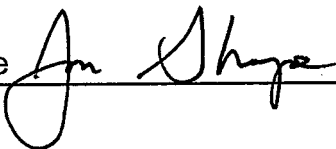
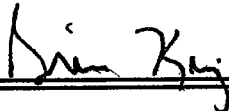


# LOS RIOS COMMUNITY COLLEGE DISTRICT

**PRESENTED TO BOARD OF TRUSTEES**

**DATE:** June 12, 2013

<b>SUBJECT:</b> Public Hearing: Educational Protection Account Expenditure Plan		<b>Attachment:</b> None	
		<b>Enclosure:</b> None	
<b>CATEGORY:</b>	Action Item E	<b>TYPE OF BOARD CONSIDERATION:</b>	
<b>Recommended By:</b>	Jon Sharpe 	<b>Information</b>	
		<b>Action</b>	X
<b>Approved for Consideration:</b>	Brian King 	<b>First Reading</b>	
		<b>Consent/Routine</b>	

**BACKGROUND**

Proposition 30, The Schools and Local Public Safety Protection Act of 2012 passed in November 2012. This proposition temporarily raises the State sales and use tax by .25 cents for four years and raises the income tax rate for high income earners (\$250,000 for individuals and \$500,000 for couples) for seven years to provide *continuing* funding for local school districts and community colleges. The Education Protection Account (EPA) was created in the State's General Fund to receive and disburse these temporary tax revenues.

Districts have sole authority to determine how the moneys received from the EPA are spent, provided that the governing board makes these spending determinations in open session of a public meeting of the governing board and with the limitation that EPA funds cannot be used to pay administrative salaries and benefits and other administrative costs. Each entity receiving funds must annually publish on its Internet web site an accounting of how much money was received from the EPA and how that money was spent. Additionally, the annual independent financial and compliance audit required of community colleges shall ascertain and verify whether the funds provided from the EPA have been properly disbursed and expended as required by law. Expenses incurred to comply with these additional audit requirements may be paid from the EPA.

Funds from the EPA are not new or increased resources for districts. Rather EPA replaces base State General apportionment. In essence, the three revenue sources support California Community Colleges: general apportionment, local property taxes, and student enrollment fees, now include a fourth source, EPA.

**STATUS**

The Chancellor's Office of the California Community Colleges (CCCCO) will distribute EPA funds to districts based upon their proportionate share of total computational revenue. This basis results in a more equitable distribution of EPA rather than distributing on the relative share of general apportionment. Except for Basic Aid districts, the share of total funding that is from the EPA is 16.3%. At the first principal apportionment, the total projected Statewide EPA revenue for 2012-13 is

\$827,970,000. Los Rios' share of that is \$39,309,572. For the 2012-13 year, EPA funds will not be distributed until mid- to late June when the Department of Finance determines the amount of available revenues. Current projections indicate that the account will be fully funded. However, the District will not know the final amount of EPA funds received for 2012-13 until February 2014.

The Board must adopt its plan for the use of the funds before June 30<sup>th</sup> 2013 even though the final amount will not be known for many months. Consistent with the message to voters that Proposition 30 would allow districts to maintain their instructional programs and the requirement that EPA not be used for administrative costs, staff recommend that EPA funds be designated as supporting instructional salaries. Specifically, instructional salaries and benefits for the spring term up to the actual amount received for EPA will be transferred to a separate account within the unrestricted general fund to identify those costs as funded by EPA.

### **RECOMMENDATION**

It is recommended that the Board of Trustees conduct a public hearing regarding the use of 2012-13 EPA funds. Upon conclusion of the public hearing, staff recommends the Board of Trustees adopt the plan to designate instructional salaries as funded by EPA. Upon approval, the District will update its website to reflect the Board's action.