



AGENDA ITEM: 14
DATE OF MEETING: April 23, 2015
ACTION: _____
INFORMATION: X

ALTERNATIVE SOURCES FOR ADDITIONAL REVENUE UPDATE

SUMMARY

At the January 22, 2015, Commission meeting, staff outlined numerous alternative sources for additional revenue that may provide long-term sustainability for the Commission. After the presentation, the Commission directed staff to concentrate on specific identified options and provide an update on their findings at its next meeting.

UPDATE ON PREVIOUSLY DISCUSSED OPTIONS

1. E-Cigarette Tax

The Legislature is taking an active role in the regulation of e-cigarettes. To date, legislation has been proposed that seeks to: 1) change the definition of tobacco products to include e-cigarettes (SB 140–Leno), 2) include e-cigarettes to the STAKE Act (SB 24–Hill), and 3) prohibit non-nicotine vapor products sales to minors (AB 216–Green). While these bills do not address excise taxes for e-cigarettes, staff have met with legislators to advance the subject of the need for taxation, and the inclusion of First 5, in future legislation.

2. Inclusion of First 5 California (F5CA) in Any Initiative that Attempts to Legalize Recreational Marijuana Use

In January 2015, staff met with a representative of the Drug Policy Alliance (DPA), the leader of a number of the marijuana legalization campaigns, and the author of one of the two 2014 circulated initiatives in California. DPA intends to place a recreational marijuana initiative on the 2016 California ballot. The representative was interested in the prospect of including First 5 on the list of intended recipients for the 2016 initiative, and talks continue toward that goal.

3. Cigarette Tax Increase for Early Childhood Education

Citing California's low excise tax on cigarettes (\$.87 per pack), Senator Pan (SB 591) and Assemblymember Bonta (AB 1396) introduced companion bills in February 2015 that would increase California's tobacco tax by \$2.00 a pack. Currently, the legislation earmarks all additional revenue for tobacco prevention and education, tobacco

disease-related health care, tobacco law enforcement, and Medi-Cal expansion. Backfill is provided by the legislation for lost First 5 revenue as a result of the new tax.

F5CA staff, Chair Halvorson, and the First 5 Association are engaging with the bills' authors and sponsors to explore options that would ensure First 5 programs are not negatively impacted by the increased tax over and above the customary backfill provision.

4. Soliciting Donations

F5CA staff have further explored the logistics of accepting donations via a donation page accessed from the F5CA website homepage, and in particular the creation of an application that collects information pertinent to the proper recording and tracking of donation revenue. The application would require information such as donor name, company (if applicable), contact information, donation amount, and payment preference (cash, check, or credit card). Additionally, a dropdown menu would list current statewide programs and activities administered by F5CA to provide ease of selection. The menu also would include an "Other" option that prompts a text box allowing donors to specify a program or activity not included in the menu.

F5CA currently has the ability to accept checks and cash, which is the preferred payment method. The donor would be provided instructions to mail or deliver the donation to F5CA with a copy of the confirmation page as supporting documentation.

While credit card donations also can be accepted, additional work is necessary to establish this process. Once the system is functional, credit card payment information would be captured in a secure environment, processed by staff, and transferred to F5CA's Office Revolving Fund. This process can cost between 3 to 5 percent of the donation amount, depending on the type of credit card used.

Staff would use reports generated from the application to reconcile deposits, remit donations to account(s) per the donor's intent, and send receipts to those requesting the information. All donations would be tracked separately in the accounting system and displayed in the Financial Plan.

Staff is committed to continuing in their efforts to identify sustainable revenue over and above the revenue F5CA currently receives. At the Commission's direction, staff will continue to pursue the options listed above, and provide a progress report to the Commission on a regular basis.