

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MARCH 24, 2015

9 AM - STATE CAPITOL ROOM 444

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## ISSUES TO BE HEARD

### 6100 DEPARTMENT OF EDUCATION 6870 CALIFORNIA COMMUNITY COLLEGES

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#### ISSUE 1: ADULT EDUCATION

The issue for the Subcommittee to consider is the Governor's Budget proposal to distribute \$500 million Proposition 98 General Fund for adult education programs.

#### PANEL 1: GOVERNOR'S PROPOSAL

- Keith Nezaam, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Dan Troy, California Community College Chancellor's Office

#### PANEL 2: LOCAL PERSPECTIVES ON ADULT EDUCATION

- Bob Harper, Director, Campbell Adult and Community Education, Campbell Union High School District
- Donna Burns, 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. The schools 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. It is estimated that school districts are spending between \$300 and \$350 million annually on adult schools.

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.

Changes in funding for adult schools had a dramatic impact on services, as the chart below indicates. Participation decreased by more than 36%, according to data compiled by the Department of Education and Community College Chancellor's Office.

<b>Program</b>	<b>2008-09</b>	<b>2012-13</b>	<b>Change</b>
Basic and Secondary Education	932,311	713,088	-219,223
English as a Second Language	772,090	418,122	-353,968
Adults with Disabilities Programs	102,586	75,375	-27,211
Career Technical Education	463,662	241,493	-222,169
<b>Total</b>	<b>2,270,649</b>	<b>1,448,089</b>	<b>-822,560</b>

*Source: 2015 Adult Education Regional Planning Report*

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 included:

- 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 ed 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 have been 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 this month that included a summary of regional findings and recommendations for improving the overall system.

## The Governor's 2015-16 Budget

Budget bill and trailer bill language proposes the following:

**\$500 million in funding.** The Governor proposes \$500 million Proposition 98 General Fund for instruction in the five priority areas through an adult education block grant to be distributed to the regional consortia. The Governor's proposal defines the consortia members as school districts, county offices of education, and community college districts. The Superintendent and Chancellor, with final approval from the executive director of the State Board of Education, would determine the allocation of funds to each consortium based on regional adult education needs.

**Creates new regional boards to spend funding.** Under the Governor's proposal, each consortium would form a seven-person allocation board to distribute funding among its members within the region based on the consortium's analysis of needs and gaps. Each board would include:

- One school district or county office of education official;
- One community college official;
- One representative from another type of adult education provider;
- One representative from a local workforce development boards;
- One representative from an employment services office;
- One official with a county probation department;
- And a member of the public.

The funding would be appropriated directly from the state to each consortium's fiscal agent, which could use up to 5 percent of funds for administration. A fiscal agent would be named in each region by the consortium. The Governor's proposal does not affect colleges' apportionments, their primary source of support for adult education.

**Maintains existing funding for 2015-16.** For 2015-16 only, the new funds would be allocated first to maintain district or county office of education adult education programs in the five priority areas. The Superintendent and Chancellor would certify, with state board executive director approval, the exact amount of the \$500 million needed for this purpose (currently estimated to be between \$300 million and \$350 million) by August 30, 2015.

For all subsequent years, the full \$500 million would be available for allocation to the regional consortia based on (1) the amount allocated to the consortium in the prior year (including the 2015-16 hold-harmless amount for district and COE adult education programs), (2) the region's needs for adult education, and (3) the consortium's effectiveness in meeting those needs. To determine the need for adult education statewide and in each region, the Superintendent and Chancellor, with approval from the state board executive director, would consider measures related to adult population, employment, immigration, educational attainment, and adult literacy.

**Requires Annual Consortia Plans.** Under the Governor's proposal, each consortium would develop an annual plan evaluating adult education needs in the region and providing an assessment of current funding (including funding from sources other than the adult education block grant) and service levels. The plans would be required to identify actions consortium

members can take to improve the effectiveness of their services and align them across providers. The plans also would describe how the region's services are aligned with other workforce plans guiding services in the region.

**Requires Annual Report.** The proposal also would require the Superintendent and Chancellor, with approval from the state board executive director, to annually report on recommendations for better delivery and alignment of adult education services.

**Eliminates the Adults in Correctional Facilities Program.** The Governor's budget proposes to consolidate the Adults in Correctional Facilities Program into the adult education block grant. The Governor's proposal includes \$15 million to reimburse programs for expenses incurred in 2014-15. In future years, however, funding would be subject to allocation through the adult education regional consortium process.

### LAO Recommendations

The LAO recommends adopting the Governor's proposal with some modifications, including:

- Consider ways to better integrate other adult education funding, such as federal funds, into regional consortium planning.
- Require the Superintendent and Chancellor to provide a statewide allocation plan to the Legislature every spring.
- Set clearer direction for the allocation boards, or make the boards advisory to the consortia.
- Gradually shift funding from past allocation practices to current needs.
- Maintain annual expenditure and outcome reports but reduce the frequency of regional planning reports.
- Require that the Superintendent and the Chancellor work with the California Workforce Investment Board to align assessment instruments, performance metrics and improve data sharing.

### STAFF COMMENTS/QUESTIONS

Getting adult education right is a critical issue for the state. Census data indicate that about 5 million adults in California are in need of basic skills and high school equivalency education. It is estimated that more than 2.5 million undocumented immigrants live in California, and potential federal immigration reform could dramatically increase demand for English as a Second Language and citizenship courses.

Among the over-arching questions the Subcommittee should consider as it develops a reformed adult education system are:

- How do we protect and improve existing programs that are successful?
- How do we improve coordination between the K-12 and community college systems to ensure that students can easily move from one system to the other?
- How do we ensure that state funds are directed to where the most need is, and to the most effective programs?

Based on a review of the trailer bill proposal and input from stakeholders, staff raises the following concerns about the Governor's proposal:

***The proposed governance structure may create too much bureaucracy and not enough accountability.*** Under the Governor's proposal, adult education regions would have an advisory consortium that conducts the planning, and then a board – named by the consortium - that determines funding. This structure further distances funding decisions from locally elected officials. Many stakeholders have raised questions about whether it is appropriate to have officials from agencies with no traditional stake in Proposition 98 funding making key decisions on how this funding is spent. Additionally, having two separate groups working on planning and spending may bog down the process of distributing funding. Regional stakeholder input is critical to this project but could be accomplished in other ways.

***Creating a local fiscal agent may not be the most efficient way to distribute funding.*** Some regional consortia have experienced difficulties in distributing planning funding to participating entities, as local fiscal agents have acted very slowly to send out money. It may be more efficient to have the Department of Education and Chancellor's Office distribute funding directly to providers, based on regional plans. A process similar to the one used to distribute federal Perkins Act funding could be considered.

***Governor's proposal is silent on several major issues.*** The March report from the Superintendent and Chancellor's Office noted several major structural areas in which adult schools and community colleges differ: the two systems use differing assessment instruments, for example, and use differing methods to track students. Additionally, some adult schools charge fees, while non-credit community college courses are free.

While both systems must and will continue to provide different educational options for differing types of students, there is a definite state interest in aligning parts of the overall system to ensure that funding can be tracked, student outcomes can be measured, and students can easily access both systems. The Governor's proposal does not offer solutions for any of these problems.

***Annual planning process may add unnecessary uncertainty.*** Adult schools have faced years of unstable budgets. Calling for a major, annual planning process in each region as the Governor proposes may continue the uncertainty that has plagued the system. The Legislative Analyst recommends lengthening this process and notes that other types of workforce development plans, such as Workforce Investment and Opportunity Act plans, are completed every four years.

***State board oversight seems unusual.*** The state Board of Education has had relatively little experience with adult education programs. Allowing the executive director of the board veto authority over every activity conducted by the Superintendent and Chancellor seems unnecessary and overly burdensome.

***Eliminating services for adults in correctional facilities is problematic.*** With the creation of the LCFF, the Legislature decided to maintain the Adults in Correctional Facilities categorical program outside the LCFF because it was a top state priority and the program served a small and vulnerable population. Under the Governor's proposal this program will be competing for funding with many other adult education needs in each region.

Suggested Questions

- Now that the AB 86 process is complete and the report has been released, what changes does the Administration anticipate making to the Governor's adult education proposal?
- Why does the administration believe it is important to place non-Proposition 98 stakeholders on the regional decision-making bodies?
- Given the problems encountered in some regions by having a local fiscal agent overseeing the planning funding, wouldn't it be better to find a better model for distributing funding?
- Should there be more explicit direction on how regional consortia conduct planning and reporting, to ensure better accountability and that consortia are addressing statewide priorities?
- How have local consortia dealt with regions in which there are numerous adult schools but only one community college? How should consortia governance be set up to ensure fair representation?
- Can the Chancellor's Office and Superintendent adequately collect MOE information by August? Should this amount be identified sooner so that school districts begin the fiscal year with a clear understanding of 2015-16 funding levels?

The Department of Finance has indicated a willingness to work with the Legislature and stakeholders to finalize a plan. The Subcommittee may wish to hold this item open to allow for more discussion.

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**Staff Recommendation: Hold Open**

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**ISSUE 2: EDUCATION MANDATES**

The Subcommittee will consider the Governor's 2015-16 budget proposals related to education mandates. These proposals include:

- Providing \$1.5 billion in one-time Proposition 98 funding to pay down the education mandates backlog for K-14 schools.
- Adding the new mandate regarding whooping cough immunization records and \$1.7 million to the K-12 mandates block grant.

**PANELISTS**

- Cheryl Ide, Department of Finance
- Jameel Naqvi, Legislative Analyst's Office
- Monique Ramos, 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. The practice of deferring mandate costs was challenged in court in 2009 and is no longer allowed. However, it is estimated that the state currently owes more than \$5 billion in outstanding education 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 (SCO) 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. Only three school mandates currently have approved RRM's.

### **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 2014-15 budget included a total of \$218 million for the K-12 block grant and \$32 million for the community college block grant. Block grant funding is allocated to participating LEAs on a per-pupil basis, based on average daily attendance (ADA) or full-time equivalent students (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.

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 2014-15 those participating in the block grant represent 95 percent of K-12 students and 98 percent of community college students.

### **Governor's 2015-16 Budget Proposals**

#### **Mandates Backlog**

The Governor's budget proposes to dedicate \$1.5 billion to further reduce the education mandates backlog (\$1.1 billion for K-12 schools and \$379 million for community colleges). The Governor proposes that this payment be allocated on a per-student basis.

The 2014-15 budget provided \$450 million to reduce the mandate backlog for schools (\$400 million for K-12 school and \$50 million for community colleges). It was the intent of the Legislature that K-12 schools use the funding freed up from this payment on further implementing the new Common Core State Standards and the English Language Development Standards (although there were no requirements that schools use this funding for any specific purpose). The Governor's 2015-16 budget proposal also intends this payment to be used to further implement the new academic content standards. The Governor encourages the community colleges to use this funding for deferred maintenance, instructional equipment and other one-time costs.

The CSM's most recent estimate of the mandates backlog was approximately \$5.7 billion in 2012-13 (\$5.2 billion for K-12 mandates and \$500 million for community college mandates). This amount does not include the \$450 million payment the state made toward the backlog in

the 2014-15 budget. However, because this payment was allocated on a per-student basis, a small portion of this payment will not count toward reducing the mandates backlog. This is due to the fact that some LEAs and community colleges might not have unpaid mandate claims or they have less than what is provided in the per-student amount. The Department of Finance estimates that under the Governor's proposal, the remaining K-14 education mandates backlog will be approximately \$4 billion at the end of the 2015-16 fiscal year.

The LAO has a different estimate of the mandates backlog. They argue that the SCO's estimate is overstated because they include costs for several mandates that the state has recently required LEAs to cover using other funds provided in the budget. However, the state is currently in litigation over whether the state can use these other pots of funding to pay for these mandates. The LAO assumes that the state will prevail in this litigation. Under the Governor's proposed budget, the LAO estimates the K-14 education mandates backlog will be \$2.9 billion at the end of 2015-16

### **Whooping Cough Mandate**

California requires immunization verification for many diseases, including whooping cough, prior to enrolling a child in school for the first time. Additionally, in response to the whooping cough outbreak in 2010, the Legislature passed AB 354, Chapter 434, Statutes of 2010, which also mandated all students to be vaccinated upon entering the 7<sup>th</sup> grade, and all eighth through twelfth graders on a one-time basis. The CSM recently determined that this new whooping cough requirement is a reimbursable state mandate because it requires school districts and county offices of education to perform the following activities:

- 1) Verify that students entering the designated grade were immunized for whooping cough or had an allowed exemption.
- 2) Admit students for up to 10 school days pending proof of immunization or exemption.
- 3) Exclude from school those that cannot provide proof of immunization after 10 school days.

The Governor's budget proposes to add the whooping cough mandate and \$1.7 million to the K-12 mandates block grant. The Governor's proposed \$1.7 million is based on the CSM's statewide cost estimate of those LEAs that submitted claims in 2012-13.

### **LAO Recommendations**

The LAO agrees with the Governor's approach to use one-time revenues to pay down the mandates backlog. The LAO also believes that paying down the backlog on a per-student basis helps address the state's longstanding concerns over uneven mandates claiming practices. The LAO also recommends requiring the SCO to report to the Legislature and Governor on the status of the mandates backlog after the 2014-15 and 2015-16 payments.

The LAO believes that the statewide cost for the whooping cough mandate likely exceeds the CSM's estimate. The LAO recommends adopting the Governor's proposal to add the whooping cough mandate to the mandates block grant, but recommends providing \$4.5 million to the block grant to reflect more accurately the costs of the mandate (\$2.8 million more than the Governor). The LAO argues that by not providing the full cost of the mandated activity, that over time, school districts and COEs will be less likely to participate in the mandates block grant, and will instead choose to participate in the more costly and time-consuming claims process.

The LAO also recommends providing a cost-of-living adjustment (COLA) for the mandates block grants. Applying a 1.58 percent COLA would cost \$4 million (\$3.5 million for the K-12 block grant and \$513,000 for the community college block grant). The LAO argues that applying a COLA will also help ensure that school districts, COEs and community colleges continue to participate in the block grant.

<b>STAFF COMMENTS/QUESTIONS</b>
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**Education Mandates Backlog.** The Governor's proposal to pay down a portion of the K-14 education mandates backlog is a smart use of one-time funding. Staff recommends holding this issue open pending updated revenue estimates at the May Revision. Given the state will likely have additional one-time revenue in May, the Legislature may wish to provide additional funding for this purpose.

**Whooping Cough Mandate.** Staff recommends approving the Governor's proposal to add the whooping cough mandate and \$1.7 million to the K-12 education mandates block grant. The whooping cough mandate is important in addressing a public health concern and will likely reduce the cases of whooping cough in the state. Although the actual cost of this mandate may exceed the \$1.7 million provided in the Governor's budget, LEAs will likely still prefer the mandates block grant over the burdensome mandate claim process. The Subcommittee may want to hold this issue open pending other changes to the mandates block grant at the May Revision.

Suggested Questions:

- When will the State Controller have an updated estimate on the status of the education mandates backlog?
- Would the Governor support providing one-time funding for implementing the new state standards separate from paying off the mandates backlog?
- Why does the Governor provide a COLA for other educational programs, but not for the mandates block grant?

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**Staff Recommendation: Hold Open.**

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**6100 DEPARTMENT OF EDUCATION**

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**ISSUE 3: CAREER TECHNICAL EDUCATION INCENTIVE GRANT**

The Subcommittee will consider the Governor's budget proposal to provide \$250 million in each of the next three years to fund the Career Technical Education Incentive Grant, a competitive grant program for high schools to offer high quality career technical education.

**PANELISTS**

- Megan Stanton-Trehan, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Monique Ramos, Department of Education

**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. 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 maintenance of effort requirement (totaling about \$380 million) that local educational agencies (LEAs) maintain their existing levels of spending on ROCPs. Similar to adult education programs, this maintenance of effort is set to expire at the end of the 2014-15 fiscal year, meaning that beginning in 2015-16 LEAs can use this funding on any educational purpose.

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.

Some high school CTE programs are still funded through categorical programs outside the LCFF. These programs include: Specialized Secondary Programs, Agricultural Education Grants and Partnership Academies. Additionally, the Legislature provided \$250 million in one-time funding in each of the last two fiscal years for the Career Pathways Trust, a competitive grant program aimed at improving linkages between CTE programs at high schools, community colleges, and local businesses.

### **CTE Accountability Measures**

The Academic Performance Index (API) is one indicator for holding districts accountable for student outcomes. Historically, the API has been based almost solely on student test scores. Through SB 1458 (Steinberg), Chapter 577, Statutes of 2012, the state is moving toward a more comprehensive accountability system that includes multiple measures of student performance, including college and career readiness. Specifically, the bill requires the Superintendent of Public Instruction (SPI) to update the API for high schools that takes into account graduation rates and college and career readiness by 2015-16. The SPI is currently gathering feedback on possible components of the new API that includes a college and career indicator. Additionally, the State Board of Education recently adopted the SPI's recommendation to suspend the API for the 2014-15 school year given the state is transitioning to a new accountability system.

The new Local Control Accountability Plans (LCAPs) are another measurement for holding LEAs accountable under the new LCFF. LEAs are required to adopt a LCAP that specifies the goals and actions an LEA plans to take in meeting the eight state priority areas. One of the eight state priority areas includes student achievement. Under the LCAP, student achievement is measured by a number of components, including the percentage of students who are college and career ready. For example, the portion of students who have successfully completed courses that satisfy the requirements for college entrance or career technical education sequences. The evaluation rubrics will help in determining how LEAs are doing in preparing students for college and a career. However, these rubrics are still being developed by the State Board and will be completed this fall.

## **The Governor's 2015-16 Budget**

The Governor proposes to dedicate \$250 million in each of the next three years to support the CTE Incentive Grant, a competitive grant program for high school CTE programs that meet certain qualifications. School districts, county offices of education, direct-funded charter schools, ROCPs, or joint powers authorities (with consent from the participating LEAs) could apply to receive grant funding for up to three years. According to the Administration, the purpose of this program is to encourage and maintain the delivery of CTE programs while the LCFF is being implemented.

Under the Governor's proposal, the California Department of Education (CDE) would administer the grant program. Grantees are required to provide a dollar-for-dollar match for any funding received through this program. (The match funding could include private, federal or other state funds, including funding through the Career Pathways Trust.) With the required match, the program would total \$500 million annually. Grantees must also have a plan for ongoing support of the program after the grant funding expires.

Additionally, applicants are required to meet the following eligibility requirements in order to be considered for a grant award:

- Offer curriculum aligned to the CTE curriculum standards.
- Provide students with career guidance.
- Offer support and leadership development.
- Demonstrate coordination and alignment with regional or local partners (documented through written agreements).
- Demonstrate ongoing industry and labor partners (documented through written agreements).
- Offer extended day or out of school internships or other work-based learning opportunities.
- Reflect regional or local labor market demands.
- Offer courses that lead to an industry-recognized credential or certificate, or leads to postsecondary training or employment.
- Employ skilled staff and provide professional development for teachers and faculty.
- Report data in order to evaluate the program and maintain accountability.

Those programs that receive a grant in 2015-16 or 2016-17 are eligible to receive a renewal grant until the 2017-18 fiscal year. The eligibility of the renewal grant would be determined by the CDE, in collaboration with the State Board of Education. In order to maintain their eligibility, grantees would be required to demonstrate their program is producing positive results, measured by certain outcome measures. These outcome measures include: high school completion rates, CTE coursework completion rates, number of industry-recognized credentials, certificates, license or other measure of technical skill attainment, employment rates for former participants, and the number of students that went on to postsecondary education, an apprenticeship program or other job training program.

The Governor's proposal requires the CDE to consult with the Chancellor of the Community Colleges and state workforce and business groups in considering grant applications. The CDE would submit its recommendations for new and renewal grant recipients to the State Board of Education for review and approval. The CDE and State Board are required to give priority to applicants that leverage other CTE resources, currently invest in CTE programs and collaborate on a regional level. The proposal also authorizes the CDE to set aside \$2.5 million of the funds annually for planning grants and technical assistance to applicants and grantees.

### **LAO Recommendations**

The LAO believes that the Governor's proposal is a departure from the principles of the LCFF. The LAO recommends rejecting the Governor's proposal and instead use the funds for other high one-time Proposition 98 priorities. The LAO recommends the Legislature instead focus on an overall approach for high school CTE that relies more heavily on student outcomes. Under this approach, the Legislature would hold high schools accountable through their LCAPs and API scores.

### **STAFF COMMENTS/QUESTIONS**

Staff agrees with the LAO that this proposal is a departure from principles of the LCFF. However, given that the state's new accountability system is still being developed (through the API and evaluation rubrics), it is important to ensure that high quality CTE programs are maintained during the transition to full implementation of the LCFF.

Additionally, the Legislature has indicated that CTE is a high state priority in recent years. Last year, the Subcommittee voted unanimously to provide a dedicated funding source for CTE, and specifically for ROCPs. The Subcommittee and many other Members of the Legislature believed that it was essential that these CTE programs were maintained and expanded. Although the final budget did not provide dedicated funding for ROCPs, the Legislature did pass Supplemental Reporting Language through the budget process directing the Department of Finance to meet with stakeholders and evaluate the impact of the LCFF on ROCPs and other former categorical programs and report back to the Legislature with recommendations for future treatment of these categoricals at the release of the Governor's January budget proposal.

The Governor's budget proposal seeks to address the Legislature's concerns while also working within the principles of the LCFF by creating a three year competitive grant program. The Governor's proposal also includes strict eligibility criteria for those applying for both new and renewal grants. This approach will ensure that grants are awarded only to high quality CTE programs, and those that are committed to funding the program after the grant expires. The Governor's proposal is a reasonable compromise that ensures that high quality CTE programs will largely be maintained until the LCFF is further implemented and accountability measures are in place. However, staff raises the following questions regarding the Governor's proposal:

- Is \$250 million sufficient in maintaining existing high quality CTE funding? Will this funding be enough to allow for new CTE programs to receive grants?

- Will LEAs be able to maintain CTE funding through the LCFF grade span adjustment when grant funding expires? Will districts choose to support CTE given they could use the grade span adjustment for other educational purposes?
- Given that the LCFF will likely not be fully funded until 2020-21, should the Legislature consider extending this grant program beyond three years?

Staff recommends holding this issue open to allow for further consideration and pending the May Revision.

Suggested Questions:

- In the LAO's review of 50 LCAPs, was career technical education addressed in these plans? Is the LCAP sufficient in holding districts accountable for offering quality CTE courses?
- Does the Administration believe that the grade span adjustment for high school is sufficient in covering the increased cost of educating high school students, including the costs associated with CTE?
- What college and career readiness indicators is CDE considering to be used in the new API? Will these indicators be ready for the 2015-16 school year?

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**Staff Recommendation: Hold Open.**

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**6870 CALIFORNIA COMMUNITY COLLEGES**

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**ISSUE 4: CTE PATHWAYS INITIATIVE**

The issue for the Subcommittee to consider is proposals to provide \$48 million one-time Proposition 98 General Fund for the Career Technical Education Pathways Initiative.

**PANELISTS**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community College Chancellor's Office

**BACKGROUND**

The Career Technical Education Pathways Initiative was created in 2005 to bring together community colleges, K-12 school districts, workforce investment boards, employers, labor and other groups to help educational institutions integrate core academic coursework with technical and occupational classes, and develop pathways for students between school districts and community colleges. The program has supported a broad range of activities, including increasing the number of CTE courses, engaging with industries and businesses to offer internships, apprenticeships and other work-based learning opportunities, increasing enrollment in CTE courses of underrepresented student groups, and providing professional development and recruitment programs for CTE instructors.

Funding has been distributed through two types of grants: regional or local grants that support linkages between middle schools, high schools, Regional Occupational Centers and Programs, community colleges and industry; and, statewide grants that strengthen CTE infrastructure and include research and development.

More than \$380 million has been spent. An October 2014 report by the Chancellor's Office on the program notes the following results between 2005-06 and 2012-13:

- 42,949 students participated in internships or apprenticeships;
- 53,075 high school students participated in California Partnership Academies;
- 20,659 high school students participated in the Health Science Capacity Building program;
- 8,700 adult students participated in Career Advancement Academies;
- 8,100 partnerships between education and industry were created;
- 1,900 secondary and postsecondary CTE courses were developed or revised;
- 2,403 course articulation agreements between K-12 and community colleges were created.

**The Governor's 2015-16 Budget**

The Governor's proposed budget provides \$48 million in one-time Proposition 98 General Fund for the CTE Pathways Initiative. The administration notes that this will likely be the last year of funding for the program.

Among the issues the funding would support are:

- Enhance Regional STEM programs, including the STEM Teacher Pipeline Preparation program
- Support goal of 1 million more industry credentials, by mapping this goal and incentivizing regional completion goals
- Continue to fund deputy sector navigators, who are regional experts on industry needs and work with industry and schools to ensure programs and certificates are meeting labor market demands
- Continue to fund Career Advancement Academies, which help 18- to 30-year-olds return to school and combine courses with career opportunities.
- Continue to fund Partnership Academies, which focus high schools on smaller learning communities with a career theme. Academy components include rigorous academics and career technical education, with a career focus, a committed team of teachers, and active business and post-secondary partnerships.

**STAFF COMMENTS/QUESTIONS**

The CTE Pathways Initiative has provided significant resources to better align high schools, community colleges and industry. The Subcommittee may wish to ask the administration and Chancellor's Office whether it will continue to support some or all of these programs in the future through other resources.

Both the administration and the Legislative Analyst have noted that the state has a myriad of career development programs, both in education and other areas. Many of these programs overlap, or operate in silo from other programs, and a cohesive statewide plan for workforce education and training has been elusive. Efforts to better coordinate these programs are underway: The California Workforce Investment Board is developing a new statewide workforce plan in conjunction with the newly-authorized federal Workforce Innovation and Opportunity Act, and the Chancellor's Office has convened a Task Force on Workforce, Job Creation and a Strong Economy to help strengthen CTE programs.

The Subcommittee may wish to ask the administration and Chancellor's Office about specific steps that could be taken to better consolidate or align programs, and what the goals are for these current efforts to improve and expand workforce education and training programs.

The Subcommittee may wish to hold this item open until after the May Revise, when better estimates of Proposition 98 funding will be available.

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**Staff Recommendation: Hold Open until May Revise**

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**ISSUE 5: APPRENTICESHIP**

The issue for the Subcommittee to consider is a proposal for an additional \$29 million Proposition 98 General Fund to increase and expand apprenticeship programs.

**PANELISTS**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community College Chancellor's Office

**BACKGROUND**

Community colleges oversee two apprenticeship categorical programs. (One program that was administered by the Department of Education was shifted to community colleges in the 2013 Budget Act.) Apprentices receive on-the-job training from their employer, and then also attend class to receive industry-approved Related and Supplemental Instruction (RSI.) The instruction can lead to a certificate, or Associate of Arts or Associate of Science degree. State funding goes to providing RSI at rates annually set in the Budget Act.

According to the Chancellor's Office, 22 community colleges and 30 K-12 school districts currently operate apprenticeship programs, serving about 50,000 students. Most apprenticeships involve building trades and firefighter programs.

Both apprenticeship programs were cut significantly during the recession: the community college program was cut by 50% and the K-12 program was cut by 20%. Rates have been stagnant since these cuts.

**The Governor's 2015-16 Budget**

The Governor's proposed budget provides \$51.9 million Proposition 98 General Fund for the two apprenticeship programs, a \$29 million increase over current-year funding levels. The increase would increase rates paid for apprenticeship instruction back to pre-recession levels, and support new apprenticeship programs in high-demand labor markets.

About \$14 million of the new apprenticeship funding would increase rates paid to colleges and schools from \$5.04 per hour to \$5.46 per hour.

About \$15 million of the increase also would support a new Apprenticeship Innovation Program, which would seek to support new apprenticeship programs in high-demand fields such as healthcare, information and communications, and advanced manufacturing. The chancellor's office is working on this project in conjunction with the California Workforce Investment Board, the Employment Training Panel and the Division of Apprenticeship Standards in the Department of Industrial Relations. The Chancellor's Office notes that 10% of this new funding would be used for outreach to employers to develop the new programs, and to evaluate programs.

**STAFF COMMENTS/QUESTIONS**

The Subcommittee in recent years has supported the idea of increasing rates for the existing programs. Apprenticeship programs appear to be a good state investment, as participants already are employed and are allowed to attain certificates or training that can lead to more expertise and higher wages.

Supporting new apprenticeship programs that lead to jobs in high-demand and high-wage sectors also seems to be a worthy goal. The proposal supports 1997 legislation that has previously been unfunded. That legislation, now Education Code Section 79148, called for the development and implementation of "innovative apprenticeship training demonstration projects in high-growth industries in emerging and transitioning occupations that meet local labor market needs and that are validated by current labor market data." The Subcommittee may wish to ask the Chancellor's Office for more information on how it would use a portion of this new funding on outreach and evaluation.

The Subcommittee may wish to hold this item open until after the May Revise, when better estimates of Proposition 98 funding will be available.

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**Staff Recommendation: Hold Open until May Revise**

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