Memo

To: Board of Commissioners
From: Evelyn V. Martinez, Chief Executive Officer
Date: January 13, 2011
Subject: CHIEF EXECUTIVE OFFICER'S REPORT

I. INVESTMENT ACTIVITIES

A report to the Operations Committee on all investments including the Specifically Invested Portfolio is required quarterly. Since there is not an Operations Committee meeting scheduled in the near future, an update as of October 31, 2010 is provided.

Currently First 5 LA does not have any investments in the Specifically Invested Portfolio.

The Earnings Rate for the Treasurer Pooled Surplus Investment Portfolio for the month of October 31, 2010 was 1.38%. U.S. Treasury notes are yielding .51% for a 3-year note, .22% for a 1-year note and lesser yields for shorter-term notes. Beyond the 5-year mark we are seeing higher yields between 1.89% and 3.99%.

At October 31, 2010, First 5 LA had $807.8 million including $25.7 million of advance money from the State First 5 Commission for the School Readiness Initiative invested in the Treasurer Pooled Surplus Investment Portfolio.

There are sufficient revenues and cash reserves to meet the financial obligations of the agency during the next 6 months.

II. CALIFORNIA BUDGET

With the new governor scheduled to release his proposed budget in early January, options available to close the deficit in past years are no longer available.

When voters approved Proposition 22 last November, for example, they effectively took away the option of shifting dollars from local governments to California’s General Fund, forcing the state to look to outside institutions when borrowing is required. The alternative to fund shifts or borrowing is to enact either deep cuts or to raise taxes, neither of which is politically popular.
Prior to releasing his budget, the governor held budget forums with legislators and stakeholders in Sacramento and Los Angeles to assess how budgets were pieced together in prior years and to ascertain which short-term fixes may have exacerbated the gap.

While health and human services and education advocates are bracing for an austere budget, some have expressed hope that the governor will place revenue generating measures on the ballot as an alternative to a cuts-only budget.

III. CALWORK'S STAGE 3 CHILD CARE

After weeks of delay, the state Department of Finance committed to releasing funds to cover CalWORK's Stage 3 child care for the months of November and December. Former Governor Schwarzenegger had vetoed funding for the program in October, but a Bay Area court reinstated the program through December, 2010. Despite the judge’s ruling, the state had put off releasing the funds, exacerbating cash flow troubles for the child care providers and the agencies that oversee them. The Department of Finance projects that funds will be out the door no later than January 14th.

First 5 LA Commissioners approved bridge funding for three months, from November through January, but as things turned out, only funds for the month of January will be needed during that three-month period. Legislators have already introduced two bills, AB 1 and SB 12, to reinstate full funding for the program.

IV. LITERACY EVENT WITH CAROL LIU

On November 30th, the final day of the 2010 Family Literacy Read Early, Read Aloud campaign, First 5 LA teamed up with LAUP and the Mother’s Club in Pasadena to host a preschool storytime session with Senator Carol Liu (D-Glendale). The room was packed with young children and their parents who listened intently to the Senator read two books. Afterward, the senator met with staff from the organizations represented to discuss the critical importance of early childhood education and the need to draw Governor Brown’s attention to this issue.

V. COMMUNITY OPPORTUNITIES FUND – POLICY PEER LEARNING NETWORK

The Public Policy Department hosted a quarterly meeting with the 12 Community Opportunities Fund policy and advocacy grantees. The meeting held in early December offered opportunities for coordination among grantee partners and First 5 LA’s overall policy and government affairs work. Management of these grants has been transferred to the Public Policy Department. Leah Ersoylu, our Technical Assistance Consultant, has been working with the grantees individually and helped tailor the meeting to feedback gathered from them. After introductions and summaries of the 12 projects, the grantees broke into three discussion groups to share learning and questions about:

1. Administrative Advocacy
2. Advocacy Training
3. Research and Data-Sharing
A number of shared challenges and creative approaches were raised. Suggestions for the group included creating a list serve and holding an advocacy/media training.

VI. PROPOSITION 10 BACKFILL FOR FY 2009-10

As required by law, the State Board of Equalization determines each year whether Proposition 10’s 50-cent tax has contributed towards a decline in the consumption of cigarette and tobacco products, and to assess the loss of funding this would produce on other programs funded through a tax on tobacco products. In November, the Board recommended a backfill of $20.2 million to these programs for FY 2009-10. In the last six years, the following amounts have been transferred from the California Children and Families First Trust Fund in the State Treasury to Prop 99 and breast cancer programs:

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<th>Fiscal Year</th>
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<tbody>
<tr>
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<tr>
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