



AGENDA ITEM: 15
DATE OF MEETING: April 24, 2014
ACTION: _____
INFORMATION: X

FINANCIAL UPDATE

SUMMARY

First 5 California staff will provide an update on the current fiscal year revenue, the Board of Equalization (BOE) administrative costs, and First 5 California's Financial Plan for Fiscal Years (FY) 2013-14 through 2016-17.

REVENUE UPDATE

The First 5 California Financial Plan FYs 2013-14 through 2016-17 (Attachment A) includes fiscal year revenue projections based on the Governor's Budget, dated January 10, 2014. The Department of Finance (DOF) projected the California Children and Families Trust Fund (Fund) would receive approximately \$466 million during FY 2013-14, resulting from the provisions of Proposition 10. The Board of Equalization (BOE) has recorded \$314,929,395 of tax revenue in the Fund thus far this fiscal year.

Based on DOF's FY 2013-14 revenue projections, staff estimated the portion of Proposition 10 revenue for State Commission operations to be \$86,938,800, after BOE adjustments for administration costs and backfill. The total FY 2013-14 tax revenue transferred to First 5 California's state accounts from July 2013 to February 2014 was \$57,659,977, an average of \$7,207,497 per month. The projections appear to be fairly accurate when the average monthly revenue amount is calculated over the remaining four months of the fiscal year.

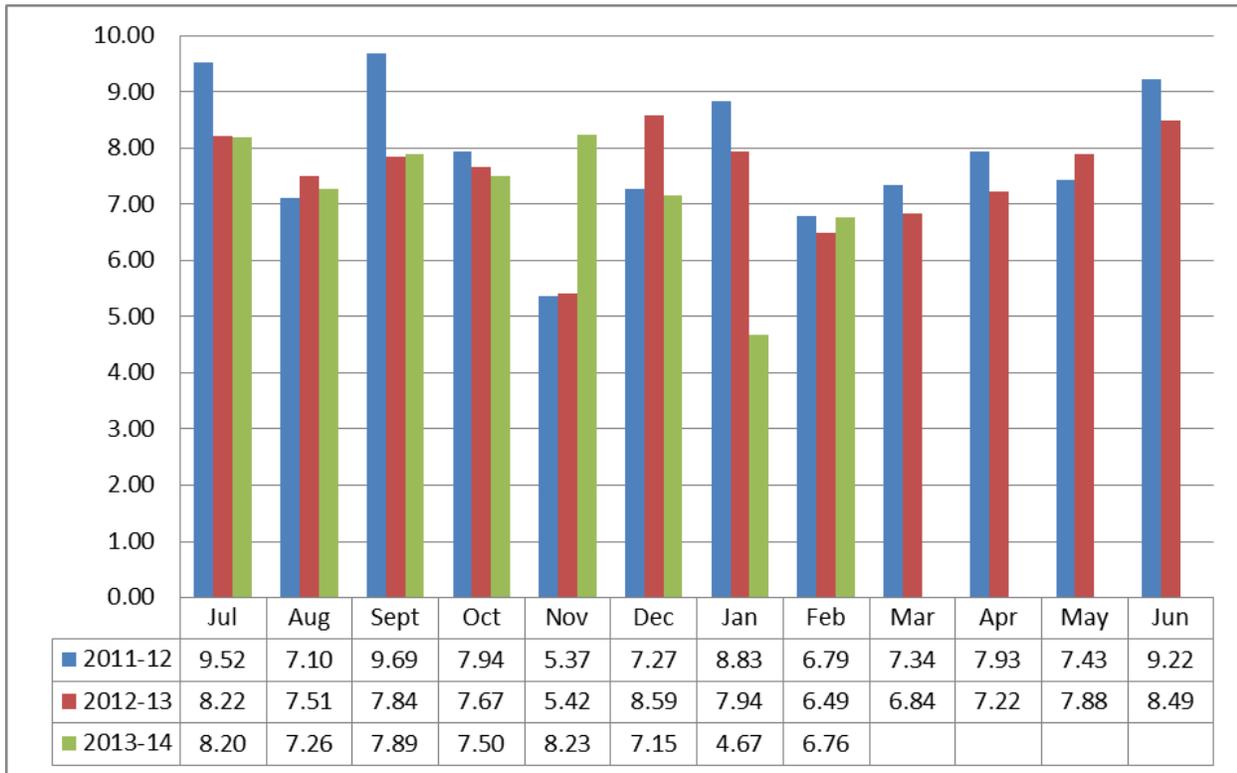
Chart 1, on the next page, provides a comparison of actual revenue deposited in First 5 California's state accounts by month for FYs 2011-12 and 2012-13, along with July through February of FY 2013-14. Compared to the other fiscal years, the FY 2013-14 revenue differs significantly during the months of November and January. This variance is due to the delayed approval of the backfill determination, which is normally approved in November, but wasn't approved until January.

Staff will present actual reconciled year-end financial data to the State Commission at the October 2014 Commission Meeting.

BOARD OF EQUALIZATION UPDATE

Members of First 5 California, First 5 Association of California, First 5 Los Angeles County, and Children and Families Commission of Orange County met with BOE on April 8, 2014, to discuss BOE’s administrative costs. Attachment B was provided by BOE to display cigarette and tobacco products program costs incurred during FY 2012-13.

**CHART 1
 Three-Year Revenue Comparison
 (In millions)**



FINANCIAL PLAN

First 5 California tracks actual and projected revenues and expenditures for First 5 California programs and operations 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. Attachment A displays the Financial Plan for FYs 2013-14 through 2016-17. This plan includes current and projected revenue and expenditures by account, based on existing authorizations and contractual obligations.

Attachment C summarizes funding allocations for Signature Programs included in the Financial Plan.

ATTACHMENTS

- A. First 5 California Financial Plan FYs 2013-14 through 2016-17
- B. FY 2012-13 Cigarette Program Cost Breakdown
- C. Signature Program Funding Summary

**First 5 California
Financial Plan
FYs 2013-14 through 2016-17**

Account/Project	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Mass Media Communications (0631)				
Beginning Balance	\$20,220,080	\$18,489,422	\$7,548,097	\$4,830,855
Projected expenditures and obligations	28,572,958	36,691,573	27,774,667	27,774,667
Projected Revenue	26,081,640	25,194,780	24,534,780	23,934,780
Projected Interest	60,660	55,468	22,644	14,493
Federal Reimbursement for Kit	500,000	500,000	500,000	500,000
Other Revenue	200,000			
Year-end Balance	\$18,489,422	\$7,548,097	\$4,830,855	\$1,505,461
Education (0634)				
Beginning Balance	\$33,949,000	\$30,901,626	\$23,945,069	\$41,554,554
Projected expenditures and obligations	24,883,921	28,044,912	2,908,000	2,108,000
Projected Revenue	21,734,700	20,995,650	20,445,650	19,945,650
Projected Interest	101,847	92,705	71,835	124,664
Year-end Balance	\$30,901,626	\$23,945,069	\$41,554,554	\$59,516,868
Child Care (0636)				
Beginning Balance	\$27,787,536	\$22,487,186	\$16,139,810	\$15,727,619
Projected expenditures and obligations	18,424,532	19,012,228	12,728,000	8,000
Projected Revenue	13,040,820	12,597,390	12,267,390	11,967,390
Projected Interest	83,363	67,462	48,419	47,183
Year End Balance	\$22,487,186	\$16,139,810	\$15,727,619	\$27,734,193
Research and Development (0637)				
Beginning Balance	\$17,371,913	\$22,769,321	\$27,207,134	\$37,368,146
Projected expenditures and obligations	7,695,528	8,227,884	2,188,000	1,158,000
Projected Revenue	13,040,820	12,597,390	12,267,390	11,967,390
Projected Interest	52,116	68,308	81,621	112,104
Year End Balance	\$22,769,321	\$27,207,134	\$37,368,146	\$48,289,640
Unallocated (0639)				
Beginning Balance	\$13,341,338	\$11,196,880	\$7,813,602	\$10,377,386
Projected expenditures and obligations	10,878,362	11,815,129	5,637,917	5,809,143
Projected Revenue	8,693,880	8,398,260	8,178,260	7,978,260
Projected Interest	40,024	33,591	23,441	31,132
Year-end Balance	\$11,196,880	\$7,813,602	\$10,377,386	\$12,577,635
Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:				
Total cigarette and tobacco tax revenue	\$82,591,860	\$79,783,470	\$77,693,470	\$75,793,470
Total resources per year	\$196,299,736	\$186,445,438	\$161,095,143	\$186,481,606
Total expenditures per year	\$90,455,301	\$103,791,727	\$51,236,584	\$36,857,810
Total Over/Under:	\$105,844,435	\$82,653,712	\$109,858,559	\$149,623,796
Administration (0638)				
Beginning Balance	\$22,839,381	\$20,132,081	\$17,098,722	\$13,738,342
Projected expenditures and obligations	7,122,757	7,292,886	7,500,807	7,611,697
Projected Revenue	4,346,940	4,199,130	4,089,130	3,989,130
Projected Interest	68,518	60,396	51,296	41,215
Year End Balance	\$20,132,081	\$17,098,722	\$13,738,342	\$10,156,990
ALL FIRST 5 CALIFORNIA FUNDS				
Total cigarette and tobacco tax revenue	\$86,938,800	\$83,982,600	\$81,782,600	\$79,782,600
Total resources per year	\$223,554,575	\$210,837,046	\$182,334,291	\$204,250,292
Total expenditures per year	\$97,578,059	\$111,084,612	\$58,737,390	\$44,469,506
Total Over/Under:	\$125,976,516	\$99,752,434	\$123,596,901	\$159,780,786
Total 15% reserve	\$13,040,820	\$12,597,390	\$12,267,390	\$11,967,390
Net after reserve	\$112,935,696	\$87,155,044	\$111,329,511	\$147,813,396

**First 5 California
Financial Plan
FYs 2013-14 through 2016-17**

	Account/Project	FY 13-14	FY 14-15	FY 15-16	FY 16-17
1	Mass Media Communications (0631)				
	Beginning Balance	\$20,220,080	\$18,489,422	\$7,548,097	\$4,830,855
A	School Readiness, Cycle 2	(655,990)			
B	Parent Signature Program - Education and Outreach	13,449,531	7,681,784	0	
C	Parent Signature Program - Education and Outreach	0	11,333,333	22,666,667	22,666,667
D	Parent Signature Program - 1-800 Number	100,000	100,000	100,000	100,000
E	Parent Signature Program - Kit for New Parents	3,039,060	5,000,000	5,000,000	5,000,000
F	Child Signature Program	8,191,058	8,127,356	0	0
G	Unallocated Authority	4,441,100	4,441,100	0	0
H	Miscellaneous Media	200	0	0	0
I	SCO/PRORATA/ADJUSTMENTS	8,000	8,000	8,000	8,000
	Total Budgeted Expenditures	28,572,958	36,691,573	27,774,667	27,774,667
	Prior Year Adjustments	0	0	0	0
	Adjusted Fund Balance Expenditures	28,572,958	36,691,573	27,774,667	27,774,667
	Subtotal	(\$8,352,878)	(\$18,202,151)	(\$20,226,570)	(\$22,943,812)
	Projected Revenue	26,081,640	25,194,780	24,534,780	23,934,780
	Projected Interest	60,660	55,468	22,644	14,493
	Federal Reimbursement for Kit	500,000	500,000	500,000	500,000
	Other Revenue	200,000			
	Year-end Balance	\$18,489,422	\$7,548,097	\$4,830,855	\$1,505,461
	15% Reserve	3,912,246	3,779,217	3,680,217	3,590,217
	Net Year-end Balance	\$14,577,176	\$3,768,880	\$1,150,638	(\$2,084,756)
2	Education (0634)				
	Beginning Balance	\$33,949,000	\$30,901,626	\$23,945,069	\$41,554,554
A	School Readiness, Cycle 2	(1,457,757)			
B	Statewide Conference	250,000	250,000	250,000	250,000
C	Co-Sponsorship Funding	150,000	150,000	150,000	150,000
D	Child Signature Program - Educare	154,362	2,000,000	2,000,000	1,700,000
E	Unallocated Authority	0	0	0	0
F	Teacher Signature Program - CARES Plus	500,000	500,000	500,000	0
G	Child Signature Program	16,382,115	16,254,712	0	0
H	Unallocated Authority	8,882,200	8,882,200	0	0
I	SCO/PRORATA/ADJUSTMENTS	8,000	8,000	8,000	8,000
	Total Budgeted Expenditures	24,868,921	28,044,912	2,908,000	2,108,000
	Prior Year Adjustments	15,000	0	0	0
	Adjusted Fund Balance Expenditures	24,883,921	28,044,912	2,908,000	2,108,000
	Subtotal	\$9,065,079	\$2,856,714	\$21,037,069	\$39,446,554
	Projected Revenue	21,734,700	20,995,650	20,445,650	19,945,650
	Projected Interest	101,847	92,705	71,835	124,664
	Year-end Balance	\$30,901,626	\$23,945,069	\$41,554,554	\$59,516,868
	15% Reserve	3,260,205	3,149,348	3,066,848	2,991,848
	Net Year-end Balance	\$27,641,421	\$20,795,721	\$38,487,706	\$56,525,020
	Purple: Amount pending Commission approval.				
	Royal Blue: Amount projected if Commission approves sustained level of effort.				
	Green: Subtotal amounts.				

**First 5 California
Financial Plan
FYs 2013-14 through 2016-17**

	Account/Project	FY 13-14	FY 14-15	FY 15-16	FY 16-17
3	Child Care (0636)				
	Beginning Balance	\$27,787,536	\$22,487,186	\$16,139,810	\$15,727,619
A	School Readiness, Cycle 2	(619,547)			
B	Child Signature Program	4,095,529	4,063,678	0	0
C	Unallocated Authority	2,220,550	2,220,550	0	0
D	Teacher Signature Program - CARES Plus	10,058,543	10,059,703	10,058,744	0
E	Unallocated Authority	2,661,457	2,660,297	2,661,256	0
F	SCO/PRORATA/ADJUSTMENTS	8,000	8,000	8,000	8,000
	Total Budgeted Expenditures	18,424,532	19,012,228	12,728,000	8,000
	Prior Year Adjustments	0	0	0	0
	Adjusted Fund Balance Expenditures	18,424,532	19,012,228	12,728,000	8,000
	Subtotal	\$9,363,003	\$3,474,958	\$3,411,810	\$15,719,619
	Projected Revenue	13,040,820	12,597,390	12,267,390	11,967,390
	Projected Interest	83,363	67,462	48,419	47,183
	Year End Balance	\$22,487,186	\$16,139,810	\$15,727,619	\$27,734,193
	15% Reserve	1,956,123	1,889,609	1,840,109	1,795,109
	Net Year-end Balance	\$20,531,063	\$14,250,201	\$13,887,510	\$25,939,084
4	Research and Development (0637)				
	Beginning Balance	\$17,371,913	\$22,769,321	\$27,207,134	\$37,368,146
A	School Readiness, Cycle 2	(911,098)			
B	Annual Report	221,667	150,000	150,000	150,000
C	General Research Software				
D	CARES Plus Program Data Collection and Storage	780,000	780,000	780,000	0
E	California Health Interview Survey	1,000,000	500,000	750,000	750,000
F	IT Development				
G	Child Signature Program	4,099,215	4,067,336	0	0
H	Unallocated Authority	2,222,549	2,222,549	0	0
I	Transitional Kindergarten Study	250,000	250,000	0	0
J	Transitional Kindergarten Study		250,000	500,000	250,000
K	Miscellaneous Research	25,195			
L	SCO/PRORATA/ADJUSTMENTS	8,000	8,000	8,000	8,000
	Total Budgeted Expenditures	7,695,528	8,227,884	2,188,000	1,158,000
	Prior Year Adjustments	0	0	0	0
	Adjusted Fund Balance Expenditures	7,695,528	8,227,884	2,188,000	1,158,000
	Subtotal	\$9,676,385	\$14,541,436	\$25,019,134	\$36,210,146
	Projected Revenue	13,040,820	12,597,390	12,267,390	11,967,390
	Projected Interest	52,116	68,308	81,621	112,104
	Year End Balance	\$22,769,321	\$27,207,134	\$37,368,146	\$48,289,640
	15% Reserve	1,956,123	1,889,609	1,840,109	1,795,109
	Net Year-end Balance	\$20,813,198	\$25,317,526	\$35,528,037	\$46,494,532
	Purple: Amount pending Commission approval.				
	Royal Blue: Amount projected if Commission approves sustained level of effort.				
	Green: Subtotal amounts.				

**First 5 California
Financial Plan
FYs 2013-14 through 2016-17**

	Account/Project	FY 13-14	FY 14-15	FY 15-16	FY 16-17
5	Unallocated (0639)				
	Beginning Balance	\$13,341,338	\$11,196,880	\$7,813,602	\$10,377,386
A	Small County Augmentations	2,894,688	4,122,901	4,229,917	4,401,143
B	California Smoker's Helpline	1,518,967	1,400,000	1,400,000	1,400,000
C	Strategic Planning Consultant	95,664			
D	Strategic Planning Consultant Amendment	44,964			
E	Child Signature Program	4,095,529	4,063,678	0	0
F	Unallocated Authority	2,220,550	2,220,550		
G	SCO/PRORATA/ADJUSTMENTS	8,000	8,000	8,000	8,000
	Total Budgeted Expenditures	10,878,362	11,815,129	5,637,917	5,809,143
	Prior Year Adjustments	0	0	0	0
	Adjusted Fund Balance Expenditures	10,878,362	11,815,129	5,637,917	5,809,143
	Subtotal	\$2,462,976	(\$618,249)	\$2,175,685	\$4,568,243
	Projected Revenue	8,693,880	8,398,260	8,178,260	7,978,260
	Projected Interest	40,024	33,591	23,441	31,132
	Year-end Balance	\$11,196,880	\$7,813,602	\$10,377,386	\$12,577,635
	15% Reserve	1,304,082	1,259,739	1,226,739	1,196,739
	Net Year-end Balance	\$9,892,798	\$6,553,863	\$9,150,647	\$11,380,896
	Program Accounts 0631, 0634, 0636, 0637, 0639 Totals:				
	Total cigarette and tobacco tax revenue	\$82,591,860	\$79,783,470	\$77,693,470	\$75,793,470
	Total resources per year	\$196,299,736	\$186,445,438	\$161,095,143	\$186,481,606
	Total expenditures per year	\$90,455,301	\$103,791,727	\$51,236,584	\$36,857,810
	Total Over/Under:	\$105,844,435	\$82,653,712	\$109,858,559	\$149,623,796
	Total 15% Reserve	\$12,388,779	\$11,967,521	\$11,654,021	\$11,369,021
		\$93,455,656	\$70,686,191	\$98,204,539	\$138,254,776
6	Administration (0638)				
	Beginning Balance	\$22,839,381	\$20,132,081	\$17,098,722	\$13,738,342
A	Administrative Expense	6,898,191	7,018,593	7,120,807	7,231,697
B	SCO/PRORATA/ADJUSTMENTS	224,566	274,293	380,000	380,000
	Total Budgeted Expenditures	7,122,757	7,292,886	7,500,807	7,611,697
	Prior Year Adjustments	0	0	0	0
	Adjusted Fund Balance Expenditures	7,122,757	7,292,886	7,500,807	7,611,697
	Subtotal	\$15,716,623	\$12,839,196	\$9,597,915	\$6,126,645
	Projected Revenue	4,346,940	4,199,130	4,089,130	3,989,130
	Projected Interest	68,518	60,396	51,296	41,215
	Year End Balance	\$20,132,081	\$17,098,722	\$13,738,342	\$10,156,990
	15% reserve	652,041	629,870	613,370	598,370
	Net Year-end Balance	\$19,480,040	\$16,468,853	\$13,124,972	\$9,558,621
	ALL FIRST 5 CALIFORNIA FUNDS				
	Total cigarette and tobacco tax revenue	\$86,938,800	\$83,982,600	\$81,782,600	\$79,782,600
	Total resources per year	\$223,554,575	\$210,837,046	\$182,334,291	\$204,250,292
	Total expenditures per year	\$97,578,059	\$111,084,612	\$58,737,390	\$44,469,506
	Total Over/Under:	\$125,976,516	\$99,752,434	\$123,596,901	\$159,780,786
	Total 15% reserve	\$13,040,820	\$12,597,390	\$12,267,390	\$11,967,390
	Net after reserve	\$112,935,696	\$87,155,044	\$111,329,511	\$147,813,396
	Purple: Amount pending Commission approval.				
	Royal Blue: Amount projected if Commission approves sustained level of effort.				
	Green: Subtotal amounts.				

FY 2012-13 CIGARETTE PROGRAM COST BREAKDOWN

Cigarette & Tobacco Products Tax Program																		
PROPERTY & SPECIAL TAXES / SALES & USE TAX			INVESTIGATIONS				PROP-SPEC TAX ADMIN	MAIL ROOM	CASHIERS	DATA ENTRY	LEGAL	TSD	CATS	CROS	SBE OVERHEAD	CIGARETTE TAX STAMPS	PRO RATA	PROGRAM TOTAL
	PS	OE	Total	PS	OE	Total												
Registration	449,966	117,208	567,174	1,339	377	1,716	1,876	2,514		8,870	1,068,640	163,690	88,629	216,144	1,362,607	451,140	3,933,000	
Returns	880,876	211,136	1,092,012	0	0	0	3,599	6,088	3,571	4,459	17,185	1,068,642		241,572	1,561,795	518,077	4,517,000	
Audit	2,385,040	565,909	2,950,949	814,969	236,167	1,051,136	13,050			230,469	44,204			483,145	3,063,719	1,000,330	8,837,000	
Enforcement	8,893	919	9,812	1,637,372	516,526	2,153,898	6,856							228,858	1,628,511	490,677	4,518,612	
Collections	596,901	133,561	730,463	100,790	27,678	128,468	2,812			369	59,960			101,715	640,661	215,554	1,880,001	
TOTAL	4,321,677	1,028,733	5,350,410	2,554,470	780,748	3,335,218	28,192	8,602	3,571	4,459	256,894	2,241,446	163,690	88,629	1,271,433	8,257,293	2,675,777	23,685,614

	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs
Registration	6.4	0.0	0.0			0.0			3.4	1.7	0.4	1.9	13.9	
Returns	11.9	0.0	0.1	0.0	0.0	0.1			3.4			2.1	17.8	
Audit	27.2	8.4	0.2			1.5			0.2			4.1	41.6	
Enforcement	0.1	17.2	0.1						0.0			2.1	19.5	
Collections	7.9	1.3	0.0						0.3			0.9	10.5	
TOTAL	53.5	26.9	0.4	0.1	0.0	0.1	1.6	7.3	1.7	0.4	11.1	103.2		

Cigarette Tax Rate	Rates	%	12-13 Rev* (rounded)	%
General Fund	10c	11.5%	90,106,000	10.4%
Breast Cancer Fund	2c	2.3%	21,409,000	2.5%
Cigarette and Tobacco Products Surtax Fund	25c	28.7%	277,832,000	31.9%
California Children and Families First Trust Fund	50c	57.5%	480,490,000	55.2%

Cigarette/Tobacco Tax Fund Allocation (rounded)	%
General Fund	4,056,000 17.1%
Breast Cancer Fund	574,000 2.4%
Cigarette and Tobacco Products Surtax Fund	7,113,000 30.0%
California Children and Families First Trust Fund	11,943,000 50.4%
TOTAL	23,686,000

Cigarette & Tobacco Products Licensing Program																		
PROPERTY & SPECIAL TAXES / SALES & USE TAX			INVESTIGATIONS				PROP-SPEC TAX ADMIN	MAIL ROOM	CASHIERS	DATA ENTRY	LEGAL	TSD			SBE OVERHEAD	PRO RATA	PROGRAM TOTAL	
	PS	OE	Total	PS	OE	Total												
Registration	1,180,258	225,339	1,405,598	35,648	7,405	43,053												
Returns	4,595	629	5,224	35,648	7,405	43,053												
Audit	272,807	39,332	312,139	683,216	184,249	867,465												
Enforcement	10	0	10	3,383,619	1,161,214	4,544,833												
Collections	72,912	13,292	86,204	35,648	7,405	43,053												
TOTAL	1,530,582	278,592	1,809,174	4,173,779	1,367,677	5,541,456	10,588	22,960	9,532	11,901	141,089	985			906,961	32,873	8,487,519	

	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs	PYs
Registration	16.0	0.4							
Returns	0.0	0.4							
Audit	2.8	6.9							
Enforcement	0.0	36.8							
Collections	0.9	0.4							
TOTAL	19.7	44.8	0.1	0.2	0.1	0.1	0.9	0.0	7.8

Cig./Tob. Licensing Fee Fund Allocation (rounded)	%
General Fund	1,313,000 15.5%
Breast Cancer Fund	155,000 1.8%
Cigarette and Tobacco Products Surtax Fund	1,945,000 22.9%
California Children and Families First Trust Fund	3,888,000 45.8%
Cigarette and Tobacco Products Compliance Fund	1,189,000 14.0%
TOTAL	8,490,000

* 2012-13 Revenues include the Backfill Adjustment.

Signature Program Funding Summary
Fiscal Years 2013-14 through 2016-17

CHILD SIGNATURE PROGRAM						
Authority: Up to \$45 Million through June 30, 2015						
<i>Account</i>	FY 12-13	% of FY Total	FY 13-14	% of FY Total	FY 14-15	% of FY Total
Media	\$10,000,000	22.22%	\$10,000,000	22.22%	\$10,000,000	22.22%
Education	\$20,000,000	44.44%	\$20,000,000	44.44%	\$20,000,000	44.44%
Child Care	\$5,000,000	11.11%	\$5,000,000	11.11%	\$5,000,000	11.11%
Research	\$5,000,000	11.12%	\$5,000,000	11.12%	\$5,000,000	11.12%
Unallocated	\$5,000,000	11.11%	\$5,000,000	11.11%	\$5,000,000	11.11%
FY total	\$45,000,000	100%	\$45,000,000	100%	\$45,000,000	100%
TEACHER SIGNATURE PROGRAM						
Comprehensive Approaches to Raising Education Standards (CARES) Plus Round 2						
Authority: Up to \$42 Million through June 30, 2016						
<i>Account</i>	FY 13-14		FY 14-15		FY 15-16	
Child Care	\$12,720,000		\$12,720,000		\$12,720,000	
Education	\$500,000		\$500,000		\$500,000	
Research	\$780,000		\$780,000		\$780,000	
FY total	\$14,000,000		\$14,000,000		\$14,000,000	
PARENT SIGNATURE PROGRAM						
Authority:						
<ol style="list-style-type: none"> 1. Parent Outreach and Education: \$31.1 Million 1/1/2012-12/31/2014; additional \$68 Million requested through 12/31/2017 2. Kit for New Parents: Up to \$15 Million through 7/31/2017 3. 1-800-Number: Up to \$100,000 Annually 						
<i>Account</i>	FY 13-14	FY 14-15	FY 15-16	FY 16-17		
1. Media	\$13,449,531	\$19,015,117	\$22,666,667	\$22,666,667		
2. Media	\$3,039,060	\$5,000,000	\$5,000,000	\$5,000,000		
3. Media	\$100,000	\$100,000	\$100,000	\$100,000		
FY total	\$16,588,591	\$24,115,117	\$27,766,667	\$27,766,667		