
CALIFORNIA COMMUNITY COLLEGES

CHANCELLOR'S OFFICE

1102 Q STREET

SACRAMENTO, CA 95811-6549

(916) 445-8752

<http://www.cccco.edu>

July 22, 2009

TO: Chief Business Officers
FROM: Erik Skinner, Vice Chancellor College Finance and Facilities Planning
SUBJECT: 2009-10 Preliminary Advance Apportionment (July)

SYNOPSIS: This is a **preliminary** Advance Apportionment for both the general apportionment and most of the categorical apportionment allocations for the 2009-10 Fiscal Year. The 2009-10 Budget Act enacted in February provides the Chancellor's Office with the authority to allocate funds in the current fiscal year starting with the July payment. This Advance Apportionment is **preliminary** since the on-going budget negotiations to resolve the state's budget deficit will likely reduce the final funding amounts available for the general apportionment and categorical programs. While state leaders have recently announced a tentative budget agreement, no details have been released to the public. Given this uncertainty and the need for the state Chancellor's Office to comply with State Controller Apportionment deadlines, we have based the Advance Apportionment on preliminary assumptions. Once we have final disposition of the 2009-10 budget, the Chancellor's Office will revise the Advance Apportionment to conform to final Budget Act amounts.

For now, the July 2009-10 Advance Apportionment allocates funds to districts based on 2008-09 Second Principal Apportionment (P2) certifications, with a few exceptions, and will make July's eight percent payment to districts from that P2 certified amount. Access to the July Advance Apportionments 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	(Ad Hoc Display - general apportionment and categorical certifications for July only)
Exhibit "B-4":	Monthly Payment Schedule

Advance General Apportionment Assumptions

July Advance Apportionment Allocations

Given the likelihood of budget cuts to the general apportionment proposed for 2009-10, the Chancellor's Office is certifying the July Advance General Apportionment at the levels certified at the 2008-09 Second Principal Apportionment, and modified to reflect revenue changes in Property Taxes, Student Fee Revenues, and General Fund Revenues consistent with proposals by the Governor and the Legislative Conference Committee.

These allocations should be viewed as **preliminary** and merely as a mechanism for providing cash allocations to college districts for the month of July absent a final budget agreement for 2009-10. These **preliminary** certifications will remain unchanged until we have a final budget agreement; a new Advance Apportionment will be calculated using final Budget Act numbers when they become available. Provided below is a list of the assumptions used for the July Advance General Apportionment.

Property Tax Revenue Assumption

A district's certified 2008-09 P2 property revenue amount was **reduced** by 3.7 percent to reflect the expected decline in property tax revenues projected by the Department of Finance as of the 2009-10 May Revision estimate.

Student Fee Revenue Assumption

A district's certified 2008-09 P2 student fee amount was **increased** by roughly 19 percent to reflect the expected increase in student fee revenues projected as of the 2009-10 Legislative Conference Committee decision to raise the per credit fee rate from \$20 to \$26 effective for the academic year 2009-10. Statewide, the six dollar fee increase is expected to raise \$80 million in new fee revenues in 2009-10.

General Fund Revenue Assumption

A district's certified 2008-09 P2 general fund revenue amount was **reduced** by roughly 2.5 percent to reflect the expected reduction to general fund revenues resulting from actions taken by the Legislative Conference Committee. This reduction is the result of a \$120 million unallocated reduction to base apportionments and various other technical adjustments.

Payment Deferrals

Consistent with the February 2009 budget agreement, the July 2009 district payment includes the district's share of a statewide deferral of \$200 million. This is a newly established intra-fiscal year deferral with the funds scheduled for repayment to districts as part of the October 2009 apportionment allocation.

The Legislative Conference Committee proposes an inter-fiscal year deferral totaling \$655 million that will begin deferring monthly payments to districts on the following schedule with the repayment of the deferred amounts occurring in July, 2010:

January	\$115 million
February	\$115 million
March	\$55 million
April	\$112.5 million
May	\$57.5 million
<u>June</u>	<u>\$200 million</u>
Total Deferral = \$655 million	

Workload Reductions

Assuming workload reduction provisions contained in the Conference Committee package are carried forward into the final budget, the Chancellor's Office will calculate reductions to each district's base FTES workload measures once we have a final 2009-10 budget agreement. The Chancellor's Office will reduce each district's Total Computational Revenue (TCR) by the same percentage used to calculate the statewide revenue reduction. A corresponding reduction will be made to each district's funded FTES base workload. For the revised Advance Apportionment, the Chancellor's Office will use the district's funded 2008-09 P2 base FTES workload measures. This calculation will be updated when the Chancellor's Office certifies final workload measures as part of the final 2008-09 recalculation.

Categorical Apportionment Assumptions

July Advance Apportionment Allocations

Given the likelihood of cuts to community college categorical programs, this July Advance Apportionment allocates funds to districts for categorical programs at the levels certified at the 2008-09 Second Principal Apportionment. These allocations should be viewed as **preliminary** and merely as a mechanism for providing cash allocations to districts absent a final budget agreement for 2009-10. These **preliminary** certifications will remain unchanged until we have a final budget agreement. Provided below is a brief explanation of the Legislature's proposed categorical reductions, which is being provided strictly for informational purposes only.

Legislature's Proposed Categorical Reductions for 2009-10

Both the Legislature and the Governor have proposed budget reductions to most of the 23 community college categorical programs. The Governor’s proposal would reduce all categorical programs equally with the exception of three programs (Financial Aid, Foster Care and Technology), and grants broad flexibility for districts to spend categorical funds to meet local needs. The Legislative Budget Conference Committee took a different approach to categorical cuts by exempting two programs from cuts (1% increase to Financial Aid and no cut to Foster Care), fully eliminating two programs (Budget Act funding for Career Technical Education and Physical Plant/Instructional Equipment), and then making a range of cuts from 15% to 32% for the remaining categorical programs. The Legislature’s proposal relies on \$130 million in estimated Federal Stimulus funding to backfill categorical cuts. To the extent the projected Federal Stimulus funding fails to materialize, then additional cuts would be made to all categorical programs. While the final budget package is still pending, it appears that the Conference Committee’s proposals will likely serve as the framework for the final budget agreement.

The table below lists all 23 community college categorical programs, the amounts budgeted in the February Budget Act (SB4X 1), the amount of the proposed legislative cut, the percentage the cut represents compared to the February budget amount, and whether the program falls under new Flexibility rules for certain categorical programs.

Proposed Legislative Categorical Funding Cuts

(dollars in thousands)

2009-10 Fiscal Year

	Budget Act	Cut	Allocation	% Cut	Flexibility *
Categorical Programs					
1 Financial Aid	\$52,203	\$681	\$52,884	1%	No
2 Foster Care	5,254	-	5,254	0%	No
3 Student Success	6,158	(895)	5,263	-15%	No
5 CalWORKs	43,580	(6,537)	37,043	-15%	No
6 Basic Skills	33,100	(5,296)	27,804	-16%	No
7 Nursing Support	22,100	(3,536)	18,564	-16%	No
8 Disabled Students	118,461	(22,404)	96,057	-19%	No
9 EOPS/CARE	125,960	(23,823)	102,137	-19%	No
10 Telecommunications	26,197	(4,980)	21,217	-19%	No
11 Academic Senate	467	(149)	318	-32%	Yes
12 Childcare Tax Bail Out	6,836	(2,187)	4,649	-32%	Yes
13 Equal Employment	1,747	(559)	1,188	-32%	Yes
14 Economic Development	46,790	(14,972)	31,818	-32%	Yes
15 Apprenticeship	14,641	(4,685)	9,956	-32%	Yes
17 Office Hours	7,172	(2,295)	4,877	-32%	Yes

18	Health Insurance	1,000	(320)	680	-32%	Yes
19	Faculty Compensation	50,828	(16,265)	34,563	-32%	Yes
20	Transfer / Articulation	1,424	(456)	968	-32%	Yes
21	Matriculation***	104,857	(36,608)	68,249	-35%	Yes
22	Physical Plant**	27,345	(27,345)	-	-100%	N/A
23	CTE**	20,000	(20,000)	-	-100%	N/A
Total		\$716,120	\$(192,630)	\$523,490		

* Flexibility provision applies to shaded areas and allows funds to be moved INTO any categorical program.

** \$38 million in SB 1133 funds still available for Career Technical Education & \$10 million for general purpose block grant

***Matriculation's February budget amount included a workload increase for expected program growth. The legislative proposal includes cutting that growth and then applying a 32% reduction, which explains the 35% reduction for Matriculation. Similar workload funds were provided and then taken away from EOPS/CARE and DSPS programs.

The Conference Committee package would provide categorical flexibility for districts for the categorical programs sustaining a 32% reduction, which are highlighted in the shaded area of the table. Under this proposal, districts would be able to redirect funds from any of the categorical programs subject to the 32 percent reduction to support any other categorical program funded in the state budget. Before exercising this flexibility, districts would be required to discuss the redirection of funds at a regularly scheduled public meeting. This flexibility would apply to fiscal years 2009-10 through 2012-13. In addition, for the categorical programs falling under the flexibility provision, the proposal **locks in** funding for each district at the same amount received by the district in 2008-09, less 32%, and **locks in** that funding amount for the next four years. Districts would have the ability to redirect these categorical funds, even funds governed by a direct contract or grant through the Chancellor's Office, to support any other categorical program.

Nevertheless and despite this flexibility authority granted to districts, the Chancellor's Office expects districts receiving grant or contract funds from the these categorical programs that **serve state, regional or program-wide missions** to continue to use these funds for those purposes and not redirect the funds to another categorical program at the district.

Again, when we have final 2009-10 budget numbers the Chancellor's Office will update the Advance Apportionment to reflect whatever changes are enacted.

All questions regarding the general apportionment for July's Advance may be addressed to Ed Monroe at (916) 327-6226, email at emonroe@cccco.edu and all questions regarding the categorical apportionments for July's Advance may be addressed to Diane Brady at 916-327-1554, email at dbrady@cccco.edu