Memorandum

FS 13-03
Via E-mail Only

April 17, 2013

TO: Chief Business Officers

FROM: Frederick E. Harris, Assistant Vice Chancellor
College Finance and Facilities Planning

SUBJECT: Accounting Advisory: Proposition 30 Education Protection Account guidelines

Proposition 30, The Schools and Local Public Safety Protection Act of 2012 passed in November 2012. This proposition temporarily raises the sales and use tax by .25 cents for four years and raises the income tax rate for high income earners ($250,000 for individuals and $500,000 for couples) for seven years to provide continuing funding for local school districts and community colleges. The Education Protection Account (EPA) is created in the General Fund to receive and disburse these temporary tax revenues.

Districts have sole authority to determine how the moneys received from the EPA are spent, provided that the governing board makes these spending determinations in open session of a public meeting of the governing board. Each entity receiving funds must annually publish on its Internet web site an accounting of how much money was received from the EPA and how that money was spent. Additionally, the annual independent financial and compliance audit required of community colleges shall ascertain and verify whether the funds provided from the EPA have been properly disbursed and expended as required by law. Expenses incurred to comply with these additional audit requirements may be paid from the EPA.
EPA expenditures should be recorded annually on the CCFS-311 (Prop 30 EPA expenditure report, copy attached), which can also be used as a template for districts to publish their EPA expenditures on their website.

Revenue for EPA funds are unrestricted and should be recorded in object code 8630. The Act specifically prohibits the expenditure of EPA funds for administrative salaries and benefits or any other administrative costs. We are confident that colleges will incur a sufficient level of non-administrative costs (e.g., instruction and student support costs) to easily ensure that EPA funds are not used for administrative costs.

Consistent with the *Budget and Accounting Manual*, administrative costs include:

- **General administration**: district-wide administrative activities including governing board, chancellor, and district-level fiscal and personnel services.
- **Campus administration**: activities concerned with directing and managing the operation of a particular campus.
- **Instructional administration**: activities for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students.

**Contact**: If you have any questions, please contact Michael Yarber at (916) 327-6818 or via e-mail at myarber@cccco.edu.

Enclosure