



# 50% Law Audit Overview

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# 50% Law Basics

- Enacted in 1961.
- Applies only to K-12 and communities colleges, not CSUs or UCs
- Education Code 84362 (d): “There shall be expended during each fiscal year payment of classroom instructors by community college district, 50% of the district’s current expense of education (CEE).”
- Law: At least 50% of unrestricted general fund expenses each year must be on direct classroom instruction
- Intent: Delineate instructional and administrative activity and reduce class size
- Desired Outcome: More individualized faculty/student interaction

# 50% Law Basics

## Process - 50% Law Numerator

1. Instruction-related salaries  
Object codes 1100s, 1300s, 2200s and 2400s
  - Instructional faculty and instructional aides
2. Instruction-related benefits  
Object code 3000s
  - Payroll Taxes
  - Pension Benefits
  - Medical Benefits

# 50% Law Basics

## Process - 50% Law Denominator

All of the following Unrestricted expenditures:

- Salaries (Instructional and Non-instructional)
- Benefits
- Supplies
- Operating Expenses
- Equipment Replacement

# 50% Law Basics

## Process - 50% Law Exclusions

- Restricted/categorical programs
- Student Transportation
- Auxiliary Services
- Food Services
- Community Services expenses
- Sites and Buildings
- Books and Media
- New Equipment for facility acquisition and construction
- Lease agreements for plant and equipment
- Retiree benefits and incentives
- Student health services
- Student transportation
- Rents and leases
- Capital outlay
- Other outgo
- Lottery expenditures

# 50 PERCENT LAW CALCULATION

## *Instructor Salaries (Numerator)*

Salaries and the cost of health and welfare benefits for full-time and part-time instructors, and instructional aides.



## *Current Educational Expenses (Denominator)*

Generally includes the salaries and cost of certain benefits of academic and classified employees including those in *Instructor Salaries*, as well as the cost of certain supplies, contracted services, and other operating expenses, among other items that are paid from the unrestricted general fund.

# 50% Law Basics

## Process - Consequences

If the District fails to comply:

- The District must develop a plan of how to rectify deficiency
- The District may face a penalty of a dollar-for-dollar apportionment reduction
- Exemptions may be granted by the Board of Governors in cases of “serious hardship”





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# 50% Law Audit Findings

# State 50% Law Audit Findings

## 1. The 50 Percent Law Limits Districts' Ability to Fund Services Outside of the Classroom That Support Student Success

- The landscape has changed greatly since 1961
- Role of student services has grown significantly
- Instructional Technology is on the wrong side

# State 50% Law Audit Findings

## 2. The Chancellor's Office's Limited Oversight Allowed Multiple Districts to Inaccurately Report Their Compliance Rates

- Five districts reported noncompliance between 2018 and 2022
  - Four basic aid districts
- Insufficient guidance from the Chancellor's Office may have caused some districts to inaccurately report their compliance with the 50 Percent Law

# State 50% Law Audit Findings

## 3. Available Data Indicate That Districts' Investment in Administrators Has Increased at a Greater Rate Than Their Investment in Faculty

- Administrator FTE has increased 45% in review period while faculty FTE grew only 3%
- Districts documented inconsistent justifications for creating those positions
- Concerns about quality and accuracy of state data collection – includes GFR funded positions; count is people, not positions

# Audit Recommendations

- Include librarians and counselors to the 50% Law numerator
- Consider modifying the compliance percentage
- Exclude instructional technology
- Require reports on basic needs expenditures
- Clarify noninstructional uses of lottery funding

# Audit Recommendations

- Require clear justification for new administrator positions
- Require enhanced training and guidance on compliance
- Require Calbright to follow required process for exemption
- Identify compliance mechanism for basic aid districts

# SDCCD and the 50% Law



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- Compliance reported on annual 311 Report
- Data reported in accordance with CCCCCO guidelines
- 50% Law outcomes reviewed annually and adjusted based on CCCCCO guidance

# SDCCD and the 50% Law

## **50% Law History in SDCCD**

<u>Year</u>	<u>Percent</u>
2009-10	50.04%
2010-11	50.29%
2011-12	50.03%
2012-13	50.01%
2013-14	50.01%
2014-15	50.68%
2015-16	53.02%
2016-17	53.96%
2017-18	51.13%
2018-19	50.07%
2019-20	50.00%
2020-21	50.60%
2021-22	50.06%
2022-23	50.45%
2023-24	50.23%



# SDCCD Audit Findings

The following errors were alleged in some years:

- Non-instructional salaries misreported as instructional, resulting in non-compliance
- Noninstructional personnel incorrectly categorized as instruction, but with no impact on compliance
- Expenses incorrectly excluded from the denominator without impacting compliance

# SDCCD Audit Findings

- Noninstructional position took on a classroom assignment for year; noninstructional activity code continued to be used
- Instances of noninstructional personnel incorrectly categorized as instruction
  - District has plans to address this issue
- Expenses may have been incorrectly excluded from the denominator
  - District has plans to address this issue

# SDCCD Response

The audit reports updated 50% calculations suggesting SDCCD was out of compliance in three years:

1. Based on an extremely small sample (< 1% of expenses)
2. Contradicts guidance from CCCCO and auditors
3. Fails to consider other adjustments that would have increased the compliance rate

Table as reported on Audit findings:

		Disallowed Amount per State Audit	Percentage reported	Percentage Point Difference	Percentage of Disallowed Amount per State Audit
<b>San Diego</b>	FY 2018-19	388,798	50.07%	-0.14	0.43%
	FY 2019-20	578,077	50.00%	-0.20	0.65%
	FY 2021-22	280,917	50.06%	-0.11	0.34%

# SDCCD Response

**Scenario 1:** If reported disallowed amount per State Audit is removed, and other applicable expenditures were reclassified (Qualifying Instructional supplies moved to GFR Lottery. Qualifying Salaries and Benefits funded from GFU, but supporting other funds.)

	Percentage reported	Percentage if adjusted per State Audit disallowed amount and other qualifying expenditures were reclassified.
<b>San Diego</b>	FY 2018-19	50.07%
	FY 2019-20	50.00%
	FY 2021-22	50.06%

**Scenario 2:** If reported disallowed amount per State Audit is left as is, **AND** applicable expenditures were reclassified (Qualifying Instructional supplies moved to GFR Lottery. Qualifying Salaries and Benefits funded from GFU, but supporting other funds.)

	Percentage reported	Percentage, if disallowed amount per State Audit is left as is and other qualifying expenditures were reclassified.
<b>San Diego</b>	FY 2018-19	50.07%
	FY 2019-20	50.00%
	FY 2021-22	50.06%

# Administrators and other Factors

- Growth of administrator positions has outpaced faculty and classified professionals from FY 2013-14 to FY 2023-24
- Districts did not identify how new executive positions impact student success
  - Not a legal requirement

# Administrators and other Factors

- The report also examined Basic Needs expenditures
  - Expenses primarily use restricted funds
  - Little impact on the 50% Law
- If current basic need funding was eliminated or reduced, there would be pressure to maintain existing initiatives with GFU

# Administrators and other Factors

Administrator positions increases:

- Growth in restricted funded programs and grants
- Restructuring at Miramar and CCE
- Reclassification of existing positions to better reflect roles and responsibilities

# Closing Thoughts

- The 50% Law does not align with current operational needs and cost pressures
  - student services
  - basic needs
  - instructional technology
- 50% Law values inputs over outcomes
- 50% Law conflicts with other goals and regulations (FON, SCFF, Guided Pathways, e.g.)



Questions?



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