AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MARCH 29, 2016

9:00 AM - STATE CAPITOL, ROOM 444

ITEMS TO BE HEARD

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6870	**CALIFORNIA COMMUNITY COLLEGES (CCC)**	
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ITEMS TO BE HEARD

6100 DEPARTMENT OF EDUCATION

ISSUE 1: ADULT EDUCATION BLOCK GRANT

The Subcommittee will discuss the Governor's budget proposals related to adult education, including continuing to provide $500 million in Proposition 98 funding for the Adult Education Block Grant. The Subcommittee will also hear an update from the Department of Education, Community College Chancellor's Office and local consortia members on the first year of implementing the block grant and regional consortia process.

PANEL 1:

- Natasha Collins, Legislative Analyst's Office
- Jessica Holmes, Department of Finance
- Debra Brown, Department of Education
- Debra Jones, California Community College Chancellor's Office

PANEL 2:

- Assemblymember Patty Lopez
- Steve Curiel, Principal, Huntington Beach Adult School and Coast High School
- Madelyn Arballo, Dean of Continuing Education, Mt. San Antonio College

BACKGROUND

Adult Education programs in California have existed for nearly 150 years. The primary purpose of adult education is to provide adults with basic knowledge and skills they need to participate in society and the workplace. Adult education programs have served a variety of students and purposes including; assistance in gaining proficiency in reading, writing and mathematics to succeed in collegiate coursework, assistance with passing the oral and written exams for U.S. Citizenship, earning a high school diploma; job training, English language courses and literacy classes for immigrant and native English speakers.

Adult schools, which are operated by school districts, and community colleges provide most adult education classes in the state. Historically, the state funded adult schools through a categorical program. School districts provided various types of classes ranging from English as a Second Language to parenting and classes for older adults. In 2007–08, the state provided $708 million for adult schools. During the recession, funding for adult schools was cut, and school districts also were given the option of using adult education funding for other purposes, resulting in a decline in adult education classes in many areas. In 2013, the adult education categorical program was eliminated. However, the state instituted a maintenance of effort (MOE) provision, requiring school districts and county offices of education (COEs) to spend the same amount annually on adult education in 2013-14 and 2014-15 as they did in 2012-13 (using their LCFF funding). It was estimated that statewide spending for K-12 adult schools was between $300 million and $350 million at that time.

Adult education classes at community colleges are funded through the apportionment process; colleges are paid a specific rate for each student they serve. Community colleges spend about $1.2 billion annually on adult education classes.

Reforming Adult Education

Due to a myriad of concerns regarding adult education, including the bifurcation of the system and lack of stable funding for adult schools, the 2013 Budget Act began a process to reform the state's adult education system. Changes include:

- The adult education categorical program was eliminated, although schools were required to maintain existing levels of funding through the 2014-15 school year.
- State-funded adult education was narrowed to five programs: basic skills, citizenship and English as a Second Language, education programs for adults with disabilities, career technical education, and apprenticeship programs;
- And the state provided $25 million to support the formation of regional adult education consortia, which were directed to identify current adult education programs in their region, current needs, and a plan to better serve need. Most consortia include one community college district, school districts in the region, and some other members, such as libraries and community-based organizations. Consortia were required to provide regular updates to the Department of Education and Chancellor's Office, and based on direction in the 2013 Budget Act and SB 173 (Liu), Chapter 545, Statutes of 2014, the two state agencies were required to submit a final report to the Legislature that included a summary of regional findings and recommendations for improving the overall system.

The 2015-16 Budget

The 2015-16 budget provided $500 million in ongoing Proposition 98 funding for Adult Education Block Grant for the California Department of Education (CDE) and Community College Chancellor's Office to distribute to the 71 regional consortia. Consortia members may include school districts, community college districts, COEs, and joint powers agencies (JPAs). Each regional consortium can choose to allow the state to allocate the block grant funds directly to each consortia member, or designate a fiscal agent to allocate the funds.

Consortia can use block grant funds in seven program areas. These include:

1. Elementary and secondary basic skills
2. Citizenship and English as a second language
3. Workforce programs for older adults
4. Programs to help older adults assist children in school
5. Programs for adults with disabilities
6. Career technical education
7. Preapprenticeship programs

The 2015-16 budget extended the MOE for adult education for one additional year, requiring the Chancellor's Office to allocate up to $375 million of the $500 million block grant for existing school district and COE adult education programs. The Chancellor's Office and CDE are required to distribute the remaining funds to the regional consortia based on each region's adult education need, determined by general adult population, immigrant and low employment population, educational attainment, and adult literacy. For the 2015-16 fiscal year, the Adult Education Block Grant was distributed as follows:

2015-16 Adult Education Funding

K-12 MOE	$336.9 million
K-12 Consortia	$63.0 million
Community College Consortia	$100.1 million
Total:	$500 million

Source: Department of Education

Beginning in 2016-17, the Chancellor's office and CDE will distribute the full block grant amount based on the amount allocated to each consortium in the prior year, the region's need for adult education and the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year.

The 2015-16 budget required consortia to approve adult education plans every three years. These plans must include a list of all other entities that provide adult education in the region and a description of actions the consortia will take to integrate services. Consortia are required to provide data annually to the Chancellor and Superintendent about their services and outcomes. The Chancellor and Superintendent then must report annually to DOF, SBE and the Legislature on the status of consortia, including their funding allocations, types and levels of service, and effectiveness in meeting their region's adult education needs.

The 2015-16 budget trailer bill language also required the state to coordinate funding for two federal adult education programs. These programs include the Adult Education and Family Literacy Act (also known as Workforce Innovation and Opportunity Act (WIOA)) and the Carl D. Perkins Career and Technical Education Act.

The 2015-15 budget provided $25 million in one-time Proposition 98 funding ($12.5 million to the community colleges and $12.5 million to CDE) for data collection and reporting. The Chancellor's Office and CDE must provide 85 percent of the funding to consortia to develop or update data systems and collect specified data.

The 2016-17 Budget

The Governor's budget maintains the $500 million in ongoing Proposition 98 funding for the Adult Education Block Grant.

The Governor's budget also proposes trailer bill language requiring regional consortia to consider input from pupils, teachers, community college faculty, principals, administrators, classified staff and the local bargaining units of the school districts and community college districts before making a decision.

STAFF COMMENTS

Adult education is a high priority for the Legislature, as it is essential in providing adults with the basic skills and knowledge they need to participate in society. Adult education programs have endured a number of funding and policy changes in recent years. Adult schools finally have a dedicated funding source that will provide needed stability for these programs. The new regional consortium process has provided an opportunity for more collaboration in determining the needs of each region and providing services more efficiently. In this hearing, the Subcommittee will hear an update on the first year of implementing the Adult Education Block Grant and regional consortium process. Staff raises the following issues for consideration:

Is additional funding needed? Prior to the recession, the adult education categorical program received over $700 million for K-12 schools to provide adult education. Many adult school providers argue that $500 million is not sufficient to meet the need for adult education services. Due to the fact that the consortia are in the first year of implementing the block grant, it may be too early to determine if more funding is needed (and how much). Staff recommends considering additional funding in future years when we have more data on the services being provided and additional need. Consortia members are required to report this information annually to the CDE and Chancellor's Office.

Fiscal agents delayed in allocating block grant funding. Many consortia members have reported that using a fiscal agent has resulted in a significant delay in allocating block grant funding to the consortia members. Additionally, some fiscal agents are requiring consortia members to provide onerous paperwork in order to receiving funding. The Legislature's intent in creating the fiscal agent funding option was to provide a more streamlined process, not to require more paperwork.

No progress has been made on data collection and reporting. The 2015-16 budget provided $25 million in one-time Proposition 98 funds for consortia to develop or update data systems and collect specific data. In addition, some of the funding was provided for state level activities to develop data policies. However, none of this funding has been used or allocated to the regional consortia to date.

Loss of lottery funds for adult education. Lottery funds are allocated based on a per pupil amount for K-12 schools and the higher education segments. Through 2014-15, adult education programs and Regional Occupational Centers and Programs (ROCPs) generated lottery funds. However, since K-12 adult schools and ROCPs no longer receive funding on a per pupil basis, the CDE excluded adult education and ROCP ADA from the lottery calculations beginning in 2015-16. This change results in approximately $48 million in funding generated by K-12 adult schools to be redistributed to all lottery fund recipients, while community college adult education classes will continue to generate lottery funds because they are funded on a per pupil basis.

SUGGESTED QUESTIONS

- Have regions begun to build capacity with the additional funding provided through the Adult Education Block Grant? Is more funding needed to meet the demand for adult education in California?

- How has the governance structure worked in your regional consortium? Was there consensus on how to allocate funding? What implementation challenges did you face?

- When do CDE and the Chancellor's Office anticipate allocating funding to the consortia for data collection?

- How does the loss of lottery funds impact K-12 adult schools?

Staff Recommendation: Hold Open.

ISSUE 2: COMMUNITY COLLEGE CTE PROPOSALS

The Subcommittee will hear the Governor's Budget proposals to increase funding for career technical education by $200 million ongoing Proposition 98 General Fund though the creation of the Strong Workforce program to remove the sunset on the Career Technical Education Pathways Program and provide $48 million ongoing Proposition 98 General Fund, and to increase the funding rate for the apprenticeship program.

PANELISTS

- Jessica Holmes, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community College Chancellor's Office
- Van Ton-Quinlivan, California Community College Chancellor's Office
- Judy Miner, Chancellor, Foothill-DeAnza Community College District

BACKGROUND

About 27% of community college enrollment is in career technical education (CTE) courses. Programs range considerably, from short-term certificates in a particular field (Medical Assistant, Auto Mechanic, Early Child Development Specialist, Landscape Designer, etc.) to associate's degrees in fields such as nursing.

CTE courses supported by apportionment and categorical funding. CTE courses typically receive the same apportionment funding as general education courses. In addition to apportionment funding, several categorical programs also support CTE programs, accounting for about $136 million Proposition 98 General Fund. CTE categorical programs include the following:

- CTE Pathways Program. This grant program help regions develop sustainable CTE pathways among schools, community colleges, and regional business and labor organizations. The grants are to help consortia meet eight specific objectives, including aligning secondary and postsecondary CTE programs to create seamless transitions for students, providing professional development to facilitate CTE partnerships, and increasing the number of students who engage in work-experience programs. The Legislature created the program in 2005, reauthorized it in 2012, and has provided $48 million Proposition 98 General Fund each year since reauthorization. Of the $48 million provided in 2015-16, $33 million is going to community college CTE programs and $15 million to high school programs. The community college portion supports a mix of specialized programs (such as Career Advancement Academies, which provide basic skills instruction in a CTE context for students who dropped out of high school or are otherwise underprepared) and more centralized efforts (such as a network of regional industry liaisons for the colleges). The majority of the school district funding ($9 million) goes to the California Partnership Academies, a California Department of Education (CDE) categorical program supporting small high school learning communities, each with a career theme.

- Economic and Workforce Development Program. The Chancellor's Office uses labor market analysis to define 15 economic regions and identify 10 priority industry sectors. In 2013-14, the program funded six initiatives to improve the delivery of CTE within these economic regions and industry sectors. The 2013-14 initiatives emphasized collaboration among community colleges, employers, labor unions, civic organizations, and economic and workforce development officials in meeting workforce needs. The program also has established common performance measures designed to apply to all CCC workforce programs. In 2015-16, the state is providing $22.9 million Proposition 98 General Fund for this program.

- Apprenticeship. Apprentices receive supervised, hands-on training from an employer and take classes relevant to their trade. This categorical program reimburses school districts and community colleges for classroom instruction related to approved apprenticeship programs. Most apprenticeship instruction offered by the community colleges provides college credit, and all apprenticeship instruction, whether provided by colleges or school districts, is reimbursed on an hourly basis at the same rate as community college credit instruction. In 2015-16, the state is providing a total of $51.9 million for apprenticeship instruction ($20.5 million for school district instruction, $16.4 million for community college instruction, and $15 million for ongoing development of new apprenticeship programs regardless of provider).

Task Force developed priorities and recommendations. In an effort to address the projected shortage of postsecondary degrees and certificates, the Community College Board of Governors established the Task Force on Workforce, Job Creation, and a Strong Economy (task force) in late 2014. The board appointed 26 members from inside and outside of the community college system, including leaders from the Chancellor's Office and community colleges, the business community, organized labor, public agencies involved in workforce training and K-12 education, and community-based organizations. The task force held town hall meetings, and public task force meetings spanning from November 2014 through July 2015.

Based upon its meetings and the input it received, the task force identified a set of workforce priorities. These priorities include:

- Securing adequate funding for high-cost CTE programs, including a stream of funding to keep equipment and facilities up to date with industry developments;

- Speeding the development and approval of new programs in response to workforce needs;

- Increasing colleges' flexibility to hire experienced professionals to teach certain skills courses;

- Providing learning opportunities that better align across educational levels within a region and focus on attainment of skills and competencies;

- Expanding student support services; and,

- Improving the use of labor market and student success data to inform program planning.

The task force developed 76 detailed recommendations related to these priorities. At its November 2015 meeting, the Board of Governors formally adopted the task force recommendations. The board also included a $200 million funding request in its system budget for a sustained, supplemental funding source to support CTE programs.

Governor's 2016-17 Budget

Creates the Strong Workforce Program. The proposed budget includes $200 million in ongoing Proposition 98 General Fund support for a new "Strong Workforce Program." This amount would fully fund the Board of Governors' request. The purpose of the program would be to expand the availability of quality CTE and workforce development courses, pathways, and programs resulting in certificates, degrees, and other credentials.

Trailer bill language calls for the following:

- <u>Regional planning and funding.</u> Community colleges would coordinate CTE programs within 14 regions identified under the state's implementation of the federal Workforce Innovation and Opportunity Act (WIOA). These regions would create "collaboratives" of community college districts, local education agencies, interested CSU and UC campuses, civic representatives, workforce development boards, representatives from the organized labor community, and economic development and industry sector leaders. Collaboratives would meet at least annually to develop four-year plans to meet regional workforce education needs. These plans would include a needs assessment based on regional labor market analyses, efforts to coordinate existing programs in the region, student success goals, and work plans for meeting regional priorities. Funding would be distributed to a college in each region acting as a fiscal agent; that college would distribute funding to other colleges within the region based on the plan. The Chancellor's Office would recommend a funding allocation to the Department of Finance for approval prior to distributing funds. The allocation would reflect each region's share of the state's: (1) unemployment, (2) CTE enrollment, (3) projected job openings, and (4) after the first year, successful performance

  outcomes. The Chancellor's Office could reserve up to 5 percent of annual program funding for statewide coordination activities.

- Performance Measures and Performance Funding. The proposal calls for the Chancellor's Office to align the performance measures, to the extent possible, with federal WIOA performance measures. (These include measures of degree and certificate completion, employment, and earnings.) Collaboratives would set measurable goals for performance in each of these areas and provide annual updates of their progress in meeting the goals. Beginning January 1, 2018, the Chancellor would be required to report annually to the Governor and Legislature on each region's performance outcomes (disaggregated for underserved demographic groups). As part of these reports, the Chancellor would be required to provide recommendations for program improvement and for future allocations to collaboratives based on program outcomes.

- Further Policy Change Recommendations. The Chancellor's Office would be required to develop recommendations, including policies, regulations, and guidance necessary to facilitate sharing of best practices and curricula across colleges, streamline course and curriculum approval, and eliminate barriers to hiring qualified instructors (including reevaluating the required minimum qualifications for CTE instructors), among other efforts. The Chancellor would present the recommendations to the Board of Governors by June 30, 2017.

Makes Permanent the CTE Pathways Program. The Governor's Budget also includes $48 million in ongoing Proposition 98 General Fund for the CTE Pathways Program, and includes trailer bill language that eliminates the sunset of this program, making it permanent. The Governor proposes that future CTE Pathways funding "align" with the regional plans developed under the Strong Workforce Program, but the Pathways program would continue to have separate statutory requirements.

Increases Funding Rate for Apprenticeship Instruction. The Governor's Budget increases support for the apprenticeship programs by $1.8 million Proposition 98 General Fund to bring the reimbursement rate for apprenticeship instruction up to the funding rate for noncredit Career Development and College Preparation (CDCP) courses, which is now the same as the rate as for credit courses.

LAO Recommendations

The LAO makes the following recommendations regarding these proposals:

- Consolidate Planning Processes. Better integrate planning across adult education and CTE programs, regardless of funding source, within one set of regions.

- Earmark Funding. Create a CTE categorical program focused on addressing high CTE costs, thereby reducing any disincentives to expand CTE programs. The funding should have two components: one largely for equipment and one for CTE programs with especially high costs.

- Fold other Categorical Programs into New Program. Fold funding of the nursing and CTE Pathways programs into the new program.

- Require the Chancellor to report on Options to Facilitate Hiring of Experienced Industry Professionals. Instead of reporting to the Board of Governors, the Chancellor should also report to the Legislature on options that would remove statutory barriers, authorize (but not require) colleges to use an exception or newly created special hiring category, and delineate the circumstances under which using such exceptions would be appropriate.

- Consider Increasing Cal Grant C Award Amount. If the Legislature wishes to increase financial aid for CTE students who do not qualify for the larger Cal Grant B entitlement awards, it could consider increasing Cal Grant C award amounts.

- Adopt Apprenticeship Rate Increase and consider tying to CDCP Rate. If the Legislature's intent is to continue funding apprenticeship instruction at the CDCP and credit rate, it could amend statute accordingly.

STAFF COMMENTS

Staff has no concerns with the proposal to increase rates for the apprenticeship program, as this is consistent with actions in last year's budget to align funding rates with CDCP courses. The LAO recommendation seems reasonable.

Regarding the Strong Workforce and CTE Pathways proposals: Legislative interest in improving CTE programs is clear. As the LAO notes, the Legislature has in the past decade provided more than $500 million in CTE Pathways funding, $500 million in Career Pathways Trust funding (a similar grant program for community colleges and high schools funded in 2013-14 and 2014-15), $350 million for the Economic and Workforce Development Program, and support for several other smaller categorical programs. Despite this funding, issues still persist, including:

Colleges struggle to support high-cost programs. The task force noted that CTE courses are funded at the same level as general education courses, but many of these programs "have higher startup and operating costs, high costs for equipment and specialized facilities, increased needs for professional development, and more frequent curriculum revision and program review." Data provided by the LAO show that the overall proportion of CTE courses at community colleges, in contrast to all courses, dropped by seven percent between 2007-08 and 2014-15. This drop may illustrate that colleges have a financial disincentive to begin or expand CTE programs.

Too many regions, too many programs, too many funding streams. Numerous federal, state and local programs seek to support CTE, including WIOA funding, the federal Perkins Career and Technical Education Act, the 49 state Workforce Investment Boards, adult education funding and regional consortia developed last year, regional consortia and sector navigators established under the Economic and Workforce Development program, and other programs and funding streams mentioned earlier in this document. While many of these programs and funds are somewhat coordinated, it is extremely difficult for industry to determine who to contact if they wish to work with colleges to develop trained workers they could hire.

CTE programs can have unique curricula and faculty issues. CTE programs typically face the same statutory and regulatory requirements as general education courses. In its report, the task force noted that some of these requirements may hinder colleges' ability to begin programs, alter courses or hire faculty to reflect ever-changing workforce needs. Lengthy local and state-level approval processes for curriculum, for example, can make it difficult to make changes, and current faculty qualification requirements can prevent colleges from hiring experts to teach specific, technical issues to students.

Student outcomes can be improved. According to the Community College Student Success Scorecard, only about half of CTE students who took eight or more CTE units in their first two years of community college eventually earn a certificate or degree. While this outcome rate is not noticeably different than outcomes for general education students, it certainly should be improved. The Chancellor's Office has begun the Launchboard program, which will provide more specific data for colleges to determine student outcomes, including post-college employment and wages, which will provide a better picture of CTE outcomes.

Staff notes widespread support for the amount of ongoing CTE funding proposed by the Administration. This is a critical proposal to increase and improve CTE programs.

But as the Assembly contemplates the details of the Governor's proposals, it should consider whether the proposals go far enough in addressing these pressing CTE issues. For example, does creating another regional structure help better coordinate CTE programs, or further fragment an already complicated infrastructure? And as the LAO notes, the Governor's proposal provides very little detail as to how colleges should spend this significant new amount of money: how many more CTE courses and programs will students see as a result of this funding?

SUGGESTED QUESTIONS

- Why create a new regional infrastructure? What are the advantages of new regions, even if they are aligned with WIOA regions? Couldn't funding and planning be accomplished through existing infrastructure?
- What will the $200 million buy? Should there be some requirement that most of the funding go to new or expanded programs? How much of this funding will go to regional planning or administration?
- What is the Administration and Chancellor's Office response to the LAO recommendation that the funding be more tightly earmarked for specific purposes?

- How would the Chancellor's Office work with stakeholders, including the Academic Senate, to ensure that policy changes both improve CTE programs while also respecting academic freedom?

- What are the advantages of keeping the CTE Pathways program as a separate program? What is the Administration and Chancellor's Office response to the LAO recommendation that the program be folded into the Strong Workforce program?

- What are the specific outcomes or goals the Administration has in mind with this proposal?

- How does the Chancellor's Office envision implementing performance-based funding?

ISSUE 3: CTE INCENTIVE GRANT PROGRAM

The Subcommittee will hear the Governor's budget proposal to provide $300 million in 2016-17 for the Career Technical Education (CTE) Incentive Grant program, established in the 2015-16 budget. The Subcommittee will also hear an update on the first year of implementing the CTE Incentive Grant program.

PANELISTS:

- Natasha Collins, Legislative Analyst's Office
- Jessica Holmes, Department of Finance
- Debra Brown, Department of Education

BACKGROUND

CTE is industry specific coursework that provides students with hands-on learning to better prepare them for higher education and a career. Traditionally, CTE has been thought of as an alternative to college preparatory classes. However, the state has increasingly encouraged the career pathways model, which offers a sequence of CTE classes aligned to a specific industry sector that provides both college and career options upon completion of high school. The purpose of CTE is to both improve student outcomes and better prepare students to fill industry needs.

The California Department of Education (CDE) defines CTE as coursework in one of 15 industry sectors. Specifically, these industry sectors include:

- Agriculture
- Arts, Media, and Entertainment
- Building Trades and Construction
- Business and Finance
- Child Development and Family Services
- Energy and Utilities
- Engineering and Design
- Fashion and Interior Design
- Health Science and Medical Technology
- Hospitality, Tourism, and Recreation
- Information Technology
- Manufacturing and Product Development
- Marketing, Sales, and Services
- Public Services
- Transportation

High school CTE programs are funded in a variety of ways, including categorical programs, one-time competitive grants, foundation contributions, federal funding, and general purpose funding. Prior to the Local Control Funding Formula (LCFF), state funding for high school CTE programs was largely provided through various categorical programs, the largest being the Regional Occupational Centers and Programs (ROCPs). With the creation of the LCFF, funding for ROCPs was consolidated into the formula, along with most categorical programs. However, in order to ensure that ROCPs continued, the state instituted a two-year MOE (totaling about $380 million), which required local educational agencies (LEAs) to maintain their existing levels of spending on ROCPs through the 2014-15 fiscal year. Under the LCFF, LEAs will receive a grade span adjustment equal to 2.6 percent of the base grant for grades 9-12 to account for the higher cost of educating high school students, including the higher cost of providing CTE. However, until full implementation of LCFF, LEAs will not receive their full LCFF amount, which includes this grade span adjustment.

Career Technical Education Incentive Grant Program

In response to concerns around the need for funding for CTE outside the LCFF, the Legislature and Governor established the CTE Incentive Grant program in 2015-16. The 2015 Budget Act dedicated $900 million in one-time Proposition 98 funding over three years ($400 million in 2015-16, $300 million in 2016-17 and $200 million in 2017-18) for this competitive grant program. The purpose of this program is to encourage and maintain CTE programs while the LCFF is still being implemented. Funding is set aside for small, medium and large sized applicants, based on average daily attendance (ADA). Specifically,

- 4 percent is designated for applicants with ADA of less than or equal to 140
- 8 percent is designated for applicants with ADA of more than 140 and less than or equal to 550
- 88 percent is designated for applicants with ADA of more than 550

School districts, charter schools, county offices of education and Regional Occupational Centers and Programs operated by joint powers agencies can apply for grants (individually or as a consortium). The Superintendent of Public Instruction, in collaboration with the executive director of the State Board of Education (SBE), is charged with awarding the grants. Priority is given to applicants that do not currently operate a CTE program and those serving low-income students, English learners, foster youth and those at risk of dropping out. Additionally, applicants located in rural locations and areas with high unemployment will also receive special consideration. Grantees are required to dedicate matching funds and commit to funding the program after the grant expires. Matching funds may include all other fund sources, except funding from the Career Pathways Trust. The specific matching requirement includes:

- $1 for every $1 received in 2015-16
- $1.50 for every $1 received in 2016-17
- $2 for every $1 received for 2017-18

Grantees are also required to report specific data to the CDE, such as the number of students completing CTE coursework, obtaining certificates, obtaining employment and continuing on to postsecondary education. Applicants that receive a grant in 2015-16 are eligible to receive a renewal grant in 2016-17 and 2017-18. Also, applicants that did not receive a grant in 2015-16 are eligible to receive a grant in 2016-17 and a renewal grant in 2017-18. The CDE, in collaboration with the SBE, are charged with determining the renewal grant eligibility.

The 2015-16 Budget
The 2015-16 budget included $400 million in one-time Proposition 98 funding for the Career Technical Education Incentive Grant program. Of the funds, $396 million will be allocated to program applicants and $4 million, or one percent, will be used for technical assistance activities.

The CDE identified 100 applicants which met program requirements and took them to the SBE for approval in January 2016. The CDE is taking a second group of applicants (265 grantees) to the March 2016 state board meeting. Applicants approved at the January meeting will receive the first installment of funds in March, while those approved at the March meeting will receive funding in April. The per ADA grant amount is determined within each size-based grant allocation. Each LEA will also receive a supplemental allocation for each of the following criteria:

- A new career technical education program.
- English-learner, low-income, and foster youth students.
- Higher than average dropout rates.
- Higher than average unemployment rates.
- Current student participation in career technical education programs.
- Regional collaboration.
- Location within a rural area.

In order to award the technical assistance funds, the CDE divided the state into seven regions and solicited one county office in each region to provide technical assistance. The CDE has identified the following county offices to provide regional technical assistance: Butte, Fresno, Los Angeles, Napa, Sacramento, San Bernardino, and Santa Barbara.

Governor's 2016-17 Budget
The Governor's budget provides $300 million in one-time Proposition 98 funding for the second year of funding the CTE Incentive Grant program. This funding will be used for new and renewal grants, which will be determined by the CDE.

The Governor's budget also includes trailer bill language to allow the Superintendent of Public Instruction, in collaboration with the executive director of the SBE, to adjust the amount of funding designated for small, medium and large sized applicants. According to the CDE, for 2015-16 the number of applications received from applicants with a large amount of ADA far exceeded the number of applications with small and medium ADA. Therefore, the CDE is seeking this change in order to allow them to provide a more equitable per student amount.

STAFF COMMENTS

CTE is essential in providing students with the skills and training needed to enter the workforce and postsecondary education upon completion of high school. The Legislature has made CTE a high priority. However, many proponents of CTE (including industry, labor and education leaders) argue that CTE is not included in the existing accountability system and is not a specific graduation requirement, therefore some districts do not prioritize CTE in their funding decisions. For these reasons, there have been several Legislative efforts in recent years to maintain ongoing CTE funding outside the LCFF. Instead, the Governor proposed the CTE Incentive Grant, a three year competitive grant to provide temporary assistance to LEAs during the implementation of the LCFF. The CTE Incentive Grant funding decreases each year, requiring the grant recipients to take on more of the financial responsibility each year and total responsibility beginning in 2018-19.

The Subcommittee may wish to consider providing additional one-time funding for the CTE Incentive Grant during this transition to full implementation of the LCFF. Additionally, because all students should have access to quality CTE, the Subcommittee could consider using available one-time funds for one-time CTE expenses, such as equipment, for all LEAs, not just those that meet the CTE incentive grant criteria.

SUGGESTED QUESTIONS

- What has been the timeline for applicants to apply for CTE Incentive Grant funds and what has been the delay in getting the funds out?
- Is the CTE Incentive Grant sufficient in addressing CTE funding? Will schools be able to sustain CTE programs using LCFF funding beginning in 2018-19?
- Does the LCAP provide sufficient accountability to ensure schools are offering high quality CTE?

Staff Recommendation: Hold Open.

ISSUE 4: FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM UPDATE

The Fiscal Crisis Management Assistance Team (FCMAT) will provide its annual update to the Subcommittee on the fiscal health of school districts, including the number of school districts with negative and qualified certifications on the latest financial status reports and the status of state emergency loans.

PANELIST

- Joel Montero, Chief Executive Officer, FCMAT

BACKGROUND

AB 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help local educational agencies (LEAs) avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. AB 1200 expanded the role of county offices of education (COEs) in monitoring school districts and requires that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state.

The formal review and oversight process, often referred to as the "AB 1200 process" requires the county superintendent to approve the budget and monitor the financial status of each school district and JPA in its jurisdiction. COEs perform a similar function for charter schools and the CDE oversees the finances of COEs.

In 2004, AB 2756 (Daucher) further strengthened the fiscal accountability provisions for LEAs. The law made immediate changes to the process county offices use to review district budgets and interim reports. It also called for the state to update the standards and criteria used for the fiscal oversight of LEAs, effective in 2006-07.

Fiscal Crisis and Management Assistance Team (FCMAT)
AB 1200 also created the FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of the FCMAT is to help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training and other related services. The bill specified that one county office of education would be selected to administer the assistance team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

There are several defined "fiscal crises" that can prompt a county office of education to intervene in a district: a disapproved budget, a qualified or negative interim report or recent actions by a district that could lead to not meeting its financial obligations.

Governor's 2016-17 Budget
The Governor's budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide $4.8 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's

Budget also includes $570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

Fiscal Reports

Current law requires districts to file two interim reports during a fiscal year on the status of the district's financial health. For the first interim report, districts self-certify their budgets to their COE by December 15 for the period ending October 31. COEs are then required to report the certification for all districts in their county to the Superintendent of Public Instruction (SPI) and the State Controller within 75 days after the close of the reporting period (generally by March 1). For the second interim report, districts self-certify their budgets to their COE by March 17 for the period ending January 31. COEs are then required to submit their certification of these results to the SPI and the State Controller within 75 days after the close of the reporting period (generally by June 1).

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. The certifications are classified as positive, qualified, or negative.

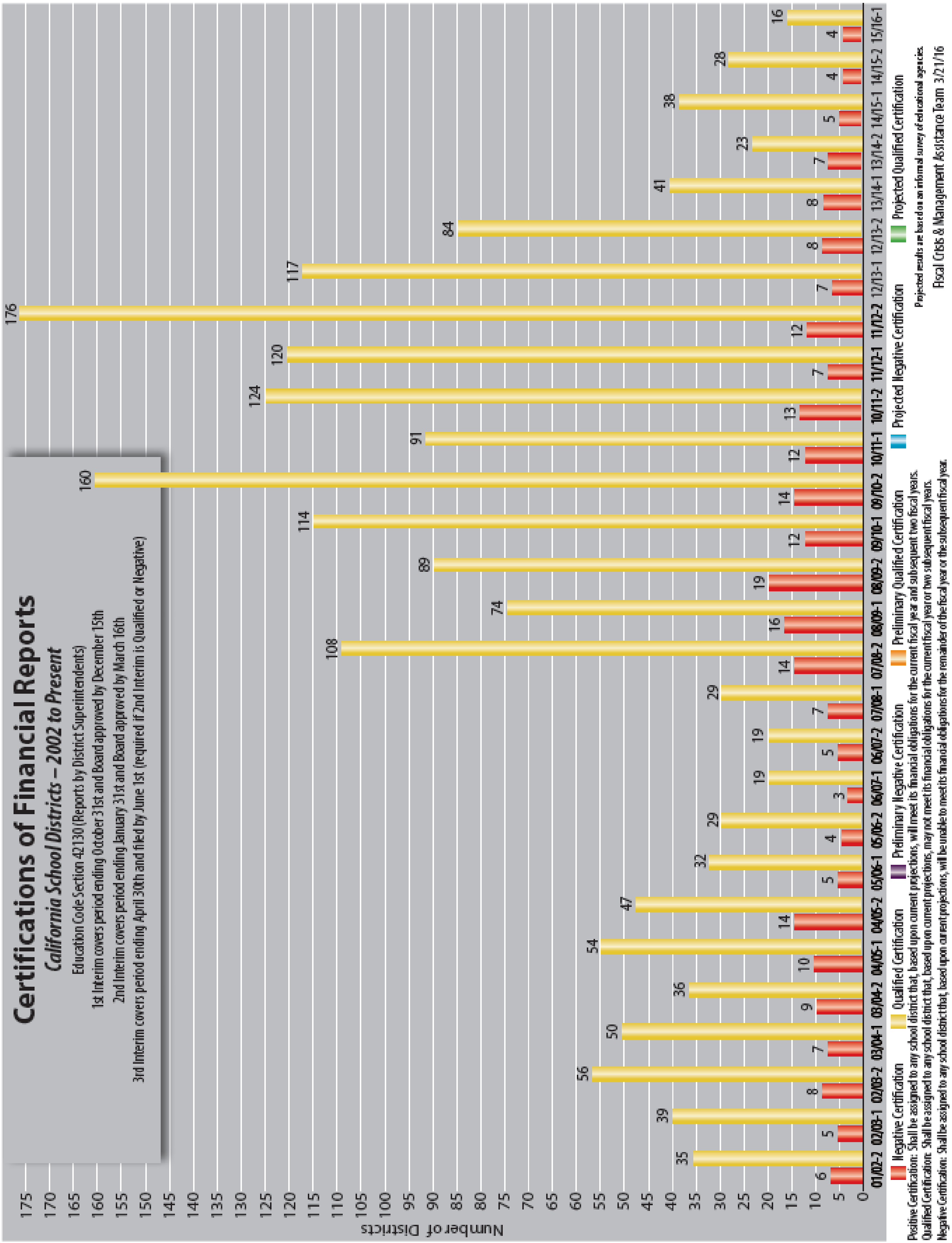
- A positive certification is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years.

- A qualified certification is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years.

- A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

School Fiscal Health Improving

Overall, the financial status of schools in California has improved significantly in recent years. The first interim status report for 2015-16 reported 4 negative certifications and 16 qualified certifications. As shown in the chart on the next page, the number of negative and qualified certifications has decreased considerably since 2011-12 when the state had 12 negative and 176 qualified certifications.


Certifications of Financial Reports
California School Districts – 2002 to Present
Education Code Section 42130 (Reports by District Superintendents)
1st Interim covers period ending October 31st and Board approved by December 15th
2nd Interim covers period ending January 31st and Board approved by March 16th
3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)
Number of Districts
Negative Certification
Qualified Certification
Preliminary Negative Certification
Preliminary Qualified Certification
Projected Negative Certification
Projected Qualified Certification
Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.
Projected results are based on an informal survey of educational agencies.
Fiscal Crisis & Management Assistance Team 3/21/16

The table below shows the LEAs that have received negative or qualified certifications, as reported by the CDE's first interim report for 2015-16.

Negative Certification

Number	County	Local Educational Agency	Total Budget ($) in millions
1	Los Angeles	Castaic Union Elementary	20.6
2	Los Angeles	Inglewood Unified	133.1
3	San Diego	Julian Union High	3.3
4	San Luis Obispo	Shandon Joint Unified	4.4

Source: Department of Education

Qualified Certification

Number	County	Local Educational Agency	Total Budget ($) in millions
1	Alameda	Oakland Unified	506.6
2	Calaveras	Calaveras Unified	30.0
3	El Dorado	Black Oak Mine Unified	12.4
4	Fresno	Parlier Unified	41.8
5	Lake	Middletown Unified	16.5
6	Los Angeles	Los Angeles Unified	7,010.1
7	Napa	Howell Mountain Elementary	1.9
8	Plumas	Plumas Unified	24.4
9	Sacramento	Galt Joint Union High	23.8
10	San Benito	Aromas/San Juan Unified	12.8
11	San Bernardino	Colton Joint Unified	246.4
12	San Diego	San Diego Unified	1,274.5
13	San Diego	Warner Unified	4.0
14	Santa Clara	Lakeside Joint	2.4
15	Sonoma	Kashia Elementary	0.3
16	Ventura	Moorpark Unified	59.6

Source: Department of Education

Emergency Loans

In most cases the assistance provided by county offices of education and FCMAT under the AB 1200 process is sufficient to pull LEAs out of immediate financial trouble. The option of last resort for LEAs that have insufficient funds is to request an emergency loan from the state. This is often the result of years of deficit spending and budgetary issues.

An emergency loan, or emergency appropriation, can be provided by the state through the legislative process. Accepting a state loan is not without consequence, however. The SPI assumes all legal rights, duties, and powers of the district governing board and an administrator is appointed to the district. Several conditions must be met before control is returned to the district. State loans are typically set up for repayment over 20 years and state control remains over the school district until the loan is fully repaid. The state loan is sized to accommodate the anticipated shortfall in cash that the district will need during the life of the loan in order to meet its obligations. In addition, all of the costs of ensuring a fiscal recovery are the responsibility of the district and are added to the amount of the state loan. Therefore, a state loan will be much larger than what the district would otherwise need to borrow locally if it had been able to solve its own fiscal crisis.

Since 1991, the state has provided nine districts with emergency loans. Most recently, SB 533 (Wright), Chapter 325, Statutes of 2012 authorized $29 million (General Fund) for an emergency loan to the Inglewood Unified School District (IUSD). The bill also authorized the school district to augment the emergency apportionment with an additional $26 million through the California Infrastructure and Economic Development Bank (I-Bank).

Emergency Loans to School Districts Since 1991
(Dollars in Millions)

School District	Year of Legislation	Current State Involvement	Total Loan Amount	Interest Rate on Loan[a]	Pay–Off Date of Loan
Inglewood	2012	Administrator	$55	2.31%	November 2033
King City Joint Union High[b]	2009	Administrator	$13.0	5.44	October 2028
Vallejo City Unified	2004	Trustee	60.0	1.50	January 2024
Oakland Unified	2003	Trustee	100.0	1.78	January 2023
West Fresno Elementary	2003	None	1.3	1.93	December 2010
Emery Unified	2001	None	1.3	4.19	June 2011
Compton Unified	1993	None	20.0	4.39	June 2001
Coachella Valley Unified	1992	None	7.3	5.34	December 2001
West Contra Costa Unified	1991	None	29.0	1.53	May 2012

[a] For districts with multiple loans and multiple interest rates, reflects interest rate on largest loan.
[b] Has since changed its name to South Monterey County Joint Union High.

Source: California Department of Education

STAFF COMMENTS:

The overall fiscal health of districts has improved in recent years due to the improving economy and recent policy changes, including the elimination of payment deferrals and other debt owed to schools. Despite these changes, some school districts continue to struggle with their finances. There are typically multiple factors that cause a district to be unable to meet its financial obligations and receive a negative or qualified certification. Some of these factors include: declining enrollment, an increase in charter schools and charter school enrollment, increased STRS and PERS costs, and collective bargaining agreements that are beyond what the district can afford. Each school district's LCFF funding also has an impact on their financial situation.

Although negative and qualified certifications are down significantly from their peak numbers in 2008-09 and 2011-12, the Legislature should continue to closely monitor the fiscal health of LEAs, especially as Proposition 98 growth begins to slow. Additionally, the Legislature should continue to monitor the ongoing work at Inglewood Unified School District, which is under the purview of a state administrator and continues to struggle in meeting its financial obligations.

SUGGESTED QUESTIONS:

- What are the major factors causing districts to receive a negative or qualified certification? How is FCMAT working with these districts to ensure they do not become insolvent?
- How has FCMAT's work changed since the enactment of the LCFF?
- What is FCMAT's interaction with the California Collaborative for Educational Excellence (CCEE)?

Staff Recommendation: Information Only.

ISSUE 5: EDUCATION MANDATES

The Subcommittee will consider the Governor's 2016-17 budget proposals related to education mandates. These proposals include:

- $1.4 billion in one-time Proposition 98 funding to pay down the education mandates backlog for K-14 education.

- Trailer bill language requiring the Reasonable Reimbursement Methodology (RRM) to be based on audited mandate costs.

PANELIST

- Rebecca Hamilton, Department of Finance

- Dan Kaplan, Legislative Analyst's Office

- Debra Brown, Department of Education

- Dan Troy, Community College Chancellor's Office

BACKGROUND

In 1979, Proposition 4 was passed by voters, which required local governments to be reimbursed for new programs or higher levels of service imposed by the state. Schools and community colleges are also eligible to seek reimbursement for activities mandated by the state. In response to Proposition 4, the Legislature created the Commission on State Mandates (CSM) to hear and decide upon claims requesting reimbursement for costs mandated by the state. Over the years, as the cost and number of education mandates grew, the state began to defer paying the full cost of education mandates, but still required schools to perform the mandated activity. From 2003-04 to 2009-10 the state deferred payments on education mandate claims, resulting in a large backlog of outstanding mandate claims.

Traditional Mandate Reimbursement Process

The CSM is charged with deciding whether state laws impose new requirements on local educational agencies (LEAs). Once the CSM determines that an activity qualifies as a reimbursable mandate, the State Controller's Office provides claim forms for LEAs to complete for each mandate. These forms require LEAs to provide detailed documentation on how much they spent on each mandate. The SCO then reviews the claim and provides reimbursement, subject to funding through the state budget.

The process for claiming mandate reimbursement has been considered problematic. According to the Legislative Analyst's Office, mandated costs are often higher than expected, reimbursement rates vary greatly by district, the reimbursement process rewards inefficiency, and the reimbursement process ignores program effectiveness.

Due to these concerns, the Legislature also provided an alternative way to pay for mandates. AB 2856 (Laird), Chapter 890, Statutes of 2004, created the Reasonable Reimbursement

Methodology (RRM), which required LEAs to submit detailed documentation of actual costs and the Department of Finance, SCO or any other interested party can propose a RRM. The CSM then reviews and approves a RRM, or the rate to be provided for a particular mandate. This process was intended to alleviate LEAs from the burdensome claim process; however the RRM process has been used rarely.

Mandates Block Grant

The 2012 Budget Act included a block grant as an alternative method of reimbursing school and community college districts for mandated costs. Instead of submitting detailed claims listing how much time and money was spent on mandated activities, districts now can choose to receive funding through a block grant.

The 2015-16 budget included a total of $251 million for the mandates block grants ($219 million for K-12 schools and $32 million for community colleges). Block grant funding is allocated to participating LEAs on a per-pupil basis, based on ADA or FTES. The rate varies by type of LEA and by grade span. This is due to the fact that some mandates only apply to high schools and charter schools are not required to comply with all mandates. The per-pupil rates are as follows:

- School districts receive $28.42 per student in grades K-8 and $56 per student in grades 9-12.
- Charter schools receive $14.21 per student in grades K-8 and $42 per student in grades 9-12.
- County offices of education receive $28.42 for each student they serve directly, plus an additional $1 for each student within the county.
- Community colleges receive $28 per student.

Due to concerns regarding the state's constitutional obligation to reimburse districts for mandated costs, the state also retained the existing mandates claiming process for districts that choose not to opt in to the block grant. However, most school districts and COEs and virtually all charter schools and community college districts choose to participate in the block grant. In 2015-16 those participating in the block grant represent 99 percent of K-12 students and 100 percent of community college students.

Mandate Backlog

Since 2010-11 the state has provided a total of $4.5 billion toward reducing the K-14 education mandates backlog ($3.8 billion for the K-12 backlog and $700 million for the community college backlog). Specifically, $210 million was provided in 2010-11, $450 million was provided in 2014-15 and $3.8 billion was provided in 2015-16. The DOF estimates that the remaining backlog is currently $2.6 billion ($2.3 billion for the K-12 backlog and $300 million for the community college backlog). The LAO's estimate of the backlog is slightly different because they do not include an additional $700 million in claims that is currently pending litigation (the LAO assumes the state prevails in these cases). The LAO estimates the current K-14 backlog to be $1.9 billion.

Governor's 2016-17 Budget

The Governor's budget proposes to dedicate $1.4 billion in one-time discretionary Proposition 98 funds. These funds would offset any existing mandate claims. Similar to prior years, this funding would be allocated on a per student basis, with schools receiving $214 per ADA and community colleges receiving $72 per FTES. LEAs can use this funding for any purpose. However, the Governor includes language suggesting that school districts, COEs, and charter schools dedicate their one-time funds to implementation of Common Core State Standards, technology, professional development, induction programs for beginning teachers, and deferred maintenance. The Governor suggests community colleges use their one-time funds for campus security, technology, professional development, and the development of open education resources and zero–textbook–cost degrees.

Because not all schools and community colleges have outstanding claims, the DOF estimates that this payment would reduce the backlog by $786 million. After this payment, the DOF estimates that the remaining K-14 education mandate backlog would be $1.8 billion ($1.5 billion for the K-12 backlog and $300 million for the community college backlog).

Block Grant. The Governor's budget includes $219 million for the K-12 mandates block grant, reflecting a $1 million reduction for a decline in ADA and $33 million for the community colleges block grant, reflecting a $1 million increase for new FTES estimates. Per-pupil rates remain the same and there are no changes to the mandates included in the block grant. The Governor did not provide a COLA for the mandates block grant.

Reasonable Reimbursement Methodology. The Governor's budget also includes trailer bill language requiring a RRM to be based on audited mandate claims. Currently, an interested party can propose a RRM using a cost estimate from one of three sources, including a representative sample of eligible claimants. This proposal would require that all claims be audited before they can be used to develop a RRM. The administration proposes this change due to their concern that claims overstate actual costs or are not cost efficient.

LAO Recommendations

The LAO agrees that paying down the backlog on a per-student basis initially had notable advantages, as it ensures that LEAs are not disadvantaged if they did not submit claims in the past or if they performed the mandated activities at a lower cost than other LEAs. However, the LAO argues that continuing to use this approach is no longer sensible given that only 48 percent of the K-12 payments and 14 percent of the community college payments would reduce the backlog. The LAO estimates that the state would need to provide an additional $177 billion (in addition to the Governor's proposal) to retire the K-12 mandate backlog and another $5 billion to retire the community college backlog using the per-student approach.

The LAO recommends an alternative payoff methodology, providing $2.6 billion over the next few years. Under this plan, in exchange for a designated amount of one-time funding, LEAs would be required to write-off remaining mandate claims. School districts would receive $450 per ADA, equal to the median outstanding per-student school district and county office claim. County offices would receive the greater of $1 million or $450 per ADA, plus $20 per each countywide ADA. If all school districts and county offices choose to participate, the cost would be $2.4 billion for school districts and $160 million for county offices. The LAO does not recommend making additional payments to charter schools as they do not have outstanding claims and were paid the same per-ADA rate as school districts in prior backlog payments, despite having to perform fewer mandated activities. The LAO also does not recommend making payments to community colleges as their remaining claims are so concentrated in a few districts. While there may be LEAs that choose not to participate and community colleges that retain claims on the books, there will be relatively few remaining claims. The state can continue to monitor the claims backlog over time as new mandates arise, and in future years when claims once again build up, can take a similar approach to retiring debt.

The LAO also recommends providing a cost-of-living adjustment (COLA) to the education mandates block grant to ensure block grant rates better reflect the cost of performing the mandated activities and ensure LEAs' purchasing power is maintained. Providing a 0.47 percent COLA would cost $1.2 million ($1 million for the K-12 block grant and $150,000 for the community colleges block grant).

The LAO recommends rejecting the Governor's proposal to audit all RRM claims. The LAO argues that the requirement could reduce LEA's (and local governments') use of the RRM process in the future and impose additional burdens on state auditing staff. The LAO proposes an alternative approach to addressing the administration's concerns. Instead, the Legislature could add an audit requirement for a sample of claims used for an RRM.

STAFF COMMENTS:

Staff agrees with the LAO's assessment that paying off the mandates backlog on a per pupil basis is not reasonable or realistic. If the Legislature is committed to paying off this debt owed to schools more quickly, the Legislature should consider alternative approaches, such as the LAO's proposal. However, if paying off the mandates backlog is not a top priority, the Legislature may wish to consider using this one-time funding for other one-time purposes that are a high priority for schools.

Staff raises concerns with the Governor's proposed trailer bill language requiring the RRM to be based on audited mandate claims. Although the State Controller's Office has a high disallowance rate on audited claims, they complete very few audits on mandate claims. This proposal could result in eliminating the RRM process for schools and local governments, or result in a RRM based on very few claims that may not be a fair representative of the majority of claims.

SUGGESTED QUESTIONS:

- What is the Administration's position on the LAO's alternative proposal for paying down the mandates backlog? Does CDE or the community colleges have a response to this proposal?
- Why does the Governor's budget not include a COLA for the mandate block grant? Does the Administration anticipate providing a COLA in the future?
- Does the Administration intend to eliminate or limit the RRM mandate claim process?

Staff Recommendation: Hold Open.

ISSUE 6: PROPOSITION 39 ENERGY EFFICIENCY PROJECTS

The Subcommittee will consider the funding levels for the Proposition 39 energy efficiency programs for California's schools and community colleges. The Subcommittee will also hear an update on the status of these energy efficiency projects.

PANELIST

- Cheryl Ide, Department of Finance
- Debra Brown, Department of Education
- Drew Bohan, California Energy Commission
- Dan Troy, Community College Chancellor's Office

BACKGROUND

The California Clean Energy Jobs Act (Proposition 39) passed by voters in 2012, required most multistate business' to determine their California taxable income using a single sales factor method, in turn, increasing the state's corporate tax revenue. This measure established a new state fund, the Clean Energy Job Creation Fund, which is supported by half of the new revenue raised by the mandatory single sales factor for multistate businesses. The initiative directs monies deposited in this fund to be used to support projects that will improve energy efficiency and expand the use of alternative energy in public buildings.

Governor's 2016-17 Budget
The Governor's budget includes a total of $419 million in energy efficiency funds through Proposition 39. The California Clean Energy Jobs Act (Proposition 39), passed by voters in 2012, required most multistate businesses to determine their California taxable income using a single sales factor method, in turn, increasing the state's corporate tax revenue. Half of these revenues must be used to support projects that will improve energy efficiency and expand the use of alternative energy in public buildings. The budget proposes to allocate the funding as follows:

- $365.4 million to K-12 schools and $45.2 million to community colleges for energy efficiency project grants.
- $5.4 million to the Conservation Corps for technical assistance to K-12 school districts.
- $3 million to the Workforce Investment Board for job training programs.

The Governor's Budget provides no additional funding for the Energy Conservation Assistance Act (ECAA) revolving loan program.

<u>K-12 Project Grants</u>
The 2013 Budget Act and accompanying legislation designated 89 percent of Proposition 39 funds for K-12 schools to be allocated by the California Department of Education (CDE). Of

this funding, 85 percent is to be distributed on the basis of student average daily attendance (ADA) and 15 percent is distributed on the basis of students eligible for free and reduced price meals. Minimum grant amounts were established for LEAs within the following ADA thresholds:

- $15,000 for LEAs with ADA of 100 students or less.
- $50,000 for LEAs with ADA of 100 to 1,000 students.
- $100,000 for LEAs with ADA of 1,000 to 2,000 students.

The California Energy Commission (CEC), in consultation with the CDE, Chancellor's Office and the Public Utilities Commission, developed guidelines for LEAs in applying for grant funding. In order to receive an energy efficiency project grant, LEAs must submit an expenditure plan to the CEC outlining the energy projects to be funded. The CEC will review these plans to ensure they meet the criteria set forth in the guidelines. The CDE then distributes the funding to the LEAs with approved expenditure plans. During the first year of funding, LEAs could also request funding for planning prior to submission of the plan.

Since the passage of Proposition 39, a total of $973.4 million has been allocated to the Department of Education for energy efficiency projects. As shown in the chart below, a total of $491.8 million has been provided to LEAs for planning and project grants ($153.6 million for planning grants and $338.2 million for approved energy efficiency projects). The Department of Education has a remaining balance of $481.6 million that has not yet been distributed to schools.

Proposition 39 Clean Energy Jobs Act Funding (In millions)
For 2013-14 through 2015-16 fiscal years

Total Allocation	$973.4	
Planning funds paid	$153.6	(1,645 LEAs)
Energy projects paid	$338.2	(675 LEAs)
Total Payments	$491.8	
Remaining balance	$481.6	

Source: California Department of Education

According to the CEC, a total of 10,139 energy efficiency projects have been approved for funding. The types of projects include:

Energy Measure Category	Total Number of Measures Approved	Percentage of Total Measures Approved
Lighting	4795	47%
Lighting Controls	1149	11%
HVAC	1706	17%
HVAC Controls	1031	10%
Plug Loads	618	6%
Generation (PV)	265	3%
Pumps, Motors, Drives	220	2%
Domestic Hot Water	136	1%
Building Envelope	129	1%
Kitchen	38	0%
Energy Storage	24	0%
Electrical	15	0%
Pool	6	0%
Power Purchase Agreements (PPA)	4	0%
Irrigation	3	0%
TOTALS:	10139	100%

Source: California Energy Commission

The CEC estimates the approved projects will result in annual energy cost savings of $41.6 million, once the projects are completed.

California Community Colleges.

Most California Community Colleges have taken advantage of pre-existing energy-efficiency partnerships they had with investor owned utilities to spend Proposition 39 funds. Planning for energy efficiency projects at most campuses was already complete when Proposition 39 funding became available. Funding has been distributed to colleges on a per-student basis under guidelines developed by the Chancellor's Office in conjunction with the California Energy Commission.

The chart on the next page indicates uses of the funding at community colleges in the first three years of Proposition 39.

Project Type	Year 1		Year 2		Year 3	
	Count	Percentage of Year 1 Projects	Count	Percentage of Year 2 Projects	Count	Percentage of Year 3 Projects
Lighting	168	56.57%	102	43.97%	68	52.31%
HVAC	55	18.52%	72	31.03%	38	29.23%
Controls	45	15.15%	34	14.66%	11	8.46%
Other	11	3.70%	4	1.72%	4	3.08%
RCx	13	4.38%	6	2.59%	2	1.54%
Technical Assistance	3	1.01%	0	0.00%	0	0.00%
Self- Generation	2	0.67%	2	0.86%	1	0.77%
MBCx	0	0.00%	12	5.17%	6	4.62%
Total Projects	297	100%	232	100%	130	100%

The Chancellor's Office reports that in the first three years, community colleges have spent $123.2 million in Proposition 39 funding, with $107.5 million for energy projects and $15.7 million on workforce development programs related to energy efficiency. The Chancellor's Office reports the following system wide results:

- $12.4 million in annual cost savings;
- 65.6 million reduced kilowatt hours;
- 1.4 million reduced therms;
- And 13,734 certificates, degrees and certifications issued in energy-related fields.

For 2016-17, 63 of the 72 community college districts have submitted preliminary project lists, with full applications due April 1.

STAFF COMMENTS:

Staff recommends holding this issue open pending updated revenue estimates at the May Revision.

SUGGESTED QUESTIONS:

- What types of projects yield the highest energy efficiency for schools and community colleges?

- Why has $481 million in Proposition 39 funds not yet gone out to K-12 schools for energy efficiency projects? How are the CDE and the CEC assisting schools in applying for these funds?

- What is the status of the Energy Conservation Assistance Act (ECAA) revolving loan fund? How many projects have been funded through this program?

Staff Recommendation: Hold Open.