

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assembly Member Kevin McCarty, Chair****TUESDAY, APRIL 24, 2018
9 AM, STATE CAPITOL ROOM 447**

**CALIFORNIA DEPARTMENT OF EDUCATION
CALIFORNIA COMMUNITY COLLEGES**

ITEMS TO BE HEARD		
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ITEMS TO BE HEARD

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: APPRENTICESHIP

The Subcommittee will discuss the Governor's Budget proposals to provide one-time and ongoing augmentations to the apprenticeship programs, and to allow community colleges to support apprenticeship programs through apportionments at the community college credit funding rate rather than the apprenticeship categorical hourly rate.

PANEL

- Mollie Quasebarth, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Christian Osmeña, Community Colleges Chancellor's Office
- Javier Romero, Community Colleges Chancellor's Office

BACKGROUND

Nearly 80,000 Registered Apprentices in Various Trades. In 2016-17, California had nearly 80,000 registered apprentices in more than 50 trades, ranging from glazing to motion picture work. The most common apprenticeships are in the construction trades, making up about 70 percent of apprentices in the state. These apprenticeships include training for carpenters, plumbers, and electricians, among others. The second most common apprenticeships are in public safety, primarily for correctional workers and firefighters.

Apprenticeship programs typically are sponsored by businesses and labor unions that design and support the programs and recruit apprentices. The sponsors must find a school district or community college that will affiliate with them. To become a state-approved program, the sponsors and affiliated education agency submit their apprenticeship program plans to the Division of Apprenticeship Standards (DAS) in the California Department of Industrial Relations. The DAS reviews the curriculum and certifies that the programs meet industry standards.

State Workforce Plan Has Goal of Significantly Increasing Apprenticeships Over Next Few Years. The federal Workforce Innovation and Opportunity Act requires each state to submit a plan for addressing its workforce needs. California's state plan sets a goal of doubling apprenticeships in the state by 2027—from roughly 80,000 apprentices to 160,000. Research indicates that the apprenticeship model is an effective way to train people for jobs with relatively high earnings potential.

Apprenticeships Combine On-the-Job Training With Coursework. Apprenticeships differ from other CTE because they are paid work programs that pair adult students with skilled workers for supervised, hands-on learning. Apprenticeships last from two to six years and typically result in job placement. In tandem with on-the-job training, apprentices take classes relevant to their trade. Classroom time is known as related supplemental instruction (RSI). Most apprenticeship programs have stand-alone training centers that provide these classes, but school districts and community colleges provide some apprenticeship classes on their campuses. The required mix of on-the-job training and coursework varies by industry, but the on-the-job training component typically entails more hours than the coursework component. Carpentry apprentices spend a minimum of 3,600 hours on the job and 432 hours in RSI over three years, for example, while air conditioning and refrigeration apprentices must complete 7,500 hours on the job and 1,080 hours in RSI over five years.

State Now Has Two Apprenticeship Programs. The State's longstanding Apprenticeship program focuses on traditional apprenticeship fields. In 2017-18, the State provided \$39.9 million for the program. In 2015-16, the State created the California Apprenticeship Initiative, which provides \$15 million annually for nontraditional apprenticeship programs (such as healthcare, advanced manufacturing, and information technology) and pre-apprenticeships (programs that prepare students for an apprenticeship). The chart below shows recent apprenticeship funding.

Figure 37

Apprenticeship Funding Has Grown Significantly Over Time
(In Millions)

	Apprenticeship	California Apprenticeship Initiative	Total
2013-14	\$23	—	\$23
2014-15	23	—	23
2015-16	37	\$15	52
2016-17	39	15	54
2017-18	40	15	55

State Subsidizes Portion of Coursework Costs at “Regular” Noncredit Rate. The bulk of state Apprenticeship funding is for RSI. State funding helps support some costs of RSI by providing \$5.90 for every hour of instruction. This rate equates to the hourly rate for community college regular noncredit instruction. Apprenticeship programs indicate that sponsors typically fund more than half of RSI costs.

Number of Approved Apprenticeship Hours Has Increased in Recent Years. The number of certified RSI hours has increased significantly in recent years. This is likely due to the State's economic recovery. Growth in apprenticeship hours has been widespread across industries but especially pronounced in the construction trades.

If Funding for RSI Falls Short, the RSI Is Pro-Rated Down. In recent years, the amount of funding the State has budgeted for RSI has fallen short of covering all certified instructional hours for traditional apprenticeship programs. When funding is not sufficient to reimburse all hours at the specified RSI rate, the rate is adjusted downward. In each of the past five years, the State has made pro-rata reductions. Because school district and community college apprenticeship programs have different line items in the state budget, their pro-rata reductions have been different. In recent years, the pro-rata reductions for apprenticeship programs affiliated with school districts have been greater, largely because they have grown more rapidly than community college-affiliated apprenticeships.

Some Apprenticeship Coursework Offered for Credit. About 90% of apprenticeship courses that are affiliated with community colleges are offered for credit. Apprenticeship instructors, rather than community college faculty, typically teach these classes at apprenticeship training centers. These apprenticeship courses generally are degree applicable, though the programs alone do not culminate in an associate degree. Despite being offered for credit, the courses are funded based on the regular hourly noncredit rate. Comparable apprenticeship programs run through school districts generally are not offered for college credit. Regardless of whether offered for college credit, all apprenticeship programs culminate in industry certifications.

Governor's 2018-19 Budget Proposal

The Governor's Budget provides \$31 million one-time Proposition 98 General Fund to reimburse the apprenticeship program for pro-rata reductions that occurred from 2013-14 through 2017-18. Though apprenticeship hours for 2017-18 have not yet been certified, the Governor's budget assumes an average 32% pro-rata reduction would occur absent the proposed augmentation. The amount provided is based upon the total number of certified hours over this period and the pro-rata reductions. Of the \$31 million, the bulk is associated with 2017-18 (\$10 million), with the remaining \$21 million spread over the rest of the period. The proposal allocates the funds proportionally—effectively undoing the prior-year pro-rata reductions. The majority goes to programs affiliated with school districts (\$25 million). The proposal does not place restrictions on the use of funds.

The Governor's Budget also provides a \$17.8 million ongoing Proposition 98 General Fund increase for the apprenticeship program. Of this amount, \$13.8 million is associated with more RSI hours and \$3.9 million is associated with increasing the RSI rate up to the new noncredit hourly rate of \$6.49. As the State has not adjusted the base number of RSI hours it reimburses since 2015-16, the Governor's proposal effectively trues up to the 2017-18 level and holds that level flat in 2018-19. Although the Governor expects growth in apprenticeship hours in the budget year, he holds hours flat because he believes that growth would be offset by his companion proposal to allow apprenticeships at community colleges to start earning the credit funding rate and generating apportionment funding.

The Governor also proposes to allow colleges to generate the credit funding rate rather than the RSI rate for apprenticeship courses it offers for college credit. The Governor's proposed 2018-19 credit rate is \$5,453 per student. This equates to \$10.38 per hour—60% higher than the proposed 2018-19 RSI rate, which would apply to all other

apprenticeship programs. The Governor indicates that this proposal could (1) incentivize more colleges to offer apprenticeships and (2) lead to more students receiving college credit for apprenticeships, which eventually could lead to more associate degrees or stackable credentials. He indicates the credit rate is justified because credit-bearing programs could be more expensive if taught at community college campuses rather than at training centers.

LAO Recommendation

The LAO recommends rejecting the Governor's proposal to provide reimbursements to apprenticeship programs for prior year costs that exceeded the budgeted allocation. The LAO notes that program sponsors continued to cover these costs during this time and the program continued to grow rapidly.

The LAO recommends providing an augmentation of \$23.6 million to cover all projected RSI hours in 2018-19, which is \$5.8 million higher than the Governor's Budget proposal. The LAO estimates 10% growth in 2018-19 based on average annual growth over the past five years. In addition, the LAO recommends the Legislature readjust the amount of RSI hours it funds annually so that the hours the state reimburses moves up and down with the economy and the demand for apprentices.

Finally, the LAO recommends rejecting the Governor's proposal to allow colleges to claim credit funding for apprenticeship programs, stating that apprenticeship instruction already can be offered for credit. Moreover, apprenticeships continue to increase even at the current hourly noncredit funding rate.

STAFF COMMENT

Staff notes that this Subcommittee took action last year to increase one-time and ongoing support for the apprenticeship program to address concerns that funding was not sufficient to cover past RSI costs, and to support anticipated growth in the program. That action was not included in the final budget package.

Staff has no concerns with the Governor's proposal this year. While it is true that the program has grown despite being underfunded, it is not clear that growth would continue if the state continues to underfund this program and force costs onto program sponsors. The Governor's proposal is a good use of one-time money to ensure these partnerships continue; and the ongoing funding will support the size of the current program.

The Subcommittee has received a letter from the California Professional Firefighters expressing concern over the proposal to allow apportionment funding at the credit rate for community colleges. The letter notes that the apprenticeship is a highly-structured program that relies on RSI to account for the classroom hours needed to complete the program. Expansion of credit rate funding would disrupt this process and add complexity to determine if the specific number of required classroom hours has been met.

ISSUE 2: CERTIFIED NURSE ASSISTANTS

The Subcommittee will discuss the Governor's Budget proposal to appropriate \$2 million Proposition 98 General Fund to increase Certified Nurse Assistant programs at community colleges.

PANEL

- Mollie Quasebarth, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Christian Osmeña, Community Colleges Chancellor's Office

BACKGROUND

Chapter 52, Statutes of 2017 (SB 97), increased the minimum number of direct care services hours in skilled nursing facilities from 3.2 to 3.5 hours per patient day, effective July 1, 2018. It also specifies that a minimum of 2.4 hours per patient day must be provided by Certified Nurse Assistants (CNA).

Based on recent data from the Department of Health Care Services, approximately 41 percent (450 of 1,095) of skilled nursing facilities will have to come into compliance with the 2.4 CNA hour per patient day ratio requirement. Nursing facilities have identified challenges in meeting the ratio requirement due to CNA workforce shortages throughout the state. While the number of CNAs needed to fully meet the increase in workforce demand is unknown at this time, the California Association of Health Facilities (CAHF) estimates that approximately 1,700 additional CNAs are needed across the state. Further, according to the Employment Development Department, the CNA workforce is expected to have approximately 1,900 annual job openings between 2014 and 2024 due to employment growth.

In California, the CNA certificate requires 160 hours for completion, which includes 60 hours of classroom instruction and 100 hours of supervised training. According to a 2014 study conducted by the University of California, San Francisco, 52 community colleges reported to have active CNA programs. In that survey, 32 programs indicated turning away potential eligible students during the year, and 29 programs stated turning down potential eligible students almost every time or every time the program is being offered. Community colleges identified lack of classroom space, instructors, budget to support additional students, and training sites as reasons for turning down potential students.

Nursing homes also administer facility-based CNA training programs throughout the state. Currently, there are approximately 48 facility-based training programs, a decrease from approximately 300 facility-based programs since the early 2000s. Nursing homes can work with their local community college to train CNAs, however; there are different training formats which vary by campus. CAHF estimates costs of approximately \$2,500 to train a CNA (excluding overhead, administrative, and start-up costs).

Governor's 2018-19 Budget Proposal

The Governor's Budget proposes \$2 million in one-time Proposition 98 General Fund to support an increase in certified nurse assistant programs. The funding would be distributed to Strong Workforce Program regional consortia based on a formula that considers the number of projected job openings in this field in the region, the number of existing programs in the region, and the number of students enrolled in those programs in 2017-18.

This proposal also includes \$10 million from the Employment Training Fund to support an increase in training contracts available through the Employment Training Panel for this purpose. That funding will be considered by Subcommittee No. 4 on State Administration.

STAFF COMMENT/QUESTIONS

This proposal provides one-time funding to meet a specific statewide need. The Subcommittee may wish to ask the Administration and the Chancellor's Office whether Strong Workforce regional consortia have already identified this as a gap to be funded, or if not, why not.

**6100 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****ISSUE 3: ADULT EDUCATION**

The Subcommittee will discuss the Governor's Budget proposal to provide a 4.1% cost-of-living adjustment, or \$20.6 million Proposition 98 General Fund, to the Adult Education Block Grant, and \$5 million Proposition 98 General Fund to support adult education data projects.

PANEL

- Mollie Quasebarth, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Debra Brown, California Department of Education
- Donna Wyatt, California Department of Education
- Christian Osmeña, Community Colleges Chancellor's Office
- Javier Romero, Community Colleges Chancellor's Office

BACKGROUND

The primary purpose of adult education is to provide adults with the pre-collegiate knowledge and skills they need to participate in civic life and the workforce. Toward this end, most adult education course offerings are in three instructional areas: basic math and English, English as a second language (ESL), and career technical education (CTE). For CTE, adult education providers tend to offer programs that are one year or less in length.

State Embarked on Major Adult Education Restructuring in 2013-14. Community colleges and school districts (through their adult schools) are the primary providers of adult education. In addition, various other entities provide adult education, including community-based organizations, libraries, and jails. Due to longstanding concerns with a lack of coordination among providers, the 2013-14 budget package mapped out a new state strategy for funding and operating adult education. Specifically, the budget provided limited-term grants to adult education providers to form consortia and develop regional delivery plans. The 2015-16 budget created the Adult Education Block Grant (AEBG), which provided \$500 million in ongoing funding to the consortia to serve adults according to their plans. The amount of AEBG funding that a consortium receives is based primarily on its 2012-13 adult education spending level, with a smaller portion distributed based on a calculation of regional need. Consortia have received the same funding amounts annually since 2015-16. In addition to AEBG funding, the state continues to provide about \$300 million annually in noncredit apportionment funding for

community college adult education programs. (We estimate that community colleges spend another \$2 billion on CTE programs that are longer than one year in length. These programs generally are not included as part of consortia planning activities.)

State Left Some Alignment Areas Unaddressed, Tasked Agencies With Addressing Them. While the 2013-14 legislation creating the AEBG aimed to have adult education providers in each region of the state coordinate their program offerings, it did not address inconsistencies in certain fiscal and policy areas. Separate legislation enacted that year tasked the California Department of Education (CDE) and the California Community Colleges (CCC) Chancellor's Office with submitting recommendations pertaining to (1) a consistent fee policy, (2) common assessment policies for adult education students, and (3) a comprehensive accountability system (including the use of a single student identifier). It also required the Commission on Teacher Credentialing and the CCC Academic Senate to make recommendations pertaining to qualifications for adult education instructors in both segments. The agencies ultimately were unable in most cases to agree on recommendations for alignment between the two systems. As a result, the LAO was tasked with providing recommendations on these issues as part of the 2018-19 budget analysis.

Governor's 2018-19 Budget Proposal

The Governor's Budget proposes a \$20.6 million (4.1%) Proposition 98 General Fund increase in 2018-19. This increase is higher than the increase the Governor proposes for certain other community college programs. The higher rate is in recognition that the program did not receive a COLA the past few years. (Specifically, the 4.1% increase equates to a 2.5% COLA associated with 2018-19 and a 1.6% COLA associated with 2017-18.) The Administration proposes to distribute the augmentation to consortia based on their current allocations.

The Governor's Budget also proposes \$5 million ongoing Proposition 98 General Fund for the Community College Chancellor's Office to undertake several data-related projects. Specifically, the \$5 million would be used to (1) continue support of a data sharing platform that tracks student outcomes across providers and into the workforce by linking student information between adult schools, community colleges, and the Employment Development Department (EDD); (2) provide training and technical assistance to local providers on data submission and using data to inform local programming; and (3) collect survey data on the outcomes of AEBG participants whose employment outcomes currently cannot be tracked because they do not have a Social Security Number (SSN). These efforts build upon the \$25 million one-time Proposition 98 General Fund the state provided in 2015-16 to initiate development of the data sharing platform.

The Governor's Budget also includes trailer bill language that would require regional consortia to develop a new three-year plan in 2019-20, instead of 2018-19, and place a cap of 5% or less on the amount of indirect (administrative) costs districts could charge their adult schools or community colleges.

LAO Recommendation

The LAO recommends approval of the data funding piece of this proposal, with one additional requirement described in the chart on the following page. The chart includes several concerns the LAO found as it reviewed alignment between the community college and adult school systems, and recommendations for improvement.

Figure 1
Summary of Unresolved Adult Education Alignment Issues

Issue	California Community Colleges (CCC)	Adult Schools	Problem	LAO Recommendation
Student Identifiers	Use Social Security Number (SSN) or assigned ID number if no SSN.	Varies. Few collect SSN or assign Statewide Student Identifier (SSID).	<ul style="list-style-type: none"> Difficult to track students within and across segments and into the workforce. 	<ul style="list-style-type: none"> Require adult schools to assign an SSID to students without an SSN and share the SSIDs with CCC. Require CCC to use and maintain SSIDs.
State funding	\$300 million CCC noncredit apportionments (\$5,310 per student for most noncredit courses and \$3,300 for remaining noncredit courses). \$60 million AEBG.	\$440 million AEBG. No established per-student rate.	<ul style="list-style-type: none"> Existing funding rules likely lead to different access, services, and quality for students. 	<ul style="list-style-type: none"> Set uniform CCC and adult school per-student funding rate.
Course fees	No course fees for noncredit instruction.	Fees may be charged for CTE courses, but no other courses.	<ul style="list-style-type: none"> Depending on provider, adults may or may not be charged course fees. 	<ul style="list-style-type: none"> Eliminate adult school fees or require all providers to charge a nominal enrollment fee.
Accountability	State requires regional consortia to report outcomes on specified performance measures. Some mention of performance funding in statute, but not operational.		<ul style="list-style-type: none"> Limited incentives to improve student outcomes. 	<ul style="list-style-type: none"> Base a portion of state funding on performance.
Coordination with other adult education funds	—	—	<ul style="list-style-type: none"> Other entities receiving state and federal adult education funds are encouraged but not required to coordinate with their consortia. 	<ul style="list-style-type: none"> Require entities receiving funds to document that they participate in their regional consortia.
Student assessment and placement policies	Use multiple measures for initial placements. Measures can include locally set cut scores on state-approved tests.	Same as CCC.	<ul style="list-style-type: none"> Depending on provider, students with same demonstrated skill level may be placed into different courses. 	<ul style="list-style-type: none"> Segments are in midst of aligning assessment and placement policies. Have segments finish this work and revisit issue next year.
Minimum instructor qualifications	Bachelor's degree with coursework in certain areas.	Bachelor's degree with coursework in certain areas plus adult education teaching credential.	<ul style="list-style-type: none"> Higher requirement can make hiring instructors at adult schools more difficult than at CCC. CCC instructors without a teaching credential cannot teach at adult schools. 	<ul style="list-style-type: none"> No longer require adult school instructors with a bachelor's degree to hold a teaching credential.
Credit versus noncredit courses	Definition of credit versus noncredit is unclear and inconsistent across colleges.	All noncredit.	<ul style="list-style-type: none"> Depending on provider, students may receive credit or noncredit for similar courses and colleges may or may not include similar courses in adult education plans. 	<ul style="list-style-type: none"> Restrict credit instruction at CCC to college-level coursework.

AEBG – Adult Education Block Grant and CTE – career technical education.

STAFF COMMENT

The LAO has made several significant recommendations for legislative consideration. Some of the recommendations – such as requiring adult schools to use the same student identification system as other K-12 schools and requiring that all adult education providers in a region be given a chance to participate in regional consortia activities – could be implemented at little cost. It is clear that the goal of consolidating community college and adult school programs into a seamless program at the state and local level remains difficult to implement.

Staff notes that a report due to the Legislature by February 1 that is expected to include information on the use of adult education funds and outcomes for adults statewide and in each adult education region is not yet available. The Subcommittee may wish to ask the Department of Education and the Chancellor's Office for an update on this report.

Providing a cost-of-living adjustment seems appropriate, as adult schools face the same increasing cost pressures as other educational entities. In addition to the LAO recommendations, staff is aware of other recommendations and requests regarding the adult education program:

- ***Provide funding for the Farmworker Institute of Education and Leadership Development (FIELD)*** The FIELD program was founded by Cesar E. Chavez in 1978 in order to better meet the educational needs of farmworkers in rural communities. The FIELD program currently serves 7,000 farmworkers annually across 24 locations through adult education classes, such as English as a Second Language (ESL) and citizenship. The program also operates a charter high school program that allows farmworkers to earn their high school diploma. The program currently works with the Nevada County office of Education and several community colleges across the state in providing adult education for farmworkers. The FIELD program and the United Farmworkers are requesting a one-time budget allocation of \$2.7 million over three years in order to double the enrollment in their programs.
- ***Change the name from the Adult Education Block Grant to California Adult Education.*** Stakeholders note that the word “grant” in the title of the program created confusion in the field. The AEBG program explicitly suggests that regional consortia and state agencies should leverage and align funding sources as part the adult education system. Consequently, the “block grant” implies that it is a distinct categorical program, which creates challenges for local fund alignment discussions. Additionally, K–12 and college practitioners conveyed that their districts have hesitated to make permanent commitments or hire permanent staff because of the “grant” nomenclature. The Department of Education and the Chancellor's Office recommend that the Legislature use different nomenclature in future legislation related to adult education in California. The California Council for Adult Education and the California Adult Education Administrators Association also support this recommendation.

- **Create a \$30 million performance-based incentive fund for adult education consortia.** The Department of Education and the Chancellor's Office recommend that the Legislature allocate an additional \$30 million for adult education to administer a performance-based incentive fund. This strategy was a recommendation in a study by the Center for Law and Social Policy. It specifically recommends a “targeted performance bonus system to give consortia incentives to improve services to their community of need.” An incentive fund would accelerate the adoption of new integrated pathway models, support service strategies, and greater support for transition of adult education students into postsecondary education and the workforce. To support this, the State would need to explore and create analytics for distribution of incentive funding to consortia based on how services are targeted to a community of need and outcomes are improved. The California Council for Adult Education and the California Adult Education Administrators Association support this recommendation.
- **Align Federal and State Reporting Cycles.** Currently, timelines for reporting to the Legislature make it difficult to fully review the data, produce the reports, and go through the appropriate agency review process to produce a full and comprehensive report on time. The Department of Education and the Chancellor's Office recommend that the Employment Development Department, California Workforce Development Board, and the Legislature review all the the reporting requirements for federal and state funding streams, as well as amend the timelines for submission of reports to the Legislature based on the actual timelines of when data are available and can be properly processed for reporting.
- **Increase funding and implement a statutory COLA.** The California Council for Adult Education and the California Adult Education Administrators Association has requested additional funding beyond the Governor's proposal, including \$50 million in ongoing Proposition 98 General Fund to help adult schools cover increasing retirement benefit costs, and \$30 million ongoing Proposition 98 General Fund to support higher-cost career technical education programs. The groups also request establishing a statutory cost-of-living adjustment for this program similar to other K-12 programs.
- **Implement immigrant integration metrics.** The California Council for Adult Education and the California Adult Education Administrators Association also proposes adding immigrant integration as a measure that could be used by consortia to determine effectiveness. Based on work done by the Alliance for Language Learners' Integration, Education and Success (ALLIES) in San Mateo and Santa Clara counties, the metrics measure eight high-level goal areas that are then further broken down into approaches and supporting objectives, such as parent engagement at childrens' schools, digital literacy, or employment in a job in area of training. The proposal would add this to other metrics outlined in statute, such as improved literacy, completion of high school diploma, or improved wages.

ISSUE 4: CAREER TECHNICAL EDUCATION

The Subcommittee will discuss the Governor's budget proposal for K-12 Career Technical Education.

PANEL:

- Amber Alexander and Mollie Quasebarth, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, Department of Education
- Christian Osmena, California Community Colleges

BACKGROUND

Career Technical Education (CTE) is industry specific coursework that provides students with hands-on learning to better prepare them for higher education and a career. The 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 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.

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).

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, 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.

The CDE reported the number of grant recipients by LEA type, as shown below. According to the CDE, some grantees chose not to renew their grant. One of the reasons for this was the increasing match requirement.

CTE Incentive Grant Recipients

	2015-16	2016-17	2017-18
School Districts	303	292	286
County Offices of Education	30	30	30
Charters	46	42	22
Regional Occupational Programs	14	14	14
Total Grantees:	393	378	352

Source: Department of Education

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.

CTE Accountability

Preparing students for college and careers more broadly is also part of the state's expectations for LEAs under the state's multiple measure accountability system that was created along with the LCFF. Under this system, the SBE adopted the college and career readiness indicator (CCI) for use in the California School Dashboard beginning in the fall of 2017, based on 2016-17 data. This new indicator ranks the college and career readiness of graduating students, by assessing a student's attainment of the following, in addition to a high school diploma: CTE pathway completion; mastery of English language arts and mathematics standards; completion of Advanced Placement (AP) exams and/or International Baccalaureate (IB) exams; dual enrollment credit, and completion of A-G courses. In 2017, the Dashboard will only show the status of LEAs on the CCI since there is only one year of data currently available. In future years, the Dashboard will also show change/progress over time on the CCI.

GOVERNOR'S BUDGET PROPOSAL

The 2018-19 Governor's budget proposes to provide \$200 million in ongoing Proposition 98 funding for K-12 CTE programs. The funds would be distributed through the Strong Workforce Program operated by the Chancellor's Office of the CCCs. Funds would be used by K-12 LEAs to establish and support K-12 CTE programs that are aligned with industry needs.

The allocation to each consortia (made up of CCC districts and other local industry, workforce, and education partners, already established for the Strong Workforce Program) would be based on three factors: the unemployment rate in the region, the region's total ADA for students in grades seven through 12, and the proportion of projected job openings in the region. Funding would be further divided within each region to ensure that LEAs of all sizes are able to compete. The Administration proposes to create a subcommittee of individuals with K-12 education and workforce development expertise within each consortium. This subcommittee would award competitive grants to LEAs, in consultation with the consortium. Grantees must align their CTE efforts with the regional consortia plan and provide a 1:1 local match if they apply as an ROCP or program operated as a joint powers agreement, or a 2:1 match if applying on behalf of a single LEA. Programs generally must meet the quality requirements established under the CTE Incentive Grant and report similar outcome data.

The Governor also proposes an additional ongoing \$12 million to establish K-12 Workforce Pathway Coordinators in each CCC district to provide technical assistance and create partnerships with local industry.

**ALTERNATIVE CTE BUDGET
PROPOSAL**

Several Members of the Assembly have an alternative budget proposal for K-12 CTE. This proposal would provide high quality CTE by extending funding for the CTE Incentive Grant Program. The budget proposal dedicates a total of \$500 million in ongoing funding for the program and includes a 1:1 local match requirement. The proposal also includes a \$12 million in ongoing funding for regional CTE coordinators to provide technical assistance and support to CTE providers, similar to the Governor's proposal.

LAO RECOMMENDATIONS

The LAO recommends using the LCFF to fund and support high school CTE. For example, the LAO suggests increasing the LCFF funding rate for high school students and/or strengthen CTE accountability by making changes to the CCI.

However, if the Legislature decides to take a categorical approach, the LAO recommends rejecting the Governor's proposal and instead build off the CTE Incentive Grant program. The LAO recommends that this new program include provisions to align some CTE courses with regional workforce needs, create shared data and outcomes across K-12 and CCC systems, and set clear outcome objectives and specific reporting requirements. The LAO also recommends that the program be limited to a few years to ensure the Legislature and Governor can evaluate program data before moving forward to a more permanent program. The LAO also suggests folding existing CTE categorical programs (the California Partnership Academies, the CTE Pathways program, Specialized Secondary programs, and the Agricultural Incentive Grant program) into the new CTE program.

STAFF COMMENTS:

CTE remains a high priority for the Legislature. Over the past several years, many members of the Legislature have expressed interest in creating a categorical for CTE outside the LCFF in order to ensure these programs are maintained and supported. While the Governor's budget does provide ongoing funding for CTE outside the LCFF, the proposal would provide the funding to the CCC and would not build off the existing industry supported CTE Incentive Grant program. Staff questions whether providing this funding for the CCC Strong Workforce program will best serve K-12 CTE programs. The Subcommittee should consider whether K-12 CTE programs should be housed at the CCC and allocated through the Strong Workforce consortia, or through CDE and the existing CTE Incentive Grant program. Additionally, the Subcommittee should consider what level of funding to provide for this purpose.

Suggested Questions:

- What is the benefit of moving K-12 CTE to the community college system? What would CDE's role be under the Governor's proposal?
- What feedback has CDE received on the CTE Incentive Grant program? Are there changes that should be made if it is extended?

Staff Recommendation: Hold Open

ISSUE 5: EDUCATION MANDATES

The Subcommittee will hear the Governor's budget proposals related to education mandates.

PANEL:

- Aaron Heredia, Department of Finance
- Dan Kaplan, Legislative Analyst's Office
- Debra Brown, Department of Education

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.

The state currently provides LEAs with multiple options for receiving payment for mandates, including the traditional mandate reimbursement process, the Reasonable Reimbursement Methodology and the mandates block grant.

Traditional Mandate Reimbursement Process

The state provides the traditional mandate reimbursement process, requiring LEAs to submit mandate reimbursement claim forms for each mandate to the State Controller's Office. The traditional process for claiming mandate reimbursement has been considered problematic because mandated costs are often higher than expected, reimbursement rates vary greatly by district and the reimbursement process rewards inefficiency.

Reasonable Reimbursement Methodology

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.

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.

While the state retained the existing mandates claiming process for districts that choose not to opt in to the block grant, most school districts and COEs and virtually all charter schools and community college districts choose to participate in the block grant.

Mandate Backlog

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. The LAO estimates that this backlog reached \$4.5 billion.

Since 2014-15 the state has provided a total of \$6.6 billion in discretionary funding that also is counted toward reducing the K-14 education mandates backlog (\$5.8 billion for the K-12 schools and \$788 million for the community colleges). This funding was provided on a per ADA basis for K-12 and per full time equivalent student (FTES) for community colleges.

K-14 Discretionary Payments in Recent Years					
(Dollars in Thousands)					
	2014-15	2015-16	2016-17	2017-18	Total
K-12					
2014-15 Budget Act	400,500				400,500
2015-16 Budget Act		3,205,137			3,205,137
2016-17 Budget Act			1,280,846		1,280,846
2017-18 Budget Act				876,581	876,581
Total K-12	400,500	3,205,137	1,280,846	876,581	5,763,064
<i>Per ADA (in whole dollars)^{1/}</i>	<i>\$67</i>	<i>\$529</i>	<i>\$214</i>	<i>\$147</i>	
CCC					
2014-15 Budget Act	49,500				49,500
2015-16 Budget Act		632,024			632,024
2016-17 Budget Act			105,501		105,501
2017-18 Governor's Budget				0	0
Total CCC	49,500	632,024	105,501	0	787,025
<i>Per FTES (in whole dollars)^{1/}</i>	<i>\$45</i>	<i>\$560</i>	<i>\$93</i>	<i>\$0</i>	
Total K-14 Mandate Payments	450,000	3,837,161	1,386,347	876,581	6,550,089
^{1/} The per pupil calculation uses prior year ADA and FTEs data.					

Source: Department of Finance

Because many LEAs do not have any outstanding mandate claims, these payments only paid off a portion of the outstanding mandate claims. The LAO estimates that the remaining backlog of claims after 2017-18 will be approximately \$871 million for K-12 mandates. However, the SCO has not yet applied this funding to claims, so actuals are not yet available.

GOVERNOR'S BUDGET PROPOSALS

The 2018-19 Governor's budget proposes to provide \$1.8 billion for school districts, county offices of education, and charter schools in one-time discretionary Proposition 98 funds. These funds would offset any existing mandate claims for LEAs. Similar to prior years, this funding would be allocated on a per ADA basis. LEAs can use their funds 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's budget also adds "employee benefits" to the list of intended uses.

The LAO estimates that of the \$1.8 billion in proposed discretionary funding, only about \$287 million would actually be counted toward paying down the mandates backlog. After this payment, the state would still owe approximately \$583 million in education mandate backlog payments.

Most of Governor's Proposed Discretionary Funding Would Not Count Towards Mandates Backlog

LAO Estimates of K-12 Backlog (In Millions)

2017-18 Backlog	\$871
Governor's Proposed Discretionary Funding	\$1,757
Funds Counted Toward Backlog	\$287
Funds Not Counted Toward Backlog ^a	\$1,469
2018-19 Backlog	\$583
^a Includes (1) \$220 million deducted as part of a recent agreement with the federal government over Medi-Cal billing practices and (2) \$1.2 billion provided to districts in excess of their mandate backlogs.	

Source: Legislative Analyst's Office

The Governor's budget also provides a 2.51 percent COLA to the K-12 and CCC mandate block grants. This increases the K-12 mandate block grant by approximately \$6 million and the CCC block grant by \$800,000.

Of the \$1.8 billion in discretionary funding, the Governor also proposes to deduct each individual district's obligation to pay for a Medi-Cal billing settlement owed to the federal government (totaling \$222 million).

LAO RECOMMENDATIONS

The LAO continues to have concerns that the Governor's proposal does not effectively pay down the mandates backlog. The LAO notes that because many LEAs no longer have claims, paying off mandates by providing a per-ADA payment to all LEAs would cost approximately \$200 billion to eliminate the mandates backlog. The LAO recommends that the Legislature take a more strategic approach to reducing the mandates backlog.

The LAO recommends the Legislature adopt the Governor's Medi-Cal repayment proposal and recommends providing a COLA to the education mandates block grant.

STAFF COMMENTS:

The state has made significant progress in paying off debt owed to schools in recent years, including the education mandates backlog. However, since these payments are no longer making a significant impact on paying off the mandate backlog, the Subcommittee could consider using this one-time funding for other purposes.

Suggested Questions:

- Does the LAO recommend LEAs use the proposed one-time discretionary funding for ongoing costs, such as increased pension costs?
- What are the other options for repaying the Medi-Cal billing settlement owed to the federal government?

Staff Recommendation: Hold Open

6100 CALIFORNIA DEPARTMENT OF EDUCATION**ISSUE 6: CDE STATE OPERATIONS**

The Subcommittee will consider the Governor's proposed level of funding for the California Department of Education's state operations.

PANEL:

- Keith Nezaam, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, Department of Education

BACKGROUND

California's public education system is administered at the state level by the California Department of Education (CDE), under the direction of the Superintendent of Public Instruction and the State Board of Education. The CDE is responsible for enforcing education laws and regulations and providing technical assistance to local school districts and working with the education community to improve academic performance.

Most CDE staff work at the department's headquarters in Sacramento, where they administer state education programs and provide program support to local educational agencies. The CDE's administration, or state operations, is primarily funded with a combination of non-Proposition 98 General Fund and federal funds, as shown in the chart below.

CDE State Operations Funding
(dollars in thousands)

Fund Source	2016-17 Actuals	2017-18 Projected	2018-19 Proposed	BY to CY Change	% Change
General Fund	\$162,170	\$168,163	\$164,028	-\$4,135	-2.46%
Federal Funds	\$151,737	\$181,150	\$181,809	\$659	0.36%
Fee Revenue	\$5,340	\$6,630	\$6,631	\$1	0.02%
Bond Funds	\$2,120	\$3,098	\$3,100	\$2	0.06%
Other Funds	\$19,640	\$33,870	\$27,834	-\$6,036	-17.82%
Total Expenditures	\$341,007	\$392,911	\$383,402	-\$9,509	-2.42%
Percentage of FF to Total Expenditures	44.50%	46.10%	47.42%		
Positions	2,215.8	2,217.2	2,217.2	0	0.00%

Source: Department of Education

GOVERNOR'S BUDGET PROPOSALS

The 2018-19 Governor's budget includes the following General Fund increases:

- \$938,000 in one-time non-Proposition 98 General Fund for costs associated with developing or revising content standards for the following subject areas: computer science, ethnic studies, world language and visual and performing arts (as required by recent legislation).
- \$700,000 in ongoing non-Proposition 98 General Fund to cover increased salary and pension costs for the California School Information Services (CSIS).
- \$293,000 in ongoing non-Proposition 98 General Fund for CDE to oversee additional California State Preschool Program contracts, due to the recent increases in slots.
- \$143,000 in ongoing non-Proposition 98 General Fund to fund one position for CDE to secure confidential staff and student data.
- \$131,000 in ongoing non-Proposition 98 General Fund to fund one position for CDE to review and provide technical assistance for district reorganizations.
- \$128,000 in ongoing non-Proposition 98 General Fund for one position for CDE to complete additional reviews for compliance of non-discrimination laws, pursuant to recent legislation.
- \$108,000 in ongoing non-Proposition 98 General Fund for one position for CDE to assist LEAs in applying for a universal meal service program, pursuant to recent legislation.

The Governor's budget also includes the following federal funding increases:

- \$1 million in ongoing Federal Workforce Innovation and Opportunity Act Title II funds to provide additional technical assistance to adult education programs.
- \$625,000 in ongoing Federal IDEA funding to create a new unit to respond to public information requests associated with special education litigation.

LAO RECOMMENDATIONS

The LAO makes the following recommendations on the Governor's proposed new funding for the CDE's state operations:

New Workload and Funding for the California Department of Education

2018-19 Governor's Budget (In Thousands)

Workload Proposal	Funding	Recommendation and Rationale
Federal Funds		
Provide technical assistance to adult education programs newly integrating literacy, job training, and career technical education. Federal Workforce Innovation and Opportunity Act Title II funds (ongoing). ^a	\$1,030	Approve. Helps CDE comply with federal law and undertake greater associated workload.
Establish new unit to respond to public information requests associated with special education litigation. Federal IDEA funding (ongoing).	625	Approve. Over the years, this workload has grown notably and CDE has redirected program staff to handle the requests. The new unit would dedicate staff exclusively to this work, returning existing program staff to their primary duties of program oversight and technical assistance.
State Funds^b		
Hire external consultants and cover travel and other costs incurred in developing or revising content standards for several academic subjects (one time). Pursuant to Chapter 876 of 2014 (AB 1539, Hagman) for computer science; Chapter 327 of 2016 (AB 2016, Alejo) for ethnic studies; Chapter 643 of 2016 (AB 2290, Santiago) for world language; and Chapter 647 of 2016 (AB 2862, O'Donnell) for visual and performing arts.	\$938	Approve. Helps CDE implement recent legislation.
Accommodate rising salary and pension costs at California School Information Services (CSIS).	700	Approve. CSIS has not had its operational funding increased the past six years and its reserves are nearly depleted.
Provide training to State Preschool contractors, monitor additional contracts, and undertake other administrative work associated with recent State Preschool slot increases.	293	Approve. Additional slots provided over the last few years has increased administrative workload.
Help oversee information security and privacy.	143	Approve. Helps keep certain data secure, including CDE staffing data and some education program data.
Expand capacity for reviewing and providing technical assistance for district reorganizations.	131	Approve. Helps CDE respond to increase in workload.
Expand capacity to audit schools for compliance with state non-discrimination laws. Pursuant to Chapter 493 of 2017 (AB 699, O'Donnell).	128	Reject. Legislation does not notably increase CDE's workload.

Undertake additional monitoring activities to ensure school districts are complying with a new state law that uses Medi-Cal eligibility lists as the means for directly certifying children as eligible for federally subsidized school meals. Pursuant to Chapter 724 of 2017 (SB 138, McGuire).	108	Approve. Helps CDE implement recent legislation.
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Total	<u><u>\$4,096</u></u>	
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^a Provides \$645,000 in additional authority for state operations and shifts \$385,000 currently used for local assistance to state operations.

^b Funded by Non-Proposition 98 General Fund (ongoing), unless otherwise indicated.

IDEA = Individuals with Disabilities Education Act.

Source: Legislative Analyst's Office

STAFF COMMENTS:

The Governor’s budget provides no new positions, but provides a total of \$4.1 million in non-Proposition 98 and federal funds for existing positions at the CDE. Staff has no concerns with the Governor's proposed increases for the CDE's state operations, as these increases are associated with increased workload.

The CDE submitted many funding requests through Budget Change Proposals (BCPs) that were denied by the DOF or a decision was deferred until the May Revision. One BCP that was deferred until the May Revision includes a request for \$149,000 for one position to implement the additional data reporting requirements of the District of Choice program required through the 2017-18 education trailer bill (AB 99, Chapter 15, Statutes of 2017). If funding for this position is not provided at the May Revision, the Subcommittee may wish to include funding for this purpose.

Suggested Questions:

- What are the CDE's highest priorities for funding that were not included in the Governor's January Budget?
- Is the Administration considering additional funding for CDE's state operations at the May Revision?

Staff Recommendation: Approve the Governor's proposed funding increases for the CDE's state operations.
