

COMMUNITY COLLEGE UPDATE

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Deficits in Our Apportionments

The Chancellor's Office has just posted the First Principal Apportionment (P-1) information for 2013-14 for the community colleges. The frightening aspect of it is the estimated statewide 4% deficit in the general apportionment. However, the Chancellor's Office cautions that the final deficit by the end of this year will almost certainly be much lower, as evidenced by last year's trend. Here is a chart of last year's deficits as well as for several prior years:

Statewide General Apportionment Deficits			
	P-1	P-2	Annual
2008-09	1.24%	1.43%	1.15%
2009-10	0.00%	0.11%	0.00%
2010-11	0.76%	0.51%	0.33%
2011-12	3.29%	2.22%	1.84%
2012-13	5.85%	4.31%	0.21%
2013-14	4.00%	?	?

As can be seen, in all of the previous years the deficits have been reduced by the end of the year—most significantly so in 2012-13. Sometimes this has been due to the natural adjustments made as actual data is received, but in some cases it has been because of special legislation enacted to provide backfills.

Up until 2012-13, the apportionment deficits occurred because the amount of local property tax collections and/or student enrollment fee revenues statewide was over-estimated in the State Budget Act for the given year. Starting in 2012-13, two more estimated components were added to community college general apportionment calculations: revenues from the dissolution of redevelopment agencies (which are added to the local property tax collections) and revenues from the

Proposition 30 Education Protection Account. As can be seen above, the amount and volatility of the deficits has significantly increased with these two added factors.

The challenge has been and continues to be at the local level is how much of a deficit to plan for by the end of each year. Districts that use the P-1 estimated deficit level and then adjust it when revised apportionment calculations are available will have estimated ending balances that fluctuate widely just due to this aspect. But not planning on a deficit can result in a negative budget surprise at the end of the year. Some local agencies may have enough of a buffer in their ending balance to handle a negative surprise, but many are deficit spending and reserves are already on the downward trend before a statewide deficit hits.

These higher and more volatile deficits, absent ongoing statutory relief, are expected to continue—at least until the redevelopment agencies are wound down and Proposition 30 expires—so it would be prudent for a local district to consider its local financial situation and determine an appropriate estimate for a general apportionment deficit in its budget.

—*Sheila G. Vickers*

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