

**CALIFORNIA COMMUNITY COLLEGES
SYSTEM OFFICE**

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March 20, 2008

TO: Chief Business Officers

FROM: Erik Skinner, Vice-Chancellor
College Finance and Facilities Planning

SUBJECT: 2007-08 First Principal Apportionment (P1) (March Revision) for Community Colleges

SYNOPSIS: The 2007-08 First Principal Apportionment (March Revision) 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/cccco/fiscal/apportionment/reports/apportionment.htm>).

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 (March Revision) - Part 1 |
| Exhibit "B-2B": | Categorical Apportionments (March Revision) - Part 2 |
| Exhibit "B-2C": | Categorical Apportionments (March Revision) - Part 3 |
| Exhibit "B-3": | Summary of One-Time Funds (March Revision) |
| Exhibit "B-4": | Monthly Payment Schedule (March Revision) |
| Exhibit "C" | First Principal Apportionment (March Revision) |

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

California Community Colleges
First Principal Apportionment (P1) Background Information
2007-08 First Principal Apportionment – MARCH REVISION

The state general revenue on the 2007-08 March Revision to the First Principal Apportionment (P1) 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 from March 2008 through May 2008. Summaries of all programs, by district, as well as the monthly payments by program are included on Exhibit A.

A. 2006-07 Recalculation – MARCH REVISION

The exhibits associated with the 2006-07 recalculation – March revision are listed separately from the 2007-08 P1 apportionment exhibits on the Apportionments web page. Fiscal year corrections/adjustments by program are shown on Exhibit D (2006-07 Fiscal Year Corrections & Adjustments). Exhibit E (2006-07 Recalculation) displays the general apportionment revenue generated by each district along with its associated FTES and Basic Allocation.

The 2006-07 apportionment included Basic Skills funding from two separate sources. \$29,974,000 was originally appropriated in 2005-06 but was then subsequently reappropriated as one-time funds as part of the 2006-07 Advance Apportionment. These one-time funds were to be used for the enhancement of basic skills and immigrant education programs pursuant to Item 6870-493 of the 2006-07 State Budget Act. \$33,110,000 was included in the 2006-07 Second Principal Apportionment (P2) as on-going basic skills funding.

Actual statewide FTES for the 2006-07 fiscal year increased 44,259 (credit increased 38,264 while total non-credit increased 5,995) when compared with the 2005-06 Recalculation. Total noncredit FTES includes both regular noncredit and Career Development College Prep (CDCP) noncredit. Overall, total system FTES increased by 4.02 percent as the number of districts in decline and receiving stability funding decreased to less than half of that experienced in the previous year, from 40 districts to 19.

For 2006-07, all growth was fully funded utilizing the total growth appropriation of \$97.5 million.

Actual property tax revenues reported by districts amounted to \$1,853.2 million (excluding excess tax revenue), which was \$0.2 million less than the amount projected by the Department of Finance for the 2006-07 Budget Act. In contrast, enrollment fee revenue was \$2.3 million above the Department of Finance's budget projection. As a result, we did not apply any deficit factors to general apportionment in 2006-07.

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B. Current Fiscal Year (2007-08).

1. Reported total statewide FTES increased by 19,222 over the 2006-07 recalculation report from 1,146,163 to 1,165,385 FTES. This represents an actual FTES increase of 1.68 percent over the 2006-07 final FTES. Credit FTES grew 1.85 percent while noncredit FTES declined 0.13 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 Deficit and Growth** – Total estimated property tax revenue within the system is currently below the 2007 Budget Act amount resulting in a revenue shortfall of approximately \$86.0 million. Due to property tax reporting irregularities not being detected until after publishing the February P1, adjustments to accommodate the resulting deficit were delayed until the March revision. 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. As of the March P1 revision, our deficit occurred because of insufficient State or local revenue resulting in the general deficit mechanism of section 58779 being the only methodology used to mitigate the deficit. System growth at the March revision was \$84.9 million or \$12.6 million less than the Budget Act growth appropriation and was therefore not a factor in the existing deficit.

In the event that additional growth is reported at the Second Principal Apportionment (P2) sufficient to exceed the system's growth appropriation of \$97.5 million, a growth deficit will be imposed to reduce the system's total growth entitlement to its growth appropriation. A growth deficit will be separate from any general deficit reduction. Reductions in a district's growth entitlement are determined from the district's actual growth revenue relative to its revenue growth cap. Those districts with the largest percentage of growth above their growth revenue cap will be the first districts to be reduced in any growth deficit scenario.

6. **GROWTH RATES** – The unadjusted growth rates for each district from the February P1 were revised based on Title 5 section 58774(c) resulting in minor rate adjustments for many districts in the March P1 revision. The growth rates shown on the revised Exhibit C are correct. As of the March revision, all reported growth FTES has been fully funded. 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. Please note the 2007-08 fiscal year budget again includes a \$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. **The General Apportionment components of the April and May 2008 P1 apportionment have been reduced from 8 percent to 7 percent to better accommodate the deferral requirement.** After July 1, 2008, the \$200 million deferral will be distributed and shall be counted as 2007-08 general apportionment revenue for district accounting purposes.

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8. Student Enrollment Fee (98%). Student enrollment fees are currently estimated at \$285.4 million statewide, approximately \$1.7 million greater than the 2007 Budget Act projection of \$283.7 million.
9. Correction Summary – The primary changes incorporated into the P1 March Revision are the following:
 - a) The correction of the system's property tax estimates;
 - b) Corresponding adjustments of district monthly payment schedules (Exhibit A);
 - c) Recalculation of basic skills entitlements per the 2006 recalculation FTES or the reported 2007 basic skills FTES as appropriate;
 - d) Minor other adjustments affecting only a few specific districts.

CATEGORICAL PROGRAMS

1. **Apprenticeship 2006-2007 Recalculation (RECALC).** The RECALC apportionment allocates the entire \$15,229,000 funded in the 2006-2007 Budget Act. The hourly rate was \$4.86.

\$610,586 is the deficit at RECALC. This is a 3.9% underfunding. 125,635 RSI hours were generated beyond the number of RSI hours funded by the Budget Act resulting in the 3.9% shortfall in funding. \$15,839,586 would have been needed to provide full funding for the hours generated.

A \$3,110,586 deficit would have occurred if the legislature and Governor had not approved CCCC's request for a \$2,500,000 increase in funding for FY 2006-2007.

The districts that had growth in 2006-2007 RSI hours in excess of the actual 2005-2006 funded hours received a proportional allocation of the \$610,586 deficit resulting from those 2006-2007 RECALC RSI hours in excess of the actual 2005-2006 funded hours so as to align actual expenditure to the \$15,229,000 appropriated in the Budget Act.

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

2. **EOPS.** The First Principal Apportionment allocates \$106.74 million and is slightly less than the \$106.78 million included in the final State Budget Act. The P1 apportionment reflects the actual current year allocations for the EOPS programs based on the approved Board of Governors allocation formula along with the December disbursement of reallocated funds. The remaining funds are being held for statewide activities.
3. **Disabled Student Programs and Services.** The First 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 an additional \$4.1 million for DSP&S grant programs at four districts are also included in the apportionment. 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 First 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. 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>

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5. **CalWORKs.** The First 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. 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 First Principal Apportionment allocates **\$15.505 million** for college CARE programs based upon the approved Board of Governors allocations funding formula and reflects one-time adjustments for fiscal penalties that were imposed upon specific college programs that returned in excess of five percent of their base allocations after the end of FY 2005-2006. These CARE programs were notified by the Chancellor's Office to anticipate one-time reductions in their 2007-2008 program allocations: Alameda (Peralta), Cabrillo, Compton (El Camino), Crafton Hills (San Bernardino), Lake Tahoe, and Shasta. The P1 also reflects a correction made to the CARE allocation for Imperial Valley College. The corrected base allocation for Imperial Valley College CARE is \$186,047. Furthermore, 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, this fiscal year. The 2007-2008 CARE Final Allocations are posted on the California Community Colleges Student Services Division/CARE webpage at
<http://www.cccco.edu/SystemOffice/Divisions/StudentServices/CARE/tabid/589/Default.aspx>.

7. **Credit / Noncredit Matriculation.** The First Principal Apportionment reflects the final allocations of Matriculation funds for the District's Matriculation programs based on the established allocation formula. There is a 3:1 and 1:1 (district:state) general fund dollar match required for funds allocated to the districts for the Matriculation Credit and Noncredit programs, respectively. The full allocation for Matriculation is 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>

8. **Faculty & Staff Diversity.** The 2007-08 First Principal Apportionment (P1) allocates \$1.3 million of the \$1.7 million included in the final Budget Act. The remaining balance of \$0.4 million 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. Pursuant to title 5, section 53030(b), the allocation is \$0.69133 per 2006-07 P2 FTES plus a base amount of \$7,279.16 for each district.

The Recalculation allocates \$1.7 million. The allocation is augmented by \$27,130. Pursuant to title 5, section 53030, the allocation is \$0.72467430 per 2005-06 FTES plus a base amount of \$7,429.89 for each district.

9. **Part-time faculty Compensation.** For 2007-08, Part-time faculty Compensation funding remains at \$50.828 million.

10. **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 FTFO increases. Every district met or exceeded the FTFO for Fall 2007.

11. **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

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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.

12. **Economic and Workforce Development.** The Economic and Workforce Development portion of the First Principal Apportionment reflects the Governor's Proposal for the 2007-08 Budget (\$46,790,000).
13. **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.
14. **Perkins Programs** are now reimbursed quarterly and are no longer included in this apportionment report.
15. **State Career Technical Education.** \$8 million of the 2006-07 Budget Act are provided in the Advance apportionment and continued in the P1 apportionment for districts that have applied for and received grants from the Chancellor's Office to expand their CTE programs. This represents 50% of the grant funds. The remaining 50% 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](http://www.cccco.edu/SystemOffice/Divisions/FinanceFacilities/FiscalServices/AllocationsSection/Apportio
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