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CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

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## BACKGROUND MEMO/INFORMATION

2009-10 Second Principal Apportionment (P2) – June 22, 2010

**SYNOPSIS:** The 2009-10 Second Principal Apportionment for community college districts has been certified and the detailed information is available on the Chancellor's Office Fiscal Services Unit web site:

<http://www.cccco.edu/SystemOffice/Divisions/FinanceFacilities/FiscalServices/AllocationsSection/AppportionmentReports/tabid/329/Default.aspx>

The following exhibits are available for viewing.

Exhibit "A":	District Apportionments and Payments by Program
Exhibit "B-1":	Summary of General and Grand Total Apportionments
Exhibit "B-2A":	Categorical Apportionments - Part 1
Exhibit "B-2B":	Categorical Apportionments - Part 2
Exhibit "B-2C":	Categorical Apportionments - Part 3
Exhibit "B-3":	Categorical and One-time Apportionments
Exhibit "B-4":	Monthly Payment Schedule
Exhibit "C"	Second Principal Apportionment

Attached is additional background information for both the general apportionment and the categorical programs, along with program contact information.

# General Apportionment

## Second Principal Apportionment Allocations

Total and monthly certified program apportionment allocations are included within Exhibit A. State general apportionment and other general supplemental funds are summarized by county on Exhibit B-1. State categorical allowances are displayed on Exhibits B-2A through B-3. Exhibit B-4 provides the payment schedule by county for June 2010.

The 2009-10 Second Principal Apportionment (P2) allocations for June 2010 are based on each district's certified April 20<sup>th</sup> P2 Full Time Equivalent Student (FTES) along with each county's April 15<sup>th</sup> estimate of current year district property tax and each district's April 15<sup>th</sup> estimate of annual enrollment fee revenue for the current year.

**NOTE: The June P2 Apportionment allocation is based on the *2009-10 Budget Act (Chapter 1, Statutes of 2009)*, which was enacted on July 28, 2009.**

### **General Issues:**

The total ACTUAL statewide FTES for the first period of 2009-10 declined by 9,328 FTES going from 1,260,497 in 2008-09 to 1,254,487 FTES, for a year-to-year decrease of 0.25 percent. FUNDED statewide FTES at the P2 equals 1,161,806 with over 92,000 FTES in the system remaining unfunded. Given the state's decision to cut general fund revenues by \$190 million (3.34%) in the current year, the Chancellor's Office was required to adjust each district's workload downward by a statewide equivalent of 43,500 FTES. These workload adjustments are shown in the workload measures area on each district's Exhibit C.

Districts restoring prior year declines represented roughly 3,600 FTES or \$16.7 million in restoration funding. Remaining restoration eligibility funding equals \$1.9 million.

### **Revenues:**

The general deficit coefficient is 0.1 percent as of the P2. Revenues from the state general fund, property taxes and student fees are insufficient to meet the funded workload levels assumed in the 2009-10 budget. While P2 estimated property taxes exceeded initial budget estimates by approximately \$14.6 million, estimated student fee revenues for the P2 were less than the budget estimate by \$18.9 million resulting in a shortfall in local revenues. Revenues were also adjusted slightly as a result of the review of Redevelopment Agency (RDA) payments from 2003-04 through 2007-08 and from a small correction of the 2007-08 deferral repayment to districts as explained below.

## Redevelopment Agency (RDA) Adjustments

Assembly Bill 1389 (Chapter 751, Statutes of 2008) requires the Chancellor's Office to adjust district apportionments to account for Assembly Bill 1290 Redevelopment Agency (RDA) payments over five prior years, fiscal years 2003-04 through 2007-08. At the time these payments were received,

districts were responsible for reporting them through the community college apportionment process. For various reasons, including miscommunications between various local agencies, this reporting did not always occur. In attempting to reconcile RDA payments for these five years, the Chancellor's Office has worked with the State Controller's Office, County Assessors Offices, and Community College Districts to ensure that these funds are properly recorded. These reconciliation efforts have occurred over the past 14 months.

Therefore, where applicable, the Chancellor's Office has made an adjustment to each district's Total Computational Revenue at the Second Principal Apportionment. The adjustment appears in Section V on the Exhibit C as "Other Revenue Adjustments." Any final adjustments or corrections that need to be made on this matter, will be made at the 2009-10 final recalculation. Please contact Diane Brady at [dbrady@cccco.edu](mailto:dbrady@cccco.edu) or (916) 327-1554 with any questions.

### **2007-08 Deferral Repayment Adjustments**

The 2007-08 Deferral Repayment of \$200 million was distributed to the districts in July 2008. As noted in the Deferral Shortfall exhibit posted on our website at the time of that repayment, a shortfall of \$2.16 million existed in full repayment of the deferral due to deferral adjustments within the system that count not be fully accomplished as of the repayment. Our intent was to complete the repayment as a component of the 2007-08 Recalculation in February 2009. At the recalculation, the deferral shortfall repayment was inadvertently included in the funding to reduce the 2007-08 deficit coefficient. While this was initially thought to be essentially synonymous with repayment of the deferral shortfall, it was later determined that slight under or overpayments had been made to the districts. The corrections of these under or overpayments have been made and are reflected in subsection "A" of the Other Revenue Adjustments of the exhibit C.

### **Payment Deferrals**

The 2009-10 Budget agreement contains inter-fiscal year deferrals for community colleges totaling \$703 million that will affect monthly general apportionment payments to districts on the following schedule with the repayment of the deferred amounts occurring in July, 2010:

<b>January</b>	\$115 million
<b>February</b>	\$115 million
<b>March</b>	\$ 55 million
<b>April</b>	\$136.5 million
<b>May</b>	\$ 81.5 million
<b><u>June</u></b>	<u>\$200 million</u>
<b>Total</b>	\$703 million

The July 2009 district payment also included a newly established intra-fiscal year deferral of \$200 million with the funds scheduled for repayment to districts as part of the October 2009 apportionment

allocation and required an additional intra-fiscal year deferral of \$100 million from March 2010 with repayment occurring in May 2010.

### **Exhibit C – Item V: Additional Explanation and Display Issues**

The Item V.A. “Revenue Adjustment” consists of two components – district repayments under a multi-year repayment plan and final reconciliation and adjustment of the repayment of the 2007-08 deferral shortfall. A “Deferral Shortfall Reconciliation” exhibit has been included with the posted P2 apportionment documents.

The Item V.B., incorrectly titled “CDCP Rate Adjustment” consists of the district RDA adjustment discussed above.

## **Categorical Apportionment**

The July 2009 Budget Act, ABX4 1, made substantial cuts to most of the CCC categorical programs. It exempts two programs from cuts (Financial Aid and Foster Care), fully eliminates one program (Physical Plant/Instructional Equipment), and makes a range of cuts from 32% to 51% to the other categorical programs. Eleven categorical programs fall under flexibility provisions embodied in the Education Trailer Bill, ABX4 2, which provides districts with the authority to move funds from these 11 categorical programs to any other categorical program. In addition, the funding for these 11 categorical programs (Academic Senate, Childcare Tax Bailout, Equal Employment Opportunity, Economic Development, Apprenticeship, Part-Time Faculty Office Hours, Part-Time Faculty Health Benefits, Part-Time Faculty Compensation, Transfer Education and Articulation, Matriculation, and Physical Plant and Instructional Support) is locked-in at the 2008-09 district allocation level, less the level of the 2009-10 cut. Below are narrative descriptions for some of the categorical programs funded through the P2 Apportionment.

**Apprenticeship Related and Supplemental Instruction (RSI) Funding:** The P2 2009-2010 registered apprenticeship “Related and Supplemental Instruction” (RSI) funding apportionment allocated the entire \$7,174,000. The hourly rate is \$5.06. The apprenticeship RSI funding is one of twelve categorical programs which have a “flexibility provision” per ABx4 2 pages 47 and 48. These are commonly referred to as flex funds. The RSI funding for each of the three fiscal years during 2010-2013 is not known until the Governor signs off on each year’s funding bill. For each district receiving RSI flex funds during the fiscal years covering 2009-2013, the funding is based on a fixed proportion of each district’s funding level shown in the 2008-2009 Recalculation. San Mateo CCD transfer of funds to Foothill-DeAnza CCD: Because of a transfer of an apprenticeship program from SMCCD to FHDACCD, an adjustment was made at P2 to close out the transfer of the RSI funds. If you have any questions, contact Barry Noonan at [bnoonan@cccco.edu](mailto:bnoonan@cccco.edu).

**California Work Opportunities and Responsibility to Kids (CalWORKs):** The Second Principal Apportionment reflects the final allocations of CalWORKs funds for the Districts’ CalWORKs programs based on the established allocation formula and adjusted by the approved requests for allocation adjustments made by the districts/colleges. There is a 1:1 dollar match required for funds allocated to the district for the CalWORKs program with the exception of funds for the CalWORKs child care services.

**Temporary Assistance for Needy Families (TANF):** The Second Principal Apportionment reflects the final allocations of TANF funds for the Districts' CalWORKs programs based on the established allocation formula and adjusted by the approved requests for allocation adjustments made by the districts/colleges.

**Temporary Assistance for Needy Families (TANF) Work Study:** The Second Principal Apportionment reflects the final one-time allocations of TANF Work Study funds for the Districts' CalWORKs programs and adjusted by the approved requests for allocation adjustments made by the districts/colleges. No match required for these funds. These one-time allocations of TANF Work Study funds are a result of the federal stimulus bill, the American Recovery and Reinvestment Act of 2009, which established the TANF Emergency Contingency Fund (ECF) that provided new funding to California specifically for TANF subsidized employment programs. The State earned (through expenditures by the community college CalWORKs program) approximately \$2.3 million ECF reimbursement from federal fiscal year 2009 for use in the work study program. In addition, \$3.95 million in TANF funds were allocated to the community colleges resulting in a total of \$6.25 million to be spent on work study and job development for CalWORKs students by June 30, 2010.

**Disabled Student Programs and Services (DSPS):** The Second Principal Apportionment reflects the final allocations of \$69.2 million for college DSPS programs based on the established allocation formula. This includes \$8.1 million for hearing impaired expenses which require a 1:4 (district:state) dollar match. An additional \$1.0 million for state hospital programs at two colleges and additional \$2.8 million for DSPS grant/contract funded programs at four districts are also included in the apportionment. There was an additional \$210,268 of unused PADS funds added to the apportionments for DSPS programs at P-2. College allocations for DSPS programs in FY 2009-10 are permitted to be carried over and expended through September 30, 2010. The full allocation for DSPS is posted on the state Chancellor's Office website, Student Services Division, DSPS at this URL: <http://www.cccco.edu/ChancellorsOffice/Divisions/StudentServices/DSPS/tabid/616/Default.aspx>

**Equal Employment Opportunity (EEO):** The 2009-10 Second Principal Apportionment (P2) allocates \$575,250 of the \$767,000 included in the final Budget Act. The P2 apportionment amount reflects the same relative proportion or across the board reduction of 56.09% from the 2008-09 allocation as specified by the Budget Act. The balance of \$191,750 is authorized to be withheld by the Board of Governors pursuant to Education Code section 87108(b) for technical assistance, service, monitoring, and compliance functions.

**Extended Opportunity Programs and Services (EOPS):** The Second Principal Apportionment allocates the \$64.273 million included in the final State Budget Act. The P2 apportionment reflects the actual allocations for the EOPS programs based on the approved Board of Governors allocation formula and adjusted for the reallocation of unused funds.

**Cooperative Agencies Resources for Education (CARE):** The Second Principal Apportionment allocates \$9.332 million to fund 111 college CARE programs. There are no changes from the P1 report. In accordance with Assembly Bill 318, Statutes of 2006 (Dymally), El Camino College Compton Center has been awarded categorical funds to operate a full-service CARE program, independent and separate from El Camino College, each fiscal year. The P2 CARE allocation awarded to Yuba College includes \$45,684 for Woodland Community College and \$152,091 for Yuba College. The 2009-2010 CARE Final Allocations for all colleges are posted on the California Community Colleges Student Services Division/CARE webpage at <http://www.cccco.edu/ChancellorsOffice/Divisions/StudentServices/CARE/CAREReportForms/tabid/632/Default.aspx>

**Credit / Noncredit Matriculation:** For credit and noncredit Matriculation, the Second Principal apportionment reflects the final allocation amounts for the colleges. In credit Matriculation, 25 districts (30 colleges) had increased allocations, beyond their headcount generated allotment, as a result of one-time funds representing awards derived from the Matriculation unused funds re-distribution process. Based upon policies for prioritizing the distribution of re-allocated funds, colleges that submitted timely and complete requests for unused credit Matriculation funds that fell within the funding priorities were allocated an additional \$2,366. There were no unused noncredit Matriculation funds available for allocation. The revised allocations for Matriculation are posted on the state Chancellor's Office website, Student Services Division, Matriculation at this URL: <http://www.cccco.edu/SystemOffice/Divisions/StudentServices/Matriculation/tabid/619/Default.aspx>.

**Part-Time Faculty Compensation:** Funding for this program falls under the "flexibility" provisions embodied in ABX4 2. The P2 allocations remain unchanged from the allocations made at the 2009-10 Advance Apportionment. Therefore, we are providing districts that received allocations under these programs in 2008-09, with the same allocation amounts, less the amount of the 2009-10 cuts to these two programs, which equaled 51 percent. These P2 allocations will not change at the final Recalculation, unless a mid-year correction is made to these programs through the budget process.

**Part-Time Faculty Office Hours and Health Benefits:** Funding for these two programs falls under the "flexibility" provisions embodied in ABX4 2. Therefore, we are providing districts that received allocations under these programs in 2008-09, with the same allocation amounts, less the amount of the 2009-10 cuts to these two programs, which equaled 51 percent. These P2 allocations will not change at the final Recalculation, unless a mid-year correction is made to these programs through the budget process.

All questions regarding the general apportionment for the P2 may be addressed to Ed Monroe at (916) 327-6226, email at [emonroe@cccco.edu](mailto:emonroe@cccco.edu) and all questions regarding the categorical apportionments for P2 may be addressed to Randy Fong at 916-327-6238, email at [rfong@cccco.edu](mailto:rfong@cccco.edu)

**Any additional questions regarding categorical apportionments should be referred to the following individuals:**

Apprenticeship – Barry Noonan (916) 445-8026

Basic Skills - Juan Cruz (916) 327-2987

California Work Opportunities and Responsibility to Kids (CalWORKs) and Temporary Assistance for Needy Families (TANF) - Patricia Servin (916) 327-5890

Career Technical Education - Ron Selge (916) 322-1677

Disabled Students Program and Services (DSPS) and State Hospital Developmental Centers - Scott Berenson (916) 322-3234 or Scott Valverde (916) 445-5809

Economic Development - Anita Rios (916) 324-3791

Equal Employment Opportunity (EEO) - Tosh Shikasho (916) 323-4990

Extended Opportunity Programs and Services - Barbara Kwoka (916) 323-5953

Cooperative Agencies Resources for Education (CARE) - Cheryl Fong (916) 323-5954

Instructional Equipment & Library Materials - Lan Yuan (916) 323-5957

Scheduled Maintenance and Repair - Lan Yuan (916) 323-5957

Credit / Non Credit Matriculation – Sonia Ortiz-Mercado (916) 322-6817

Student Financial Aid Administration - Patty Falero (916) 323-6877

Telecommunications Allocations - Catherine McKenzie (916) 322-0833

Vocational & Applied Technology & Education Act (VATEA) - Robin Harrington (916) 322-6810