Memorandum

December 19, 2016

TO: Chief Business Officers

FROM: Frances Parmelee, Assistant Vice Chancellor
College Finance and Facilities Planning

SUBJECT: Accounting Advisory: Proposition 55, The California Children’s Education and Health Care Protection Act of 2016 guidelines (Prop 30 Extension)

Proposition 55, The California Children’s Education and Health Care Protection Act of 2016 is an extension of Proposition 30 extending the personal income tax increase through 2030-31. This proposition extends increased income tax for upper-income earners (over $250,000 for single filers; over $500,000 for joint filers; over $340,000 for heads of households) but does not extend the sales and use tax which is set to expire January 1, 2017.

The accounting and reporting requirements for Proposition 55 is exactly the same as the requirements for Proposition 30 which was outlined in the Chancellor’s Office Proposition 30 Accounting Advisory FS 13-03 dated April 17, 2013.

The college districts have sole authority on how the funds received from the Education Protection Account (EPA) will be spent; however, the governing board or body must make these spending determinations in an open session of a public meeting of the governing board or body and may not use these EPA funds for salaries and benefits of administrators or any other administrative costs. Each college district is required to publish on its public website an accounting of how much EPA funds were received and how that money was spent. Additionally, EPA funds are subject to an annual independent financial and compliance audit to ascertain and verify whether the EPA funds provided have been properly disbursed and expended as required by law. Expenditures incurred to comply with these additional audit requirements may be paid with EPA funds and shall not be considered administrative costs for purposes of EPA audits.
EPA expenditures should be recorded annually on the CCFS-311 (Prop 55 EPA expenditure report), which can also be used as a template for college districts to publish their EPA expenditures on their website.

Revenue for EPA funds is unrestricted and should be recorded in object code 8630. The law strictly prohibits the expenditure of EPA funds on administrative salaries and benefits or any other administrative costs. Consistent with the *Budget and Accounting Manual*, administrative costs include:

- **General Administration**: district-wide administrative activities including governing board, chancellor, and district-level fiscal and personnel services.
- **Campus Administration**: activities concerned with directing and managing the operation of a particular campus.
- **Instructional Administration**: activities for assisting instructional staff in planning, developing, and evaluating the process of providing learning experiences for students.

If you have any questions, please contact Michael Yarber at (916) 327-6818 or via email at myarber@cccco.edu.