

Financial Update

October 30, 2024



Updates

Year End:

- Completed Financial Statements submitted to the State Controller's Office
- Completed Fund Reconciliations submitted to Department of Finance

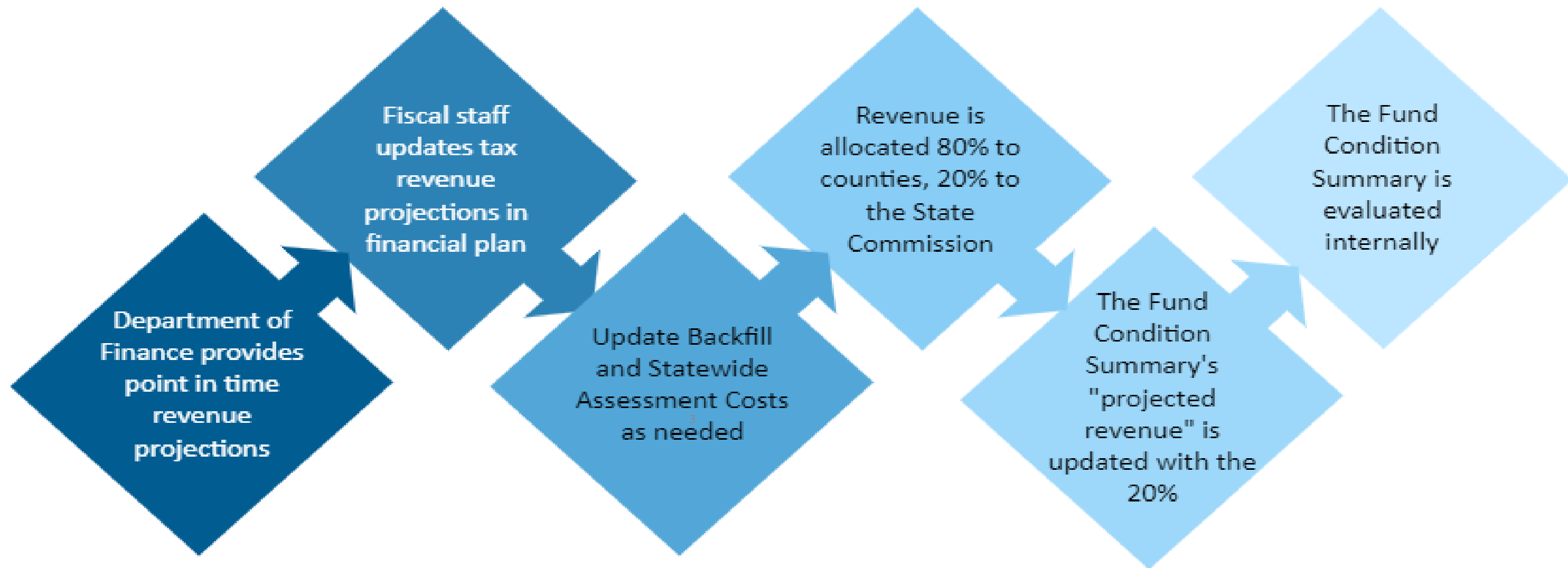
Next steps:

- Reconcile Fund Condition (inflows and outflows) with Financial Plan
- Update Financial plan

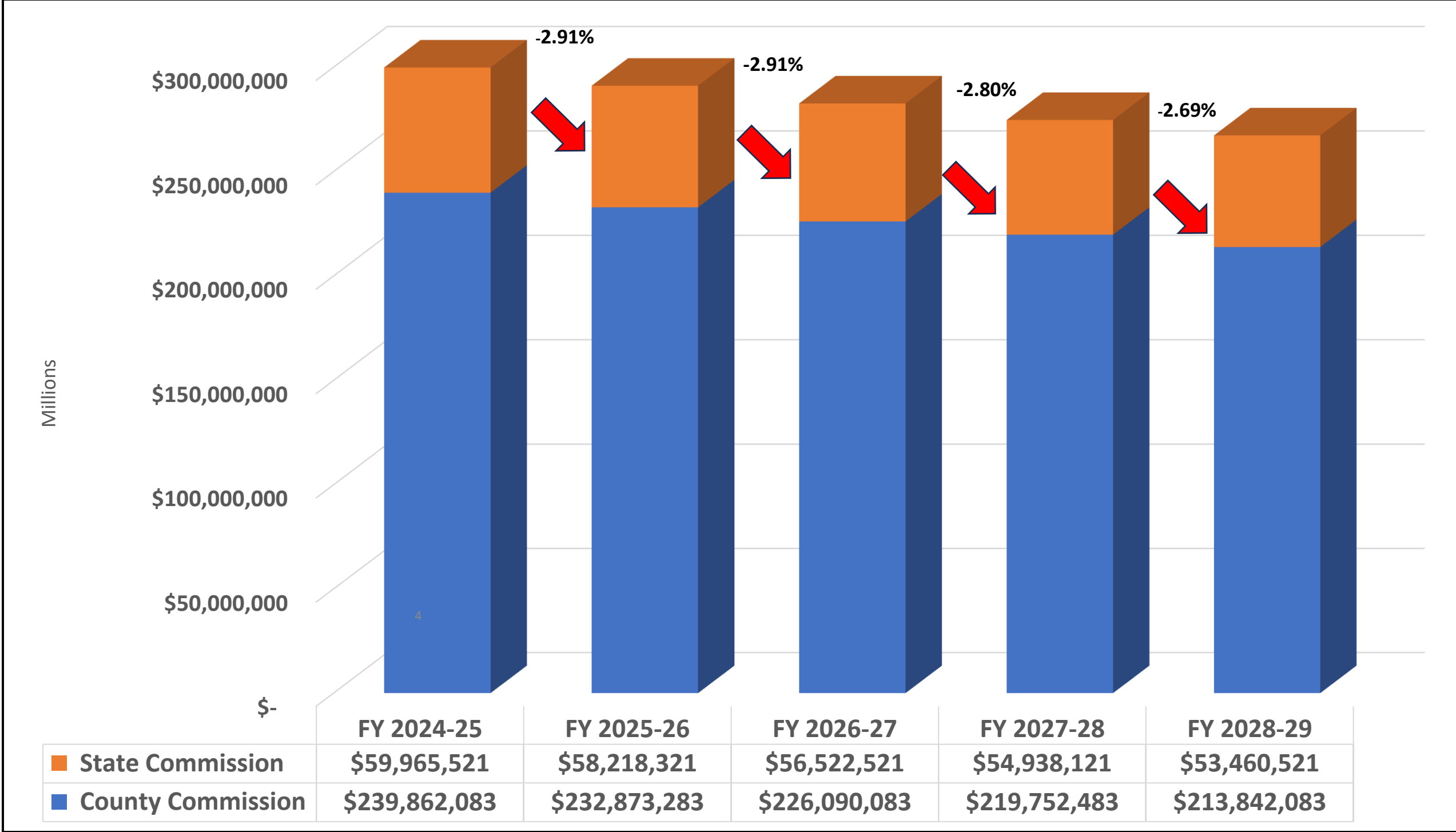
Completed By:

- January 2025 Commission Meeting, Staff will go over closing numbers with Commissioners.

Flow of Projections



May 2024 Revenue Projections

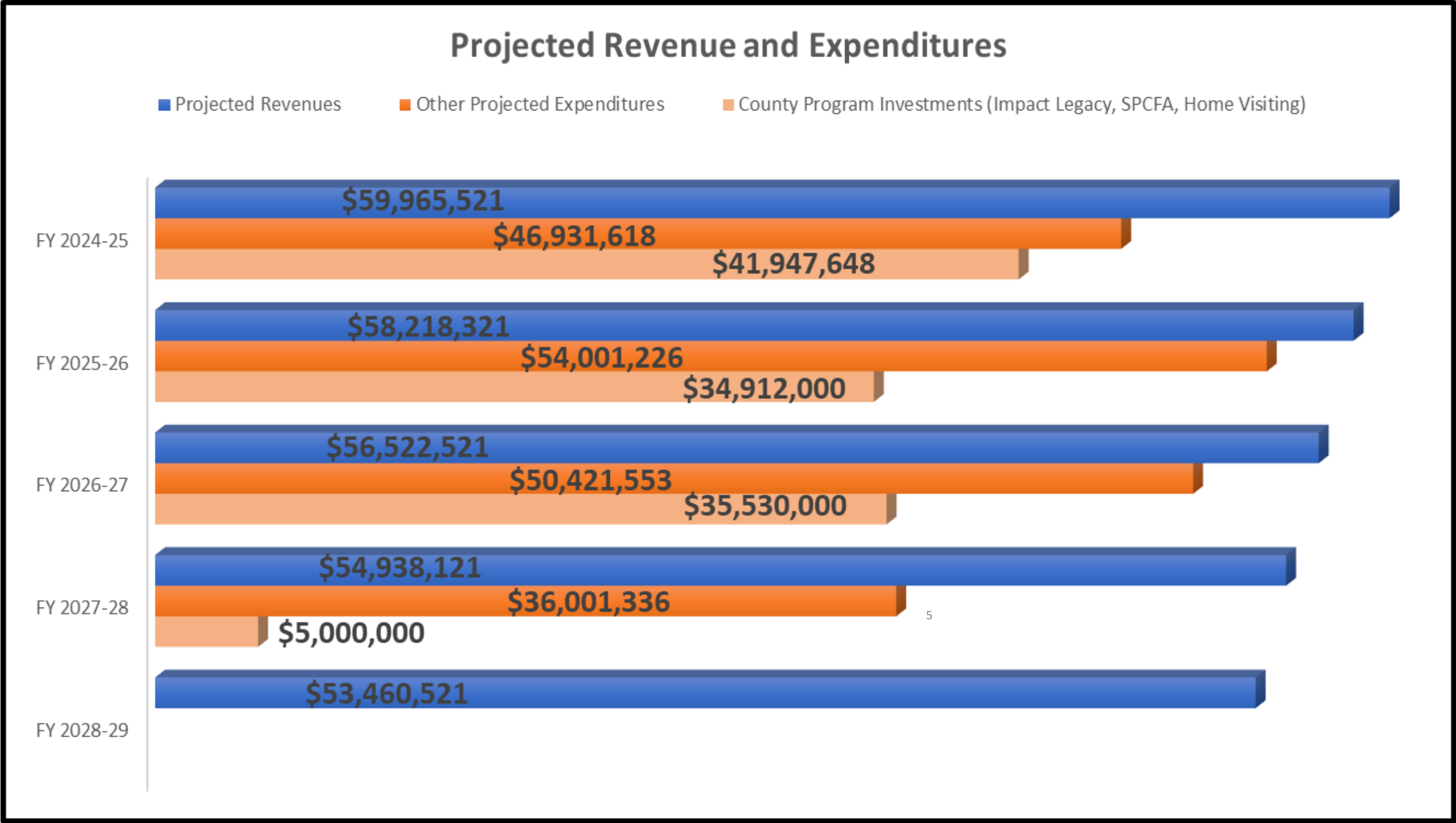


Revenue Projections include Proposition 10, Proposition 56 Backfill, SB 395 Backfill and interest revenues. Adjusted for backfill to Proposition 99 and Breast Cancer Fund, statewide assessments and California Department of Tax and Fee Administration's administrative costs.



State Commission's 20% Allocation

Projections



- Blue is projected revenues and NOT Fund Balance.
- Outflows are higher than inflows due to the planned spend down of fund balance to support county programs.
- FY 2027-28 investments consists of placeholders not yet approved by the Commission.
- FY 2028-29 investments currently in planning phase and will be part of the next budget study session.

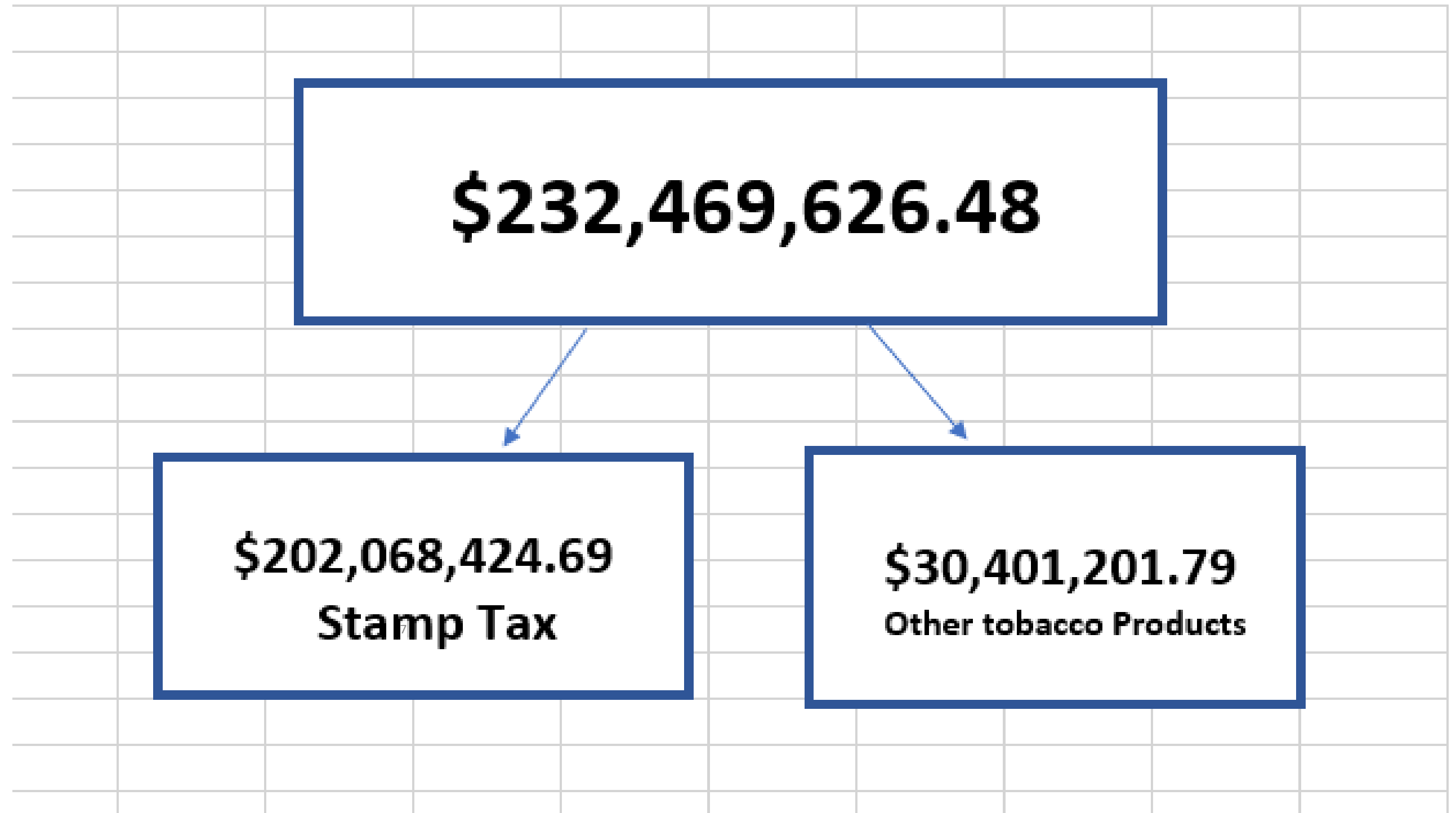


Projected Fund Balances

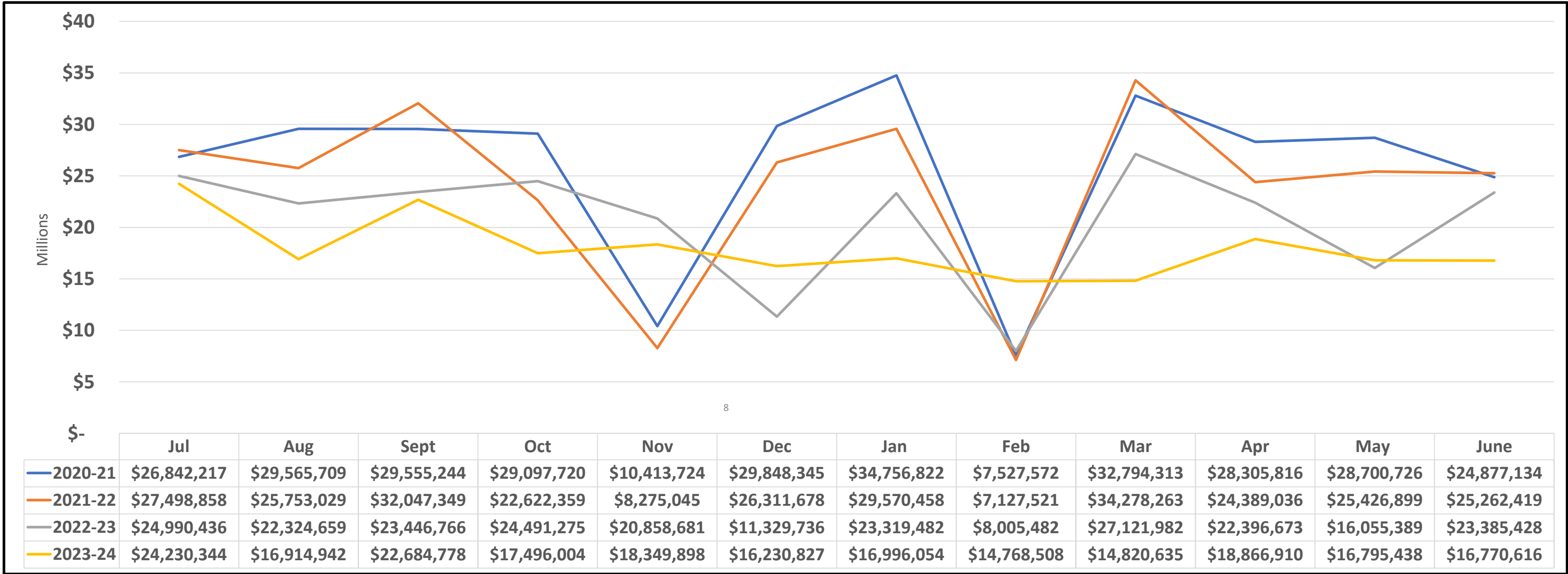
ALL FIRST 5 CALIFORNIA FUNDS	2024-25	2025-26	2026-27	2027-28
Total Prior-year Carryover	\$137,720,982	\$111,277,235	\$83,052,331	\$56,093,298
Total Revenue	\$59,965,521	\$58,218,321	\$56,522,521	\$54,938,121
Total Interest	\$1,970,000	\$1,970,000	\$1,970,000	\$1,970,000
Total Federal Reimbursement for Kit	\$500,000	\$500,000	\$500,000	\$500,000
Total Resources Per Year	\$200,156,503	\$171,965,556	\$142,044,852	\$113,501,419
Total Expenditures Per Year	\$88,879,266	\$88,913,226	\$85,951,553	\$41,001,336
Total Over/Under	\$111,277,237	\$83,052,330	\$56,093,299	\$72,500,083
Total 15% Reserve	\$8,994,828	\$8,732,748	\$8,478,378	\$8,240,718
Net After Reserve	\$102,282,409	\$74,319,582	\$47,614,921	\$64,259,365

- As we spend down carryover, fund balance at the end of FY 2026-27 is projected to be \$56MM or \$47MM after the 15% reserve.
- In FY 2027-28, the State Commission's budget is projected to be \$56MM collectively to fund the media and public relations campaign, county programs, state mandated programs (i.e., smoking cessation) and state operations.
- The State Commission operates on a cash basis: therefore, in order to encumber funds at the beginning of a fiscal year, there must be a sufficient carryover balance to cover the obligations.

**FY
2023-24
Prop 10
Revenue**



Proposition 10 Transfers from CDTFA

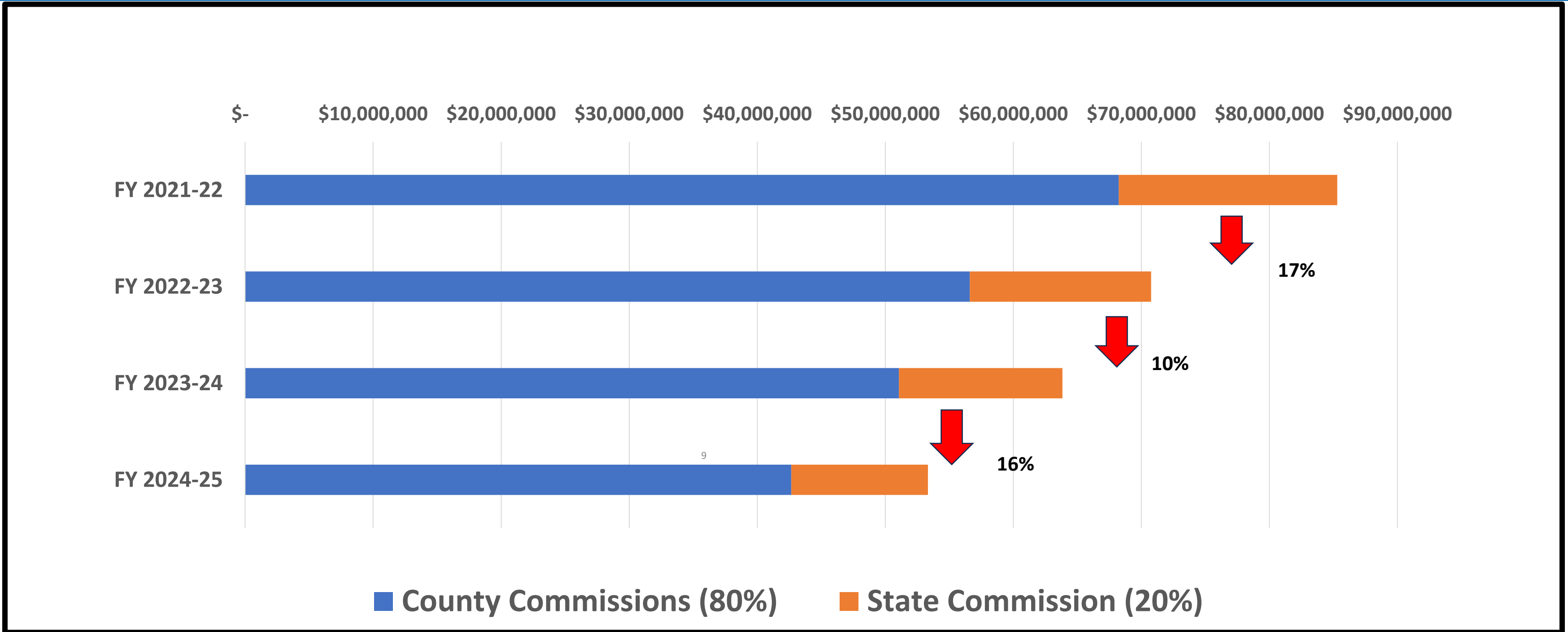


Proposition 10 Revenues Only – does not include Prop 56 (Backfill), CECET, Interest Revenue, etc.



4-Year History of Proposition 10 Revenue

Quarter 1 (July – September 2024)



	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
County Commissions (80%)	\$ 68,239,389	\$ 56,609,488	\$ 51,064,052	\$ 42,663,730
State Commission (20%)	\$ 17,059,847	\$ 14,152,372	\$ 12,766,013	\$ 10,665,932
Total	\$ 85,299,236	\$ 70,761,860	\$ 63,830,064	\$ 53,329,662



Revenue Factors

- **Changes to laws and regulations (i.e., Flavor ban)**
- **Trends in taxable sales of cigarettes and other tobacco products**
- **Changes in consumption**
 - **Smoking and vaping cessation programs**

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Assembly Bill (AB) 3218 (Stats. 2024, ch. 849)

- **AB3218 goes into effect January 1, 2025.**
- **Cigarette and Tobacco tax revenues declined 13.1% overall from fiscal year ended 2022 to fiscal year ended 2023 (per CDTFA's website).**
- **Current projections reflect an approximate 3% decline in revenues. It is unlikely this estimate will be realized.**¹¹

Questions?



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