

LOS RIOS COMMUNITY COLLEGE DISTRICT

PRESENTED TO BOARD OF TRUSTEES

DATE: September 10, 2014

SUBJECT:	Educational Protection Account Expenditure Plan	ATTACHMENT: None	
		ENCLOSURE: None	
AGENDA ITEM:	Action Item B	TYPE OF BOARD CONSIDERATION:	
RECOMMENDED BY:	Theresa Matista <i>Theresa Matista</i>	CONSENT/ROUTINE	<input type="checkbox"/>
		FIRST READING	<input type="checkbox"/>
APPROVED FOR CONSIDERATION:	Brian King <i>Brian King</i>	ACTION	<input checked="" type="checkbox"/>
		INFORMATION	<input type="checkbox"/>

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. 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 traditionally supporting California Community Colleges: general apportionment, local property taxes, and student enrollment fees, now include a fourth source, EPA. EPA funds are paid quarterly.

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.

STATUS:

The Chancellor’s Office of the California Community Colleges (CCCCO) distributes 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. For 2013-14, EPA funds accounted for 14% of the total State-wide revenue. As of June 2014, Los Rios’ share was \$37,920,228, up from the \$33,318,264 estimated by the Chancellor’s Office at the Advance apportionment in August 2013.

For 2014-15, the estimated amount of EPA funds the District is scheduled to receive is \$40,638,016. As was the case for 2013-14, the amount may change as the year progresses and entitlements modified. The Board must adopt its plan for the use of the funds as described in the background section relying on the best information available. 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 recommends that EPA funds be designated as supporting compensation costs for classroom instruction services for both faculty and classified staff. Over the course of the year classroom instructional salaries and benefits up to the actual amount received for EPA will be transferred to separate accounts within the unrestricted general fund to identify those costs as funded by EPA.

RECOMMENDATION:

It is recommended that the Board of Trustees ratify the use of the additional \$4,601,964 in EPA funds for 2013-14 for compensation cost for classroom instruction as well as adopt for the 2014-15 fiscal year the plan to designate compensation costs for classroom instruction as funded by EPA. Upon approval, the District will update its website to reflect the Board's action.