

**CALIFORNIA COMMUNITY COLLEGES
SYSTEM OFFICE**

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Juen 24, 2008

TO: Chief Business Officers
FROM: Erik Skinner, Vice-Chancellor
College Finance and Facilities Planning
SUBJECT: 2007-08 Second Principal Apportionment (P2) for Community Colleges

SYNOPSIS: The 2007-08 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/AllocationSection/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": Summary of One-Time Funds
- Exhibit "B-4": Monthly Payment Schedule
- Exhibit "C": First Principal Apportionment

Attached is additional background information.

Action/Date Requested: Information.

Contact: Questions regarding apportionments should be referred to the following individuals:

Apprenticeship – Barry Noonan (916) 445-8026

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

Disabled Students Program and Services and State Hospital Developmental Centers -
Scott Berenson (916) 322-3234

Economic Development – Anita Rios (916) 324-3791

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

Faculty and Staff Diversity - Tosh Shikasho (916) 323-4990

Basic Skills – Juan Cruz (916) 327-2987

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

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

Credit / Non Credit Matriculation - Arnold Bojorquez (916) 323-0799

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

TANF and CalWORKs – Patricia Servin (916) 327-5890

Telecommunications Allocations – Catherine McKenzie (916) 322-0833

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

All other questions may be addressed to Ed Monroe at (916) 327-6226, or Email at emonroe@cccco.edu

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Background Information

2007-08 Second Principal Apportionment

The state general revenue on the 2007-08 to the Second Principal Apportionment (P2) is calculated pursuant to the funding provisions of SB 361 as incorporated in the interim regulations of Title 5 of the California Code of Regulations, Sections 58770 ff, and provisions of Item 6870-101-0001 of the Budget Act of 2007. The revised apportionment exhibits include Exhibit B-1, the summary of general and grand total apportionments, Exhibits B-2A, B-2B, and B-2C, State categorical allowances, and Exhibit B-3, summary of one-time funds. The revised Exhibit B-4 updates the county monthly payment schedule by revising various apportionment totals for the period of June 2008. Summaries of all programs, by district, as well as the monthly payments by program are included on Exhibit A.

A. Current Fiscal Year (2007-08).

1. Reported total statewide FTES increased by 31,385 over the 2006-07 recalculation report from 1,146,163 to 1,177,512 FTES. This represents an actual FTES increase of 2.74 percent over the 2006-07 final FTES. Credit FTES grew 2.96 percent while noncredit FTES increased 0.38 percent.
2. The marginal funding rates for both growth and restoration during 2007-08 are calculated from the initial target rates specified in the SB 361 for 2006-07 and then adjusted for inflation.
3. The 2007-08 Budget Act provided a 4.53% Inflation Adjustment.
4. Restoration – Restoration eligibility for 2007-08 has been calculated to restore previously unrestored declines from 2004-05 through 2006-07. Actual restored FTES provides restoration revenue equivalent to the revenue lost in the decline from base during the three-year restoration window indicated above. The effect of the funding rates associated with the change from program-based funding to the FTES based funding of SB 361 has been taken into account with this methodology. Revenue and FTES associated with restoration are not counted against any district's growth revenue cap.
5. **Property Tax and Growth Deficits** – Total estimated property tax revenue within the system is currently below the 2007 Budget Act amount resulting in a revenue shortfall of approximately \$93.0 million. Title 5 section 58779 provides that to the extent a deficit is caused by a revenue shortfall of either State or local resources, that deficit shall be mitigated by adjusting each district's entitlement by the ratio of total available revenue to the total unadjusted system entitlement.

Growth reported at the Second Principal Apportionment (P2) of \$114.0 million exceeded the system's growth appropriation of \$97.5 million resulting in a growth deficit of \$16.5 million being imposed to bring the system's total growth entitlement into balance with its growth appropriation. Additional complexity in calculating the system's growth deficit resulted from Budget Provision 9.5. This provision exists to provide some base protection in case the "rebenching" of the system's base revenue resulted in insufficient base funding to meet districts' entitlements. The intent was to allow a portion of the growth appropriation to be used to fund restoration of base by districts that had previously declined if the system's base appropriation was insufficient. For the 2007-08 P2, it was necessary to shift \$25.6 million from growth into base funding.

This growth deficit is separate from the existing general deficit reduction. Reductions in a district's growth entitlement are determined by comparing the district's actual growth revenue to its revenue growth cap. Those districts with the largest percentage of growth above their growth revenue cap are the first districts reduced in any growth deficit scenario. The combination of growth in excess of the original growth appropriation and the transfer of funds from growth to base of in funding restoration have resulted in an overall growth deficit of \$42.1 million.

6. **GROWTH RATES** – The unadjusted growth rates for each district from the P1 have continued to be updated based on late input of data for additional FTES from new facilities entering service in calendar year 2007. Additional revision of the growth rates due to this new facility FTES adjustment for 2007 beyond the P2 is not

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expected. The factors used to calculate growth rates are (1) the district's rate of change in its adult population, (2) the change in high school graduation rates, (3) adjustment for underserved areas or FTES in new facilities, and (4) adjustment (if needed) to provide an initial growth rate of 1 per cent before being constrained to the system's growth appropriation. The final growth rate will provide an increase of at least 100 FTES.

7. **\$200 Million Deferral** – The P2 calculation of general apportionment revenue shown on each district's Exhibit A has been adjusted to provide for the \$200 million deferral that the State is "counting" toward the 2008-09 Proposition 98 guarantee. This funding mechanism has been used since the 2004-05 budget. After July 1, 2008, the \$200 million deferral will be distributed and should be recognized as 2007-08 general apportionment revenue for district accounting purposes.
8. **Student Enrollment Fee (98%)**. Student enrollment fees are currently estimated at \$289.6 million statewide, approximately \$5.9 million greater than the 2007 Budget Act projection of \$283.7 million.
9. **Correction/Adjustment Summary** – The major changes incorporated into the P2 are the following:
 - a) A further update of the system's property tax estimates;
 - b) Adjustments of district monthly payment schedules for the \$200 million deferral (Exhibit A);
 - c) Recalculation of basic skills entitlements per the 2006 recalculation FTES;
 - d) Minor other adjustments affecting only a individual districts.
10. **2006-07 Prior Year Corrections/Adjustments** – Minor revisions were made in the categorical allocations for Disabled Student Programs and Services (DSPS), Return to Title 4, and the Apprenticeship programs.

CATEGORICAL PROGRAMS

1. **APPRENTICESHIP ALLOWANCE – (Minor revisions implemented at the P2)** The P2 Apportionment allocates the entire \$15, 229,000 funded in the 2007-2008 Budget Act. The rate for apprenticeship related and supplemental instruction (**RSI**) was increased this fiscal year to \$5.06 per hour effective July 1, 2007. This is a \$0.20 per hour increase over the \$4.86 hourly rate that started in 1999-2000. **Since the funding of \$15,229,000 did not change, the increase in hourly rate reduced the number of RSI hours available.**

At **P2**, the districts projected that the 2007-2008 total annual RSI attendance hours to be 0.3 % more than reported for the 2006-2007 R1 Recalculation. The P2 Certified Projected RSI hours for FY 2007-2008 is 3,269,255 hours. At \$5.06 per hour, the cost would be \$16,542,430. This results in a projection of an End-of-Year deficit of (\$1,313,430) or a -7.9% deficiency in full funding of RSI hours certified by the districts at P2.

DOF: BUDGET REQUEST TO TRANSFER FUNDS:

In the 2007-2008 P1 Narrative, there was information regarding a request to the California Department of Finance to transfer funds between CDE and CCCC. The request resulted from the movement of one program from CDE to CCCC, and two programs from CCCC to CDE resulting in a potential net loss for CCCC of \$587,248.

That transfer has not yet taken place. It is unlikely that the transfer will take place during the remainder of this fiscal year although there is some possibility that the transfer will take place in FY 2008-2009.

COMMENTS REGARDING THE UPCOMING CURRENT YEAR RECALCULATION:

At the recalculation, the districts can revise their P1 and P2 data entries for credit and noncredit RSI hours.

For more information contact Barry Noonan at bnoonan@cccco.edu or 916.445.8026.

2. **EOPS**. Extended Opportunity Programs and Services (EOPS): The Second Principal Apportionment allocates the \$106.786 million included in the final State Budget Act. The P2 apportionment reflects the

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actual allocations for the EOPS programs based on the approved BOG allocation formula and adjusted for the reallocation of unused funds.

3. **Disabled Student Programs and Services. (Minor adjustments were made at the P2)** The Second Principal Apportionment reflects the final allocations of \$109.1 million for college DSP&S programs based on the established allocation formula. This includes \$9.6 million for hearing impaired expenses which require a 1:4 (district:state) dollar match. An additional \$1.7 million for state hospital programs at three colleges and additional \$4.1 million for DSP&S grant programs at four districts are also included in the apportionment. There was an additional \$247,354 of unused PADS funds added to the apportionments for DSP&S programs at P-2. The full allocation for DSP&S is posted on the state Chancellor's Office website, Student Services Division, DSP&S at this URL:
<http://www.cccco.edu/SystemOffice/Divisions/StudentServices/DSPS/tabid/616/Default.aspx>
4. **TANF.** The Second Principal Apportionment reflects the final allocations of TANF funds for the District's CalWORKs programs based on the established allocation formula and adjusted by the approved request for allocation adjustments made by the districts/colleges. The full allocation and adjustments for TANF will be posted on the CalWORKs portion of the state Chancellor's Office website, Student Services Division, TANF at this URL: <http://www.cccco.edu/SystemOffice/Divisions/StudentServices/CalWORKs/tabid/583/Default.aspx>
5. **CalWORKs. CalWORKs.** The Second Principal Apportionment reflects the final allocations of CalWORKs funds for the District's CalWORKs programs based on the established allocation formula and adjusted by the approved request 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. The full allocation and adjustments for CalWORKs will be posted on the CalWORKs portion of the state Chancellor's Office website, Student Services Division, CalWORKs at this URL: <http://www.cccco.edu/SystemOffice/Divisions/StudentServices/CalWORKs/tabid/583/Default.aspx>
6. **CARE.** The Second Principal Apportionment (P2) allocates the **\$15.505 million** provided for the CARE program in the 2007-2008 State Budget Act. The P2 apportionment reflects the actual allocations for individual college CARE programs and is based upon: a) the Board of Governors-approved allocations funding formula and b) subsequent mid-year adjustments, including returned or anticipated unused funds reported by districts/colleges and one-time budget augmentations awarded to districts/colleges requesting CARE reallocated funds.
7. **Return to Title 4** – Additional reimbursements have been made at the P2 under Title 4.
8. **Credit / Noncredit Matriculation.** For credit and noncredit Matriculation, the Second Principal apportionment reflects the final allocation amounts for the colleges. In credit Matriculation, 14 college/districts 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. There were no unused funds awards for noncredit Matriculation programs. 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>
9. **Faculty & Staff Diversity.** The Second Principal Apportionment (P2) allocates the **\$15.505 million** provided for the CARE program in the 2007-2008 State Budget Act. The P2 apportionment reflects the actual allocations for individual college CARE programs and is based upon: a) the Board of Governors-approved allocations funding formula and b) subsequent mid-year adjustments, including returned or anticipated

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unused funds reported by districts/colleges and one-time budget augmentations awarded to districts/colleges requesting CARE reallocated funds.

10. **Part-time faculty Compensation.** For 2007-08, Part-time faculty Compensation funding remains at \$50.828 million.
11. **Full-time faculty obligation (FTFO).** In November 2007, the Board of Governors determined that there were adequate funds provided in the 2007-08 state budget for full implementation of increases for the **Fall 2008** obligation. However, the recent property tax shortfall resulted in a deficit coefficient of .9832138637. Changes between P-2 base and funded credit FTES have been discounted by this amount. The final calculation for the **Fall 2008** obligation will be available in July 2008 and will be included in the Budget Workshop notebook. The **Fall 2008** obligation for which districts are accountable is the lower of the calculations for FY 2007-08 Advance and P-2.
12. **Telecommunications and Technology Services (TTIP).** TIPP funding for 2007-08 totals \$26,197,000. The TTIP funds used for allocation total \$12,500,000, which is the same as in previous years. The TTIP funds will continue to fund library on-going electronic resources and data and video network connections and usage to the California Research and Education Network (CalREN), the California K-20 network. In 2007-08, the TTIP funds allocated the library on-going electronic resource funds at \$36,363 per funded college (110 colleges).

At the advance apportionment, funds were placed at the CCC Technology Center (Butte College) to pay the CalREN invoices on behalf of the colleges/districts.
13. **Economic and Workforce Development.** The Economic and Workforce Development portion of the Second Principal Apportionment reflects the Governor's Proposal for the 2007-08 Budget (\$46,790,000).
14. **Physical Plant and Instructional Support Allocation.** The \$27,345,000 appropriation for this item is divided in the budget between (1) Scheduled Maintenance and Special Repairs of Facilities and (2) Instructional Equipment and Library Materials. In order to ensure adequate funding for all districts, a minimum funding threshold of \$100,000 for each subdivision per district was applied. Districts earning above the minimum threshold for Instructional Equipment and Library Materials or Scheduled Maintenance and Special Repairs received \$10.9202 or \$10.9212 respectively multiplied by their 2006-07 final Recalculation total FTES. These funds are being allocated on a monthly basis. Match requirements are attached to these funds dependent upon their use. The Instructional Equipment match requirement is subject to a 3 to 1 state to local match; the Scheduled maintenance program is subject to a 1 to 1 state to local match.
15. **State Career Technical Education.** \$8 million of the 2006-07 Budget Act were provided in the 2007-08 Advance apportionment for districts that have applied for and received grants from the Chancellor's Office to expand their CTE programs. This represents the initial disbursement of the grant funds. The remaining grant funds will be disbursed through the apportionment process in FY 2008-09. Details on the grants are available on the Governor's Career Technical Education Initiative website. Questions regarding these allocations should be directed to Jackie Escajeda of the Chancellor's Office at (916) 327-2066 or jescajeda@cccco.edu

C. Chancellor's Office Web Page.

All apportionment exhibits are available on the Internet on the Chancellor's Office Web Page at:

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