

Dear Colleagues:

This message provides an update on federal American Recovery and Reinvestment Act (ARRA) State Stabilization funds provided to the community colleges as part of the recent major revisions to the *2009-10 State Budget*. The following information was just shared with the Chancellor's Office in meeting with the Department of Finance (DOF) and key legislative budget staffers:

- **Community colleges to receive \$37 million in ARRA State Stabilization funds.** The budget revisions enacted on July 28 assumed that an estimated \$130 million in ARRA State Stabilization funds would be available to the community colleges in 2009-10 to partially offset budget cuts on a one-time basis. As reported earlier, the final allocation of ARRA funds to the community colleges would be determined by means of a formula calculated by DOF. Essentially the formula compares the budget cuts to K-12, CCC, UC, and CSU and distributes the pot of \$4.9 billion in ARRA State Stabilization funds across the four educational segments in proportion to those cuts. The decline in ARRA funds compared to the initial estimate is largely due the last minute decision to spare the community colleges from \$85 million in budget cuts proposed for 2008-09. These cuts were instead shifted to K-12 schools. In any case, the news that available ARRA funds will only be \$37 million--less than a third of the initial estimate--is a major disappointment.
- **ARRA State Stabilization Funds to be Allocated Based on Categorical Cuts.** The budget package adopted by the Legislature and signed into law by the Governor relied upon the estimated \$130 million in ARRA funds to mitigate cuts to categorical programs on a one-time basis during the 2009-10 fiscal year. The attached table displays how the ARRA funds will be distributed based on cuts to the various categorical programs. Allocations to individual districts will be based upon each district's categorical funding cuts.
- **ARRA State Stabilization Funds are General Purpose.** In a startling change of position, DOF and legislative representatives indicated that, pursuant to federal regulations, ARRA State Stabilization Funds must be allocated to schools and colleges as general purpose funds. This revelation, apparently based on a revised interpretation of ARRA requirements, is at odds with the budget package which explicitly allocated the ARRA funds to mitigate cuts to categorical programs. DOF and legislative representatives attempted to reconcile this difference by indicating that is the intent of the Legislature that the ARRA funds be available to backfill cuts to the categorical programs and that ARRA funds will be allocated based on cuts to the categorical programs (see attached table). However, despite this intent and allocation methodology, the funds will be general purpose and local boards will be able to spend the dollars as they choose.
- **ARRA Certifications and Reporting.** DOF shared additional information about the logistics of disbursing ARRA funds. Community college districts will be required to sign a certification prior to the disbursement of funds and then complete some basic reporting

once the funds have been expended. Additional guidance on these topics will be provided in the near future.

- **Clarification on SB 70 Career Technical Education Funds.** DOF and legislative staff indicated a shared understanding that SB 70 CTE funds are not subject to the newly established categorical flexibility. The construction of the budget revision and trailer bills left this in doubt. It appears that that this clarification may be accomplished through a technical budget correction as opposed to cleanup legislation. Given this clarification, districts should not treat these funds as subject to categorical flexibility.

While this news about the reduced level of ARRA funds is disappointing, we hope that having this information will allow districts to move forward in their planning.

Regards,

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Categorical Funding 2009-10
(dollars in thousands)

	State Allocation	ARRA Federal \$37M Allocation	Total
Categorical Programs			
Student Financial Aid Administration	52,884	0	52,884
Foster Care Education Program	5,254	0	5,254
Fund for Student Success	3,793	418	4,211
CalWORKs	26,695	2,945	29,640
Student Success Initiative - Basic Skills	20,037	2,211	22,248
Nursing			
Support	13,378	1,476	14,854
Disabled			
Students	69,223	7,637	76,860
Extended Opportunity Programs & Services	73,603	8,121	81,724
Telecom & Technology Services	15,290	1,687	16,977
Academic			
Senate	317	0	317
Childcare Tax Bail Out	3,351	369	3,720
Equal Employment Opportunity	767	119	886
Economic Development	22,930	2,530	25,460
Apprenticeship	7,175	792	7,967
Part-time Faculty Office Hours	3,515	388	3,903
Part-time Faculty Health Insurance	491	54	545
Part-time Faculty Compensation	24,908	2,748	27,656
Transfer Education and Articulation	698	77	775
Matriculation	49,176	5,428	54,604
Physical Plant and Instructional Support	0	0	0
Career Technical			
Education	48,000	0	48,000
Subtotal Categorical	441,485	37,000	478,485