

LOS RIOS COMMUNITY COLLEGE DISTRICT

PRESENTED TO BOARD OF TRUSTEES

DATE: September 13, 2017

SUBJECT:	2017-18 Education Protection Account Expenditure Plan	ATTACHMENT: None	
		ENCLOSURE: None	
AGENDA ITEM:		TYPE OF BOARD CONSIDERATION:	
RECOMMENDED BY:	 Theresa Matista, Vice Chancellor Finance & Administration	CONSENT/ROUTINE	
		FIRST READING	
APPROVED FOR CONSIDERATION:	Brian King, Chancellor	ACTION	X
		INFORMATION	

BACKGROUND:

Proposition 30, The Schools and Local Public Safety Protection Act of 2012 temporarily raised the State sales and use tax by .25 cents for four years and raised 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. In November 2018, the votes passed proposition 55, the Children’s Education and Health Care Protection Act. Proposition 55 extended the personal income tax increase under proposition 30 through 2030-31. The accounting and reporting requirements under proposition 55 are the same as under Proposition 30.

Under proposition 30, the State established the Education Protection Account (EPA) to receive and disburse the tax revenues derived from proposition 30 and subsequently proposition 55. Funds from the EPA are not new or increased resources for districts. Rather EPA replaced 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 moneys received from the EPA are spent. The governing board must make the spending determination in open session of a public meeting of the 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 website 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 2017-18, the projected amount of EPA funds the District is scheduled to receive is \$38,884,390. As was the case in prior years, the amount may change as the year progresses and entitlements modified. The amount for the 2016-17 year was initially projected at \$41,624,260. The primary reason for the decrease between 2017-18 and 2016-17 is the expiration of the sales tax portion of proposition 30.

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. 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 adopt for the 2017-18 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.