

Summary of Long-Term Financial Outlook Children and Families Commission of Orange County April 2009

Current Ten Year Financial Plan

Since 2000, the Children and Families Commission annually prepares a long-term financial plan to evaluate the capacity to sustain its program investments over a 10 year planning horizon and to evaluate the long-term impacts of funding decisions. Since Proposition 10 revenue was anticipated to decline annually since its passage in 1998, due to a reduction in smoking rates, the Commission adopted a prudent strategy of annually preparing a long-term financial plan.

Current Funding

The Commission's primary funding source is the annual allocation of Proposition 10 tobacco tax funds. Funds are collected statewide and allocated based on each county's share of statewide births. Orange County receives about 8% of the Proposition 10 revenue allocated to counties statewide. This equates to approximately \$34.5 for the current 2008/09 fiscal year.

2009 Revenue Forecast

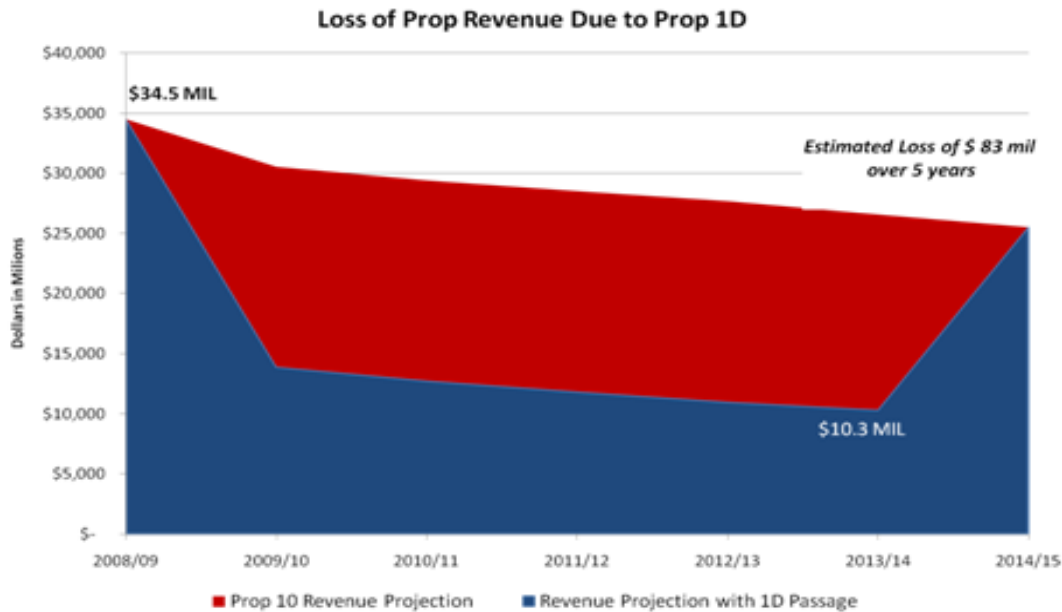
In addition to the previously expected decline, the 2009 update reflects assumes an additional 8-10% annual decline in Proposition 10 revenue from the impact of the federal tobacco tax increase of \$.72 instituted in the reauthorization of the State Children's Health Insurance Program (SCHIP). The 2009 Plan highlights the need to evaluate current and planned program commitments to address this immediate additional decline.

Proposed Redirection

An additional risk to the 2009 Long Term Financial Plan is the potential impact of the pending Proposition 1D. This would result in additional loss of approximately \$83 million to the Children and Families Commission over the five year period from fiscal year 2010 through 2014. Additionally, several programs jointly supported by the Children and Families Commission and State First 5 are at risk due to the one-time redirection of approximately of \$275 to \$340 million in fund balance, subject to voter approval of Proposition 1D.

Impact on Programs

The realization of these anticipated and potential revenue declines will impact the capacity of the Children and Families Commission to fund current and planned services to children 0-5 to Orange County. This impact will be compounded by the current economic climate which has brought a documented increase in the needs of children and families in Orange County, particularly for a variety of safety net services, such as homeless families.



Note: Prop 10 Revenue projection includes reduction from increase in federal tax