Date: February 21, 2013

Title: Request for Exemption from Fifty Percent Law

Contact: Dan Troy, Vice Chancellor for Fiscal Policy

Issue

Three community college districts did not meet the basic requirements of the Fifty Percent Law for fiscal year 2011-12. The districts are Lake Tahoe, Palo Verde and West Kern. All three districts have applied for an exemption provided for in California Code of Regulations, title 5, sections 59200 through 59214.

Background

Education Code section 84362, commonly known as the Fifty Percent Law, requires each community college district to spend at least half of its “current expense of education” each fiscal year on the “salaries of classroom instructors”.

Current Expense of Education generally includes the unrestricted general fund expenditures of a community college district. Excluded from the current expense of education are expenditures for student, transportation, food services, community services, lease agreements for plant and equipment and other costs specified in law and regulations. Amounts expended from State Lottery proceeds are excluded, except for expenditures for instructional salaries.

The responsibility for administering the fifty percent law resides with the Chancellor and the Board of Governors. Every year, exemption application forms and applicable due dates are distributed to all districts, and the annual financial and budget reports of all districts are monitored for compliance with Education Code section 84362. Upon receipt of an application for exemption, staff from the Chancellor’s Office determines whether applicable procedures have been followed, analyze supporting documentation and data, and make recommendations to the Chancellor. An independent assessment of each district’s computation of compliance is also a requirement of the annual audits conducted by contracted independent audit firms pursuant to Education Code section 84040.

Proposal

The Board of Governors should accept the recommendations of the Chancellor with regard to districts that did not meet the 50 Percent Law for fiscal year 2011-12.
## Analysis of Lake Tahoe CCD’s
### Application for Exemption from the 50 Percent Law
#### 2011-12 Fiscal Year

### Deficiency Calculation

1. 2011-12 Current Expense of Education (CEE) $11,253,447
2. 2011-12 50 Percent Expenditure Requirement $5,626,724
3. Actual Amount Expended $5,496,136
4. Total 2011-12 Deficiency $131,012
5. Amount of exemption application $131,012
6. Amount Eligible for Exemption $131,012
7. Amount Not Eligible for Exemption $0

## Analysis of Palo Verde CCD’s
### Application for Exemption from the 50 Percent Law
#### 2011-12 Fiscal Year

### Deficiency Calculation

1. 2011-12 Current Expense of Education (CEE) $9,017,569
2. 2011-12 50 Percent Expenditure Requirement $4,508,784
3. Actual Amount Expended $4,226,739
4. Total 2011-12 Deficiency $282,045
5. Amount of district exemption request $282,045
6. Amount Eligible for Exemption $282,045
7. Amount Not Eligible for Exemption $0
8. Net ending balance June 30, 2012 $1,101,482
## Analysis of West Kern CCD’s Application for Exemption from the 50 Percent Law

*2011-12 Fiscal Year*

### Deficiency Calculation

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1</td>
<td>2011-12 Current Expense of Education (CEE)</td>
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<td>2</td>
<td>2011-12 50 Percent Expenditure Requirement</td>
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<td>3</td>
<td>Actual Amount Expended</td>
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<td>Total 2011-12 Deficiency</td>
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<td>5</td>
<td>Amount of district exemption request</td>
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<td>6</td>
<td>Amount Eligible for Exemption</td>
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<tr>
<td>7</td>
<td>Amount Not Eligible for Exemption</td>
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<td>8</td>
<td>Net ending balance June 30, 2012</td>
<td>$3,585,198</td>
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