344,828	\$37,453,222	\$40,375,724	\$49,697,331

Unallocated (0639)					
Beginning Balance	\$16,124,106	\$14,659,930	\$14,829,572	\$15,411,724	\$17,562,082
Projected Expenditures and Obligations	5,804,555	7,172,502	6,593,444	4,835,333	4,810,333
Projected Revenue	7,021,506	7,284,540	7,110,200	6,912,952	6,723,871
Projected Interest	69,251	57,605	65,395	72,740	72,740
Year-end Balance	\$14,659,930	\$14,829,573	\$15,411,723	\$17,562,083	\$19,548,360

Program Accounts 0631, 0634, 0636, 0637, and 0639 Totals:					
Total Cigarette and Tobacco Tax Revenue	\$66,704,305	\$69,203,130	\$67,546,900	\$65,673,040	\$63,876,777
Total Resources Per Year	\$242,442,698	\$260,029,297	\$215,405,384	\$200,562,772	\$227,607,112
Total Expenditures Per Year	\$72,258,158	\$113,014,476	\$81,337,248	\$37,798,510	\$7,969,132
Total Over/Under	\$170,184,540	\$147,014,821	\$134,068,136	\$162,764,262	\$219,637,980

**First 5 California
Financial Plan**
FY 2017-18 through FY 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Administration (0638)					
Beginning Balance	\$13,070,241	\$8,636,870	\$8,193,102	\$8,082,927	\$7,267,226
Projected Expenditures and Obligations	8,082,703	4,124,738	3,694,693	4,291,347	4,412,000
Projected Revenue	3,498,737	3,642,270	3,555,100	3,456,476	3,361,936
Projected Interest	150,596	38,700	29,418	19,170	19,170
Year-end Balance	\$8,636,870	\$8,193,102	\$8,082,927	\$7,267,226	\$6,236,332

ALL FIRST 5 CALIFORNIA FUNDS					
Total Revenue	\$70,203,042	\$72,845,400	\$71,102,000	\$69,129,516	\$67,238,713
Total Expenditures Per Year	\$80,340,861	\$117,139,214	\$85,031,941	\$42,089,857	\$12,381,132
Total Over/Under	\$178,821,410	\$155,207,923	\$142,151,063	\$170,031,488	\$225,874,312
Total 15% Reserve	\$10,530,456	\$10,926,810	\$10,665,300	\$10,369,427	\$10,085,807
Net After Reserve	\$168,290,954	\$144,281,113	\$131,485,763	\$159,662,060	\$215,788,505

**First 5 California
Fund Condition Summary
FY 2017-18 through FY 2021-22**

Line Items by Fund	Strategic Plan	2017-18	2018-19	2019-20	2020-21	2021-22
1 Mass Media Communications (0631)						
Beginning Balance		\$8,715,659	\$20,297,535	\$13,361,438	\$13,359,865	\$15,797,202
Prior Year Beginning Balance Adjustment						
Parent Signature Program - Mass Marketing (Advertising)	3.1	14,295,567	22,883,597	21,466,650	18,430,494	0
Parent Signature Program - 1-800 Number	3.1	52,260	0	0	0	0
Parent Signature Program - Kit for New Parents	3.1	4,262,721	5,893,144	1,100	0	0
Distributed Labor		0	213,628	220,036	226,638	233,437
Miscellaneous	3.1	1,386	154,962	0	0	0
State Assessments		2,000	2,000	2,000	2,000	2,000
Total Expenditures		18,613,934	29,147,330	21,689,786	18,659,131	235,437
Allocation from Admin		0	171,283	171,283	171,283	171,283
Prior Year Adjustments & Accruals		0	0	0	0	0
Adjusted Expenditures		18,613,934	29,318,613	21,861,069	18,830,414	406,719
Projected Revenue		21,064,517	21,853,620	21,330,600	20,738,855	20,171,614
Projected Interest (From Historical back up)		\$183,301	\$28,896	\$28,896	\$28,896	28,896
Federal Reimbursement for Kit		500,000	500,000	500,000	500,000	500,000
Other Revenue (Ending balance adjustment to match DF 303)		8,447,991				
Total Revenues		30,195,809	22,382,516	21,859,496	21,267,751	20,700,510
Year-end Balance		\$20,297,535	\$13,361,438	\$13,359,865	\$15,797,202	\$36,090,992
15% Reserve		3,159,678	3,278,043	3,199,590	3,110,828	3,025,742
Net Year-end Balance		\$17,137,857	\$10,083,395	\$10,160,275	\$12,686,374	\$33,065,250

2 Education (0634)						
Beginning Balance		\$64,049,229	\$67,433,784	\$51,492,757	\$47,514,854	\$58,972,293
Prior Year Beginning Balance Adjustment						
Statewide Summit	2.1, 2.2, 3.1	254,625	0	250,000	0	0
Co-Sponsorship Funding		88,308	124,300	0	0	0
Educare	1.2, 2.1	611,707	859,860	748,800	748,800	0
First 5 IMPACT	1.1, 1.2, 1.3 2.1, 2.2	19,151,818	32,150,458	19,710,864	4,806	0
Proposed Pilots	1.2, 1.3	0	0	0	4,000,000	0
Distributed Labor		0	957,739	986,471	1,016,065	1,046,547
Miscellaneous		179	2,752	0	0	0
State Assessments		2,000	2,000	2,000	0	12,000
Total Expenditures		20,108,636	34,097,108	21,698,135	5,769,671	1,058,547
Allocation from Admin		0	182,643	182,643	182,643	182,643
Prior Year Adjustments & Accruals		0	0	0	0	0
Adjusted Expenditures		20,108,636	34,279,752	21,880,778	5,952,314	1,241,190
Projected Revenue		17,553,764	18,211,350	17,775,500	17,282,379	16,809,678
Miscellaneous revenue-Child Summit						
Other Revenue (Ending balance adjustment to match DF 303)		4,908,369				
Projected Interest (From Historical back up)		1,031,057	127,375	127,375	127,375	127,375
Total Revenue		23,493,190	18,338,725	17,902,875	17,409,754	16,937,053
Year-end Balance		\$67,433,784	\$51,492,757	\$47,514,854	\$58,972,293	\$74,668,156
15% Reserve		2,633,065	2,731,703	2,666,325	2,592,357	2,521,452
Net Year-end Balance		\$64,800,719	\$48,761,054	\$44,848,529	\$56,379,936	\$72,146,704

First 5 California
Fund Condition Summary
FY 2017-18 through FY 2021-22

Line Items by Fund	Strategic Plan	2017-18	2018-19	2019-20	2020-21	2021-22
3 Child Care (0636)						
Beginning Balance		\$36,909,695	\$36,011,208	\$23,986,225	\$20,328,472	\$30,056,959
First 5 IMPACT	1.1, 1.2, 1.3 2.1, 2.2	18,141,808	22,365,539	13,711,905	3,343	0
Distributed Labor		0	518,741	534,304	550,333	566,843
Miscellaneous		3,000	0	0	0	0
State Assessments		2,000	2,000	2,000	2,000	2,000
Total Expenditures		18,146,808	22,886,280	14,248,209	555,676	568,843
Allocation from Admin		0	134,142	134,142	134,142	134,142
Prior Year Adjustments		0	0	0	0	0
Adjusted Expenditures		18,146,808	23,020,422	14,382,351	689,818	702,985
Projected Revenue		10,532,259	10,926,810	10,665,300	10,369,427	10,085,807
Projected Interest (From Historical back up)		596,631	68,629	59,298	48,878	193,359
Other Revenue (Ending balance adjustment to match DF 303)		6,119,432				
Total Revenue		17,248,322	10,995,439	10,724,598	10,418,305	10,279,166
Year-end Balance		\$36,011,208	\$23,986,225	\$20,328,472	\$30,056,959	\$39,633,140
15% Reserve		1,579,839	1,639,022	1,599,795	1,555,414	1,512,871
Net Year-end Balance		\$34,431,369	\$22,347,203	\$18,728,677	\$28,501,545	\$38,120,269

4 Research and Development (0637)						
Beginning Balance		\$46,840,955	\$51,560,624	\$43,344,828	\$37,453,223	\$40,375,724
Prior Year Beginning Balance Adjustment						
Statewide Research and Evaluation		14,187	310,125	300,000	0	0
Quality Improvement Study-CSU Northridge	2.2	14,187	0	0	0	0
Proposed Pilots	1.2, 1.3	345,112	2,831,742	6,120,568	6,698,593	0
First 5 IMPACT	1.1, 1.2, 1.3 2.1, 2.2	9,208,289	15,326,341	9,426,935	2,298	0
Distributed Labor		0	570,773	587,896	605,533	623,699
Miscellaneous Expenditures		450	0	0	0	0
State Assessments		2,000	2,000	2,000	2,000	2,000
Total Expenditures		9,584,225	19,040,981	16,437,399	7,308,425	625,699
Allocation from Admin		0	182,206	182,206	182,206	182,206
Prior Year Adjustments		0	0	0	0	0
Adjusted Expenditures		9,584,225	19,223,187	16,619,606	7,490,631	807,905
Projected Revenue		10,532,259	10,926,810	10,665,300	10,369,427	10,085,807
Adjustment to Balance						
Projected Interest (From Historical back up)		718,509	80,581	62,700	43,705	43,705
Other Revenue (Ending balance adjustment to match DF 303)		3,053,127				
Transfer to Unallocated						
Total Revenue		14,303,895	11,007,391	10,728,000	10,413,132	10,129,512
Year-end Balance		\$51,560,624	\$43,344,828	\$37,453,223	\$40,375,724	\$49,697,331
15% Reserve		1,579,839	1,639,022	1,599,795	1,555,414	1,512,871
Net Year-end Balance		\$49,980,785	\$41,705,806	\$35,853,428	\$38,820,310	\$48,184,460

First 5 California
Fund Condition Summary
FY 2017-18 through FY 2021-22

Line Items by Fund	Strategic Plan	2017-18	2018-19	2019-20	2020-21	2021-22
5 Unallocated (0639)						
Beginning Balance		\$16,124,106	\$14,659,930	\$14,829,572	\$15,411,724	\$17,562,082
Prior Year Beginning Balance Adjustment						
Small Population County Funding Augmentation	2.2	4,300,000	4,363,582	4,300,000	4,300,000	4,300,000
California Smoker's Helpline	2.2, 3.1	1,077,248	1,836,361	1,400,000	0	0
Strategic Plan	2	4,845	11,630	0	0	0
Miscellaneous		170,462	708,929	641,444	283,333	258,333
Stakeholder Meeting Facilitation	1.2	250,000	250,000	250,000	250,000	250,000
State Assessments		2,000	2,000	2,000	2,000	2,000
Total Expenditures		5,804,555	7,172,502	6,593,444	4,835,333	4,810,333
Prior Year Adjustments		0	0	0	0	0
Adjusted Expenditures		5,804,555	7,172,502	6,593,444	4,835,333	4,810,333
Projected Revenue		7,021,506	7,284,540	7,110,200	6,912,952	6,723,871
Projected Interest (From Historical back up)		69,251	57,605	65,395	72,740	72,740
Total Revenue		4,340,379	7,342,145	7,175,595	6,985,692	6,796,611
Year-end Balance		\$14,659,930	\$14,829,572	\$15,411,724	\$17,562,082	\$19,548,360
15% Reserve		1,053,226	1,092,681	1,066,530	1,036,943	1,008,581
Net Year-end Balance		\$13,606,704	\$13,736,891	\$14,345,194	\$16,525,139	\$18,539,780

Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:						
Total Cigarette and Tobacco Tax Revenue		\$66,704,304	\$69,203,130	\$67,546,900	\$65,673,039	\$63,876,776
Total Resources Per Year		\$262,221,239	\$260,029,296	\$215,405,384	\$200,562,770	\$227,607,111
Total Expenditures Per Year		\$72,258,158	\$113,014,476	\$81,337,248	\$37,798,510	\$7,969,133
Total Over/Under		\$189,963,080	\$147,014,820	\$134,068,136	\$162,764,260	\$219,637,979
Total 15% Reserve		\$10,005,646	\$10,380,470	\$10,132,035	\$9,850,956	\$9,581,516
Net After Reserve		\$179,957,435	\$136,634,351	\$123,936,101	\$152,913,304	\$210,056,462

6 Administration (0638)						
Beginning Balance		\$13,070,241	\$8,636,870	\$8,193,102	\$8,082,927	\$7,267,226
Prior Year Beginning Balance Adjustment						
Administrative Expense	4.1, 4.2	6,778,703	6,133,289	6,313,093	6,499,190	6,691,800
SCO Admin Charges		3,000	3,000	3,000	3,000	3,000
FI\$Cal Charges		8,000	8,000	8,000	8,000	8,000
State Assessments		1,293,000	911,604	369,582	850,000	850,000
Total Budgeted Expenditures		\$8,082,703	\$7,055,893	\$6,693,675	\$7,360,190	\$7,552,800
Allocation to Other Funds (0631, 0634, 0636 and 0637)		\$0	(\$670,274)	(\$670,274)	(\$670,274)	(\$670,274)
Distributed Labor		0	(\$2,260,881)	(\$2,328,708)	(\$2,398,569)	(\$2,470,526)
Prior Year Adjustments		0	0	0	0	0
Adjusted Fund Balance Expenditures		8,082,703	4,124,738	3,694,693	4,291,347	4,412,000
Projected Revenue		3,510,753	3,642,270	3,555,100	3,456,476	3,361,936
Projected Interest (From Historical back up)		150,596	38,700	29,418	19,170	19,170
Other Revenue (Ending balance adjustment to match DF 303)		(12,016)				
Total Revenue		\$3,649,333	\$3,680,970	\$3,584,518	\$3,475,646	\$3,381,106
Year-end Balance		\$8,636,870	\$8,193,102	\$8,082,927	\$7,267,226	\$6,236,332
15% Reserve		\$526,613	\$546,341	\$533,265	\$518,471	\$504,290
Net Year-end Balance		\$8,110,257	\$7,646,761	\$7,549,662	\$6,748,755	\$5,732,042

First 5 California
Fund Condition Summary
FY 2017-18 through FY 2021-22

Line Items by Fund	Strategic Plan	2017-18	2018-19	2019-20	2020-21	2021-22
ALL FIRST 5 CALIFORNIA FUNDS						
Total Cigarette and Tobacco Tax Revenue		\$70,215,057	\$72,845,400	\$71,102,000	\$69,129,515	\$67,238,712
Total Resources Per Year		\$265,870,572	\$263,710,266	\$218,989,902	\$204,038,416	\$230,988,217
Total Expenditures Per Year		\$80,340,861	\$117,139,214	\$85,031,941	\$42,089,857	\$12,381,133
Total Over/Under		\$185,529,711	\$146,571,052	\$133,957,961	\$161,948,559	\$218,607,084
Total 15% Reserve		\$10,532,259	\$10,926,810	\$10,665,300	\$10,369,427	\$10,085,807
Net After Reserve		\$174,997,452	\$135,644,242	\$123,292,661	\$151,579,132	\$208,521,277

Goal #	Goal Name	Goal Description	Total	2016-17	2017-18	2018-19	2019-20	2020-21
Strategic Plan Area 1								
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.	\$ 54,151,895	\$ 4,090,006	\$ 9,300,383	\$ 13,968,467	\$ 8,569,941	\$ 2,089
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.	\$95,679,873	\$ 10,618,587	\$ 9,895,495	\$ 17,050,209	\$ 14,940,509	\$ 10,950,682
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.	\$51,167,377	\$ 4,090,006	\$ 13,300,383	\$ 17,968,467	\$ 12,569,941	\$ 2,089

Goal #	Goal Name	Goal Description	Total	2016-17	2017-18	2018-19	2019-20	2020-21
Strategic Plan Area 2								
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.	\$69,709,316	\$ 6,164,942	\$ 10,166,714	\$ 14,828,328	\$ 9,568,741	\$ 750,889
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.	\$96,432,675	\$ 9,847,306	\$ 14,932,255	\$ 20,168,411	\$ 14,519,941	\$ 4,302,089

Goal #	Goal Name	Goal Description	Total	2016-17	2017-18	2018-19	2019-20	2020-21
Strategic Plan Area 3								
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.	\$155,698,091	\$ 29,076,845	\$ 19,943,806	\$ 30,768,064	\$ 23,117,750	\$ 18,430,494
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.	\$10,000	\$ -	\$ -	\$ -	\$ -	\$ -

Goal #	Goal Name	Goal Description	Total	2016-17	2017-18	2018-19	2019-20	2020-21
Strategic Plan Area 4								
4.1	Internal Structure and Systems	Create and implement an integrated and transparent approach to internal planning, communication, and decision making.	\$0	\$ -	\$ -	\$ -	\$ -	\$ -
4.2	Team Development and Engagement	Develop management and staff awareness, understanding, knowledge, capacity, and involvement within and across organizational areas.	\$93,000	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500