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CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

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June 24, 2009

**TO:** Chief Business Officers  
**FROM:** Erik Skinner, Vice Chancellor  
College Finance and Facilities Planning  
**SUBJECT:** 2008-09 Second Principal Apportionment (P2)

**SYNOPSIS:** The 2008-09 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/AllocationsSection/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-2D":	Categorical Apportionments - Part 4
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.

## **Background Information**

**IMPORTANT NOTE:** The P2 Apportionment allocation was based on the 2008-09 Budget Act enacted on February 20, 2009. This P2 Apportionment does not reflect current proposals by both the Governor and the Legislature to amend the 2008-09 Community College Budget, which include an \$85 million reduction in general fund resources and an additional \$115 million 2008-09 deferral. Depending on the final disposition of the 2008-09 Budget, the Chancellor's Office will either repost a revised P2 or make any 2008-09 changes as part of the final recalculation in February 2010.

The state general revenue on the 2008-09 Second Principal Apportionment (P2) is calculated pursuant to the funding provisions of SB 361 as incorporated in the regulations of Title 5 of the California Code of Regulations, Sections 58770, et. al. and provisions of Item 6870-101-0001 of the Budget Act of 2008.

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-2D. Exhibit B-4 provides the payment schedule by county for June 2009.

The 2008-09 Second Principal Apportionment (P2) allocations for June 2009 are based on each district's certified April 20<sup>th</sup> P2 Full Time Equivalent Student (FTES) along with each county's April 15<sup>th</sup> estimate of current year property tax and each district's April 15<sup>th</sup> estimate of annual enrollment fee revenue for the current year.

### **GENERAL ISSUES**

There is no Cost-of-Living Adjustment included in the P2.

Overall, the reported total statewide FTES for the first period of 2008-09 increased by 75,045, going from 1,182,627 in 2007-08 to 1,257,672 FTES at the 2008-09 P2, for a year-to-year increase of 6.35 percent. Districts restoring prior year declines represented roughly 12,829 FTES. Total funded growth (FTES funded above a district's 2008-09 base) represented approximately 24,451 FTES. Districts with declining FTES and eligible for stability funding represented -2,630 FTES.

The marginal funding rates for both growth and restoration during 2008-09 are calculated from rates specified in SB 361 for 2006-07 and then adjusted for inflation. These rates are displayed at the top of the page on each district's Exhibit C.

**Deferrals** – The 2008-09 budget revision enacted February 20, 2009, revised the amount and timing of general apportionment deferrals as compared to previous years. The total deferral amount is \$540 million, with this amount scheduled to be repaid to districts in the first week of July 2009. These deferrals as specified in the revised 2008 Budget Act consist of the following:

- \$115 million deferment of general apportionment in January 2009 (new)
- \$115 million deferment of general apportionment in February 2009 (new)

- \$55 million deferment of general apportionment in March 2009 (new)
- \$55 million deferment of general apportionment in April 2009 (new)
- \$200 million deferment of general apportionment in June 2009

In addition, \$200 million of 2009-10 general apportionment will be deferred from the July 2009 apportionment allocation until October 2009.

**Growth** – Districts’ total *actual* growth was \$346 million at the P2. The 2008 Budget Act provides \$113.5 million in state general fund for new growth. The Chancellor’s Office funded all FTES growth up to the Budget Act amount of \$113.5 million, less \$9.8 million required to fund increases in the basic foundation allocation, and constrained (deficit) each district’s growth appropriately. This growth deficit is separate from the existing general deficit reduction. Reductions in a district’s growth are determined by comparing the district’s actual growth revenue to its revenue growth cap. District growth in excess of the Budget Act growth appropriation has resulted in an overall growth deficit of \$243million.

**Unfunded FTES** - The system served over 70,000 full-time students (FTES), equal to over 140,000 total students, above the amount provided in the state budget, equating to \$317 million in lost funding to college districts to cover the cost of serving these students.

- Over 52,200 unfunded FTES equivalent to an overall loss of \$233 million resulted from unfunded growth
- Over 18,000 unfunded FTES (\$84.2 million) resulted from a combination of a local revenue shortfall and the general fund structural deficit, described below.

**Property Tax, Student Fee Shortfalls and the General Deficit** – Total property tax revenue within the system came in below the 2008 Budget Act amount, resulting in a revenue shortfall of approximately \$42.8 million. Student fee revenue also came in slightly below Budget Act estimates by \$200,000. In addition to this \$43 million local revenue shortfall, the system also experienced a structural deficit of approximately \$41.2 million, caused by an \$80 million base reduction in 2007-08. The total general deficit, therefore, equals \$84.2 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 applied by adjusting each district’s entitlement by the ratio of total available revenue to the total unadjusted system entitlement. In other words, each district’s total entitlement or Total Computational Revenue was adjusted proportionally using the deficit coefficient of 0.98515.

**Restoration & Stability** – Restoration eligibility for 2008-09 has been calculated to restore previously un-restored base FTES declines from 2005-06 through 2007-08. Restoration revenue allows restoration of base FTES previously lost due to any base declines during the three-year restoration window indicated above. Total restoration by districts in 2008-09 amounted to \$57.9 million out of a total eligible restoration potential of \$91.9 million (2005-06 = 23.7 million, 2006-07 = 25.4 million, and 2007-08 = 42.8 million). Stability payments as of the 2008-09 P2 amounted to \$11.8 million.

**CATEGORICAL PROGRAMS (updated P2 descriptions for categorical programs will be posted soon)**

**Note, the categorical programs are likely to be subject to funding reductions pending final budget negotiations, which includes a proposal to reduce CCC funding in 2008-09 by \$85 million.**

**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

Career Technical Education – Ron Selge (916) 322-1677

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@ccco.edu](mailto:emonroe@ccco.edu)