



**August 19, 2020**

## **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.

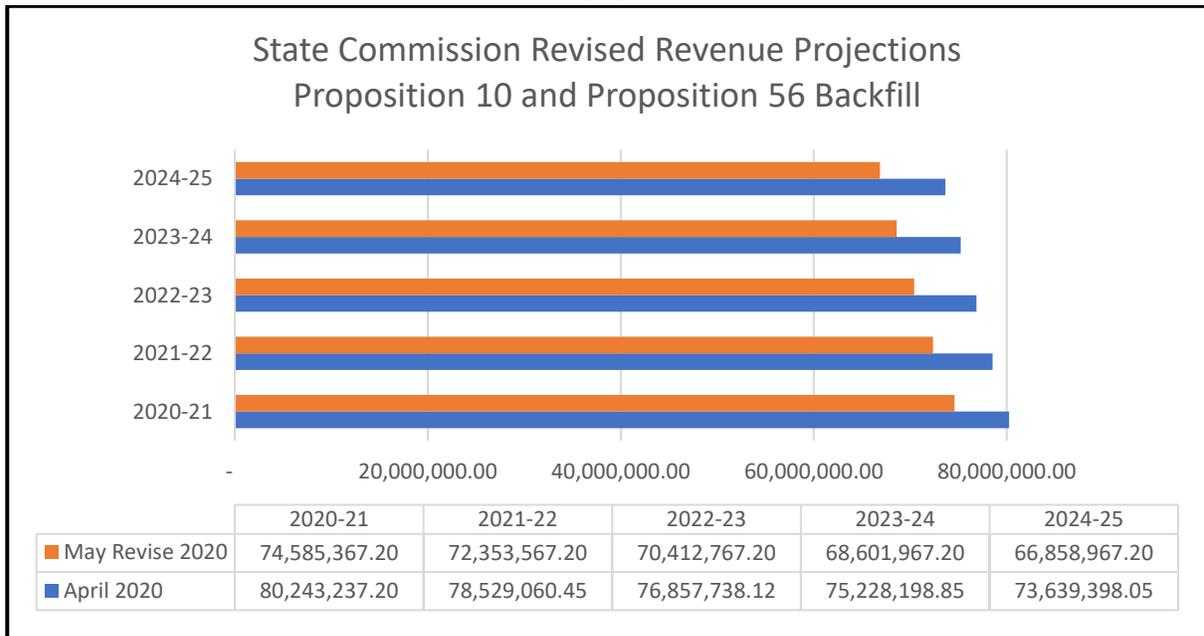
#### **California Children and Families Trust Fund Allocation**

In accordance with the Health and Safety Code Section 130105, the California Children and Families Trust Fund shall consist of moneys collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code. Moneys shall be allocated and appropriated from the California Children and Families Trust Fund as follows: 80% to county commissions and 20% to the State Commission (state Commission consisting of: Mass Media Communications, Education, Child Care, Research and Development, Unallocated, and Administration Accounts). First 5 California Children and Families Trust Fund Allocation, Attachment A, displays the allocation percentages to each of F5CA's funds.

#### **Revenue Update**

In May, the Department of Finance (DOF) provided F5CA staff with five-year revenue projections for Proposition 10 and Proposition 56 Backfill revenue. The First 5 California Financial Plan, Attachment B, and the First 5 California Fund Condition Summary, Attachment C, reflect the updated revenue projections for fiscal year (FY) 2019/20 through FY 2024/25. Chart 1 below compares the previous estimated Proposition 10 and Proposition 56 Backfill combined revenues for the State Commission (excludes county commissions) with the revised revenue projections received in May 2020. The average decline between projected revenues was 8.2%.

**Chart 1**



**Chart 1 Data Table**

	<b>April 2020</b>	<b>May Revise 2020</b>
2020-21	80,243,237.20	74,585,367.20
2021-22	78,529,060.45	72,353,567.20
2022-23	76,857,738.12	70,412,767.20
2023-24	75,228,198.85	68,601,967.20
2024-25	73,639,398.05	66,858,967.20

To date, the California Department of Tax and Fee Administration (CDTFA) has recorded and transferred \$337 million for Proposition 10 and \$91 million for Proposition 56 Backfill to the California Children and Families Trust Fund for FY 19/20. This revenue amount is before adjustments and does not capture what was received by the county commission or State Commission. F5CA staff are currently working to close FY 19/20 and will present actual year end financial data to the State Commission at the October Commission Meeting.

Table 1 represents the actual tax revenues transferred from the California Children and Families Trust Fund to First 5 accounts (State and counties) beginning with FY 11/12 through (FY) 18/19, and projected revenue for FY 19/20 through FY 24/25, with the percentage change from each fiscal year to the next. These amounts include other costs and backfill.

FY 19/20 reflects an increase in revenue of 16.45% due to Proposition 56 Backfill being significantly higher than the previous fiscal year. F5CA received \$37,160,000 for Proposition 56 in FY 18/19 and \$91,195,000 in FY 19/20. F5CA does not anticipate a revenue increase such as this to reoccur in the future. The May revised revenue projections estimate Proposition 56 Backfill to be \$85,494,000 for FY 20/21, declining each year thereafter by approximately \$2 million per year.

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

<b>Actuals / Projections</b>	<b>Fiscal Year</b>	<b>F5 Commission Tax Revenue Amount</b>	<b>F5 Counties Tax Revenue Amount</b>	<b>Total Revenue Amount</b>	<b>% Change</b>
Actuals	2011/12	\$93,381,688	\$373,526,751	\$466,908,439	-0.71%
Actuals	2012/13	\$90,100,191	\$360,400,766	\$450,500,957	-3.51%
Actuals	2013/14	\$86,103,907	\$344,415,629	\$430,519,536	-4.44%
Actuals	2014/15	\$86,027,892	\$344,111,568	\$430,139,460	-0.09%
Actuals	2015/16	\$85,473,337	\$341,893,349	\$427,366,686	-0.64%
Actuals	2016/17	\$79,614,357	\$318,457,428	\$398,071,785	-6.85%
Actuals	2017/18	\$70,215,057	\$280,860,227	\$351,075,284	-11.81%
Actuals	2018/19	\$66,675,215	\$266,700,858	\$333,376,073	-5.04%
Projections	2019/20	\$77,640,393	\$310,561,572	\$388,201,965	16.45%
Projections	2020/21	\$74,585,367	\$298,341,469	\$372,926,836	-3.93%
Projections	2021/22	\$72,353,567	\$289,414,269	\$361,767,836	-2.99%
Projections	2022/23	\$70,412,767	\$281,651,069	\$352,063,836	-2.68%
Projections	2023/24	\$68,601,967	\$274,407,869	\$343,009,836	-2.57%
Projections	2024/25	\$66,858,967	\$267,435,869	\$334,294,836	-2.54%

**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 B), which includes actual and projected revenue and expenditures by account for the current year and four subsequent fiscal years. Attachment C, 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 in an effort to achieve clarity and understanding of revenue transfers to the fund.

**ATTACHMENTS**

- A. First 5 California Children and Families Trust Fund Allocation
- B. First 5 California Financial Plan FY 2019/20 through FY 2023/24
- C. First 5 California Fund Condition Summary FY 2019/20 through FY 2023/24