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**California Department of Education
Official Letter**

July 18, 2017

Dear County Superintendents of Schools:

2017–18 ADVANCE PRINCIPAL APPORTIONMENT

Towards the end of July, county treasurers will receive a warrant that reflects state aid for programs included in the 2017–18 Advance Principal Apportionment (Advance) for local educational agencies (LEA). The California Department of Education (CDE) certified the Advance on July 18, 2017 pursuant to California *Education Code (EC)* Section 41330. The statewide total was \$37,144,685,664. County superintendents of schools should advise school districts and charter schools immediately of this apportionment.

The 2017–18 Advance is apportioned on the basis of an LEA's Second Principal Apportionment (P-2) funding from the preceding fiscal year pursuant to *EC* Section 41330 and funding appropriations provided in the 2017–18 Budget Act and related trailer bills (Assembly Bill 97, Chapter 14, Statutes of 2017, and Assembly Bill 99, Chapter 15, Statutes of 2017).

A summary of the Advance calculations is described below. This letter, as well as Excel files that provide funding and monthly payment amounts, are available on the CDE Web site at <http://www.cde.ca.gov/fq/aa/pa/pa1718.asp>. Additionally, the CDE has posted 2017–18 funding rates and updated the Local Control Funding Formula (LCFF) Gap and cost of living adjustment (COLA) percentages on the Funding Rates and Information Web page at <http://www.cde.ca.gov/fq/aa/pa/ratesandinfo.asp>.

2017–18 Advance Calculations by Program

The following provides specific details regarding the calculation of funding for each program, including the LCFF. **Because this apportionment is merely a means to begin allocating funds in accordance with *EC* Section 41330, it should not be used by LEAs for budgeting.**

LCFF State Aid – County Offices of Education

The estimated 2017–18 state aid for each county office of education (COE) is based on funding from the 2016–17 P-2 certification and reflects the following:

1. For COEs that received Gap funding in the prior fiscal year, the 2017–18 Target Entitlement was increased by the 1.56 percent COLA. Note: COLA was not applied to the add-on funding that is a component of the Target Entitlement.
2. For COEs that did not receive Gap Funding in the prior fiscal year, the Advance carries forward the COE's 2016–17 P-2 LCFF Entitlement.

3. The 2016–17 P-2 local revenue amount was used to determine the COE’s Advance State Aid and excludes any one-time Redevelopment Agency (RDA) Asset Liquidation funds reported as part of the COE’s 2016–17 P-2 property taxes.
4. The Education Protection Account (EPA) Entitlement, which is an offset to state aid, has been recalculated to reflect the 2017–18 funding estimate of \$6.5 billion. See the EPA section below for additional detail.
5. Additional funding for LCAP support for county offices of education funded on the Target formula as of 2016–17 P-2 has been included in the LCFF State Aid amount. This additional funding is equal to \$18,697 per district in the county, or a minimum of \$80,000.

LCFF State Aid – School Districts and Charter Schools

The estimated 2017–18 state aid for each school district and charter school is based on funding from the 2016–17 P-2 certification and reflects the following:

1. The 2017–18 Target Entitlement was increased by the 1.56 percent COLA. Note: COLA was not applied to the add-on funding that is a component of the Target Entitlement. Districts and charter schools funded based on the Target formula as of the 2016–17 P-2 certification are funded at their Target in the Advance.
2. The 2016–17 Floor Entitlement was recalculated to include Gap funding provided in 2016–17.
3. A new 2017–18 estimated Need, which is the difference between the Target and Floor, was derived from the revised Target and revised Floor calculations. This amount was used to estimate 2017–18 Gap funding for the purposes of the Advance calculations.
4. The 2017–18 Budget includes an appropriation of \$1,386,620,000 for Gap in this fiscal year. The Advance Apportionment provides approximately 41.86 percent of the estimated Need. This is less than the Department of Finance’s (DOF) preliminary Gap Percentage of 43.19 percent (as of the 2017–18 Budget Act) because at the Advance and First Principal Apportionment (P-1) CDE’s calculations do not reflect additional Gap funding that will be available for LEAs as a result of Gap paid through local revenue. Note: The percentage used at Advance and P-1 will change in subsequent certifications when the calculations reflect current year average daily attendance (ADA), unduplicated pupil counts (UPC), and local revenue data. The CDE will finalize the 2017–18 Gap Percentage at the 2017–18 P-2 Apportionment in June 2018.
5. For those districts and charters receiving an Economic Recovery Target payment, the additional 2017–18 payment was included.
6. 2016–17 class size penalties (reflected in the miscellaneous adjustments and minimum state aid adjustments lines of the School District Transition funding exhibit) have been zeroed out in the Advance.
7. The 2016–17 P-2 local revenue amount was used to determine the district’s Advance State Aid and excludes any one-time RDA Asset Liquidation funds reported as part of the district’s 2016–17 P-2 property taxes. (Charter in-lieu was not adjusted for the Advance).
8. The EPA Entitlement, which is an offset to state aid, has been recalculated to reflect the 2017–18 funding estimate of \$6.5 billion. See the EPA section below for additional detail.

Education Protection Account

EPA revenues, as authorized by Section 36 of Article XIII of the California Constitution, are generated by an increase in the personal income tax rates for upper-income taxpayers. All LEAs will receive quarterly EPA payments through the 2030–31 fiscal year, which will be paid outside of the Principal Apportionment. For most LEAs, EPA funding offset state aid allocated through the Principal Apportionment.

Using a revised 2017–18 EPA revenue estimate of approximately \$6.5 billion, the CDE calculated estimated EPA entitlements using a factor of 23.93207841 percent based on the 2016–17 P-2 statewide total of revenue limits and charter school block grant funding and 2016–17 P-2 local revenue data, adjusted to exclude one-time RDA Asset Liquidation funds. If an LEA's 2016–17 P-2 EPA entitlement was based on \$200 per ADA (the minimum), the 2017–18 estimated EPA entitlement was not recalculated for the Advance.

While the funding is not allocated through the Principal Apportionment, estimated 2017–18 EPA amounts are provided on the Advance Apportionment Summary available on the CDE's Web site at <http://www.cde.ca.gov/fg/aa/pa/iassf17adv.asp> for your convenience. For additional information on EPA calculations, letters of apportionment, payment schedules, spending restrictions, frequently asked questions, SACS financial reporting and more, please refer to CDE's EPA Web site at <http://www.cde.ca.gov/fg/aa/pa/epa.asp>.

Basic Aid "Choice", Court-Ordered Voluntary Pupil Transfer, and Charter Supplement

Funding for Basic Aid "Choice", Court-Ordered Voluntary Pupil Transfer, and Charter Supplement were adjusted for the 1.56 percent COLA. In addition, pursuant to legislative changes in *EC* Section 48310(c) (1), the amounts for the Basic Aid "Choice" program were recalculated to reflect the reduction in funding from 70 percent to 25 percent.

Adults in Correctional Facilities (AICF)

LEAs that participate in the AICF program receive funding on a reimbursement basis. The 2017–18 Budget Act provides \$15,096,000, which will be used to fund the 2016–17 program. The Advance funding for the AICF program is equal to the 2016–17 P-2 state aid amounts.

Special Education – Assembly Bill (AB) 602 Program

The 2017–18 Budget Act provides \$2,712,089,000 for the AB 602 program. The estimated 2017–18 state aid for each Special Education Local Plan Area (SELPA) is based on funding from the 2016–17 P-2 certification and reflects the following:

1. The 2016–17 P-2 Special Education Property Tax amount was used to determine the SELPA's Advance State Aid and excludes any one-time RDA Asset Liquidation funds reported as part of the 2016–17 P-2 property taxes.
2. A proration factor of 0.9980831621 was applied to each SELPA's adjusted 2016–17 state aid amount.

Special Education – Infant (Ages Two Years and Younger) Program

The 2017–18 Budget Act provides \$75,651,000 for the Infant program. The Advance is equal to the 2016–17 P-2 amounts for each LEA, adjusted for the 1.56 percent COLA.

Transfer of Funds for County Served District Funded ADA

Funding for the Transfer of Funds for County Served District Funded ADA is equal to the 2016–17 P-2 amounts.

Other State Aid

Other State Aid captures pass-through payments made to LEAs for legislative priorities. Currently, these appropriations can be found in Assembly Bill 104 (Chapter 13, Statutes of 2015), and Senate Bill 828 (Chapter 29, Statutes of 2016).

Payment Schedule

Monthly payments for the Advance are available on CDE's Web site at the county summary level and by LEA. For cash planning, the Principal Apportionment payment calculation schedule is available on the CDE's Web site at <http://www.cde.ca.gov/fg/aa/pa/papayschedule.asp>. There are no payment deferrals for the 2017–18 fiscal year. The State Controller's Web site provides monthly payment information, including offset amounts at http://www.sco.ca.gov/ard_payments_k12.html and estimated payment dates at http://www.sco.ca.gov/Files-ARD-Payments/sched_2017.pdf.

If you need assistance, or have any further questions, please contact the Principal Apportionment Section by phone at 916-324-4541 or by e-mail at PAASE@cde.ca.gov.

Sincerely,

Peter Foggiato, Director
School Fiscal Services Division

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Last Reviewed: Tuesday, July 18, 2017
