
CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

1102 Q STREET

SACRAMENTO, CA 95811-6549

(916) 445-8752

<http://www.cccco.edu>

BACKGROUND MEMO/INFORMATION

2011-12 Second Principal Apportionment – June 28, 2012

SYNOPSIS: The 2011-12 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://extranet.cccco.edu/Divisions/FinanceFacilities/FiscalServicesUnit/Reports/AppportionmentReports.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"	First Principal Apportionment

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

General Apportionment

NOTE: The June P2 Apportionment allocation is based on the *2011-12 Budget Act (Chapter 33, Statutes of 2011)*, which was enacted on June 30, 2011, and as amended by Chapter 41, Statutes of 2011, as noted below.

General Issues:

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 2012.

The 2011-12 Second Principal Apportionment (P2) allocations for June 2012 are based on each district's certified April 20th P2 Full Time Equivalent Student (FTES) along with each county's April 15th estimate of current year district property tax and each district's April 15th estimate of enrollment fee revenue for the current year.

Workload Reductions, Midyear Cuts, and the General Apportionment Deficit:

The workload reduction remains at \$385 million, the same level as it was at P1. This consists of the \$313 million workload reduction recognized at the beginning of the fiscal year, plus the \$72 million "Tier 2" trigger cut in December. This workload reduction represents a 7.64% decrease in FTES systemwide.

The General Apportionment Deficit has decreased from P1 – it is now \$120.7 million, or 2.2%, compared to \$179.2 million, or 3.3%, at P1. The primary reason for this nearly \$60 million improvement is San Mateo district achieving Basic Aid status, which means that the district has sufficient local revenues (property tax and fee revenue) to fund its Total Computational Revenue (TCR). The result is that the State General Apportionment funds that would have gone to San Mateo will now be spread out among all districts. The remaining \$120.7 million deficit consists of the Tier 1 cut of \$30 million and a shortage of more than \$90 million in enrollment fee collection.

Redevelopment Agency Residual Payments:

One additional change from P1 was related to anticipated revenue from residual payments from the former Redevelopment Agencies (RDAs). ABX1 26, which was part of the budget package for 2011-12, dissolved RDAs and created successor agencies with oversight boards to manage the winding-down process and the dissolution of RDA assets. The law included a provision for county auditor-controllers to make "residual payments" from the RDAs' tax increment revenue to local entities including community colleges as of June 1, 2012. The Department of Finance (DOF) estimated that community colleges would receive \$116,133,000 of residual payments in 2011-12, and thus reduced the general apportionment appropriation by a like amount. To facilitate the capture of this general fund savings, DOF had the State Controller's Office hold back this amount from the May payment that was to go to the colleges. We received a commitment from DOF that our apportionment funds would only be reduced by the amount of RDA residual funds that are actually received by the colleges, and thus we will be able to disburse the remaining amount to the colleges, most likely in July, once the total residual amounts are known. The amounts will ultimately be "trued-up" at Recal in February 2013.

General Apportionment Deferrals:

Total inter-year deferrals of \$961 million for 2011-12 represent an increase of \$129 million over the inter-year deferrals for 2010-11. These deferrals began in January 2012 and continue through June 2012. In addition, \$200 million was deferred in 2011 from July to October and \$100 million was deferred in 2012 from March to May. In an effort to better manage the final deferral for 2011-12 of \$221.5 million, \$20 million of the June deferral was moved one month earlier into May 2012 to allow more flexibility in dealing with any potential changes in general apportionment entitlements in June caused by changes in Second Principal Apportionment (P2) FTES. (However, the May payment was subsequently reduced, as noted in the previous paragraph.) The monthly impact of these combined deferrals is shown below:

July 2011	(\$200,000,000)
October	\$200,000,000
January 2012	(\$158,000,000)
February	(\$158,000,000)
March	(\$219,500,000)
April	(\$179,500,000)
May	(\$44,500,000)
June	<u>(\$201,500,000)</u>
Total Deferrals	(\$961,000,000)

Second Principal Apportionment Allocations and FTES:

The funded FTES for any particular FTES type reported on the exhibit C may be greater than the revised FTES base for that same FTES type. This situation previously existed with the 2009-10 workload reduction and is recurring with this year's workload reductions. When actual FTES for any FTES type is less than the revised base FTES for that same FTES type, the apportionment cannot fully fund the district's base entitlement for that FTES. In years without workload reductions, such situations are handled by adjustments in growth, restoration or stability. Therefore, without growth, with little restoration, and with most districts avoiding stability this year, apportionment by FTES type must be manipulated so that total funded FTES equates to the full base revenue entitlement for each district. This manipulation involves calculating the revenue shortfall for those FTES types where actual is less than the revised base and funding unfunded FTES for a different FTES type so that total funded FTES equates in dollar value to the total revised base revenue entitlement. When unfunded FTES is funded in this manner, the total funded FTES for that FTES type will exceed the revised base FTES amount for that FTES type.

FUNDED statewide FTES at the P2 was 1,098,014, which represents a decline of about 3,000 funded FTES from P1. Unfunded FTES remains above 40,000 statewide at P2.

Given the state's ongoing revenue shortfalls, the system's general fund appropriation was reduced by \$400 million in the 2011 Budget Act compared to the 2010 Budget Act, which was intended to be partially offset by an estimated \$110 million increase in enrollment fee revenues. Unfortunately, actual fee collections fell nearly \$100 million short of the projection. Mid-year reductions to the 2011 Budget Act resulted in an additional \$102 million reduction. To mitigate some of the impact of these large reductions, the Chancellor's Office reduced the system's FTES workload by 86,170 FTES, resulting in a \$385 million reduction in system funding eligibility. This adjustment resulted in a 7.64% reduction in total base FTES funded workload. These workload adjustments are shown in the new workload measures area of each district's Exhibit C (section I.C).

Revenues:

The general deficit coefficient is 0.978 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 2011-12 budget. Student fee revenues were projected at the budget estimate of \$456.6 million, while estimated student fee revenue at the P2 was \$358.5 million. The counties have estimated P2 property taxes for community colleges slightly above the initial budget estimates, by approximately \$2.4 million, resulting in a net shortfall in local revenues.

Categorical Apportionment

The July 2009 Budget Act, ABX4 1, made substantial cuts to most of the CCC categorical programs. It exempted two programs from cuts (Financial Aid and Foster Care), fully eliminated one program (Physical Plant/Instructional Equipment), and made 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 P1 Apportionment.

Apprenticeship: The FY 2011-2012 P2 funding apportionment for "Related and Supplemental Instruction" allocated the entire budget of \$7,174,000. Each district's funding level is the same as during 2010-11 and will remain so through June 2015 unless the Governor approves changes in funding level. If a district has no program(s) operating during this fiscal year the district still receives the funding and must submit the CCFS-321 "Apprenticeship Attendance Report" at P1, P2, and Recal. If no hours were generated, then the district is to enter zero for each period.

Extended Opportunity Programs and Services (EOPS): The FY 2011-2012 Second Principal Apportionments report (P2) for EOPS is in the amount of \$65.273 million, which includes \$92,285 for a contract awarded to Pasadena Area CCD. Allocations to fund 113 EOPS programs remain unchanged from the P1.

Cooperative Agencies Resources for Education (CARE): The FY 2011-2012 Second Principal Apportionments report (P2) for CARE is in the amount of \$9.332 million. The CARE P2 reflects one-time adjustments to increase the program allocations at 42 colleges that were awarded CARE reallocated funds at mid-year.

Equal Employment Opportunity (EEO) Faculty & Staff Diversity: The 2011-12 Second Principal Apportionment allocates \$575,250 of the \$767,000 which is the same amount as last year's 2010-11 final budget figure. The 2011-12 Second Principal 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.

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 2011-12 P1 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 and all questions regarding the categorical apportionments for P2 may be addressed to Randy Fong at 916-327-6238, email at rfong@cccco.edu.

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

Apprenticeship – Barry Noonan (916) 445-8026

Basic Skills – (vacant) curriculum@cccco.edu

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

Career Technical Education – Jackie Escajeda (916) 327-2066

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

Economic Development – David Lawrence (916) 327-0749

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

Extended Opportunity Programs and Services - Cheryl Fong (916) 323-5954

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 – Kimberly McDaniel (916) 323-0799

Student Financial Aid Administration – Terence Gardner (916) 327-5892

Telecommunications Allocations – Bonnie Edwards (916) 327-5899

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