

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MAY 2, 2017

9:00 AM – STATE CAPITOL, ROOM 447

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ITEMS TO BE HEARD

6100 DEPARTMENT OF EDUCATION

ISSUE 1: CDE STATE OPERATIONS

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

PANELISTS

- Keith Nezaam, Department of Finance
- Natasha Collins, 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 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 | 2015-16 Actuals | 2016-17 Projected | 2017-18 Proposed | BY to CY Change | % Change |
|---------------------------|------------------|-------------------|------------------|-----------------|---------------|
| General Fund | \$152,125 | \$162,056 | \$156,967 | -\$5,089 | -3.14% |
| Federal Funds | \$149,985 | \$163,321 | \$160,678 | -\$2,643 | -1.62% |
| Fee Revenue | \$6,063 | \$8,153 | \$7,608 | -\$545 | -6.68% |
| Bond Funds | \$2,238 | \$2,991 | \$2,991 | \$0 | 0.00% |
| Other Funds | \$20,495 | \$27,466 | \$29,080 | \$1,614 | 5.88% |
| Total Expenditures | \$330,906 | \$363,987 | \$357,324 | -\$6,663 | -1.83% |

| | | | | | |
|---------------------|---------|---------|---------|------|--------|
| Percentage of FF to | | | | | |
| Total Expenditures | 45.33% | 44.87% | 44.97% | | |
| | | | | | |
| Positions | 2,232.2 | 2,249.7 | 2,245.2 | -4.5 | -0.20% |

Source: Department of Education

The Governor’s 2017-18 Budget

The Governor's budget includes no General Fund increases for CDE's state operations, but includes the following federal fund increases:

- **Child Nutrition Program Procurement Reviews.** The Governor’s budget provides \$479,000 in ongoing Federal Nutrition State Administration Expense (SAE) Funds to comply with federal procurement regulations and respond to U.S. Department of Agriculture audit findings related to management and oversight of School Nutrition Programs.
- **Special Education English Learners.** The Governor’s budget includes \$143,000 in one-time Federal Individuals with Disabilities Education Act (IDEA) funds to develop an English learners with disabilities manual and provide technical assistance to local educational agencies in identifying, assessing, supporting, and reclassifying English learners who may qualify for special education services, and pupils with disabilities who may be classified as English learners, pursuant to AB 2785 (Chapter 579, Statutes of 2016).
- **Homeless Youth Liaisons.** The Governor’s budget allocates \$49,000 available from the federal McKinney-Vento Homeless Assistance grant to provide professional development and training materials to local educational agency liaisons for homeless children and youth pursuant to SB 1051 (Chapter 538, Statutes of 2016). Of the amount provided, \$10,000 is available on a one-time basis for the development of informational and training materials for homeless youth liaisons.

Additionally, the Governor’s budget proposes to delay a number of deadlines for the Instructional Quality Commission (IQC) in order to save a total of \$948,000 General Fund in 2017-18. The Governor’s budget includes the following changes:

- **Ethnic Studies Model Curriculum.** AB 2016 (Chapter 327, Statutes of 2016) requires the IQC to develop model curriculum in ethnic studies. Under current law, the IQC is required to submit the model curriculum to the State Board of Education by December 31, 2019 and the state board shall adopt the curriculum before March 31, 2020. The Governor’s proposed trailer bill language delays this timeline by one year. The Department of Finance estimates this delay will save \$159,000 in one-time General Fund in 2017-18.
- **Visual Performing Arts Standards.** AB 2862 (Chapter 647, Statutes of 2016) requires the Superintendent, in consultation with the IQC, to recommend to the state board revisions to the visual and performing arts content standards. Under current law, the Superintendent shall present the revisions to the state board by November 30, 2018 and the state board shall adopt, reject or modify the revisions by January 31,

2019. If these revisions are adopted, the state board must also consider the adoption of curriculum framework and instructional materials aligned to the visual and performing arts standards, under certain timelines. The Governor's proposed trailer bill language delays these timelines by one year. The estimated savings due to this delay is \$46,000 in one-time General Fund for 2017-18.

- **World Language Standards/Framework.** AB 2290 (Chapter 643, Statutes of 2016) requires the Superintendent, in consultation with the IQC, to recommend to the state board revisions to the world language content standards. Current law requires the Superintendent to present revisions to the state board by January 31, 2019 and the state board to adopt, reject or modify the revisions by March 31, 2019. If these revisions are adopted, the state board must also consider the adoption of curriculum framework and instructional materials aligned to the world language standards, under certain timelines. The Governor's proposed trailer bill language delays these timelines by one year. The savings associated with this delay is \$229 million in one-time General Fund in 2017-18.
- **Computer Science Standards.** Existing law requires the IQC, on or before July 31, 2019, to consider developing and recommending to the State Board of Education computer science content standards, pursuant to recommendations developed by a group of computer science experts convened by the Superintendent, in consultation with the state board. The Governor's proposed trailer bill language delays this deadline by one year. The estimated savings associated with this delay is \$290,000 in one-time General Fund in 2017-18.
- **Computer Science Panel/Implementation Plan.** AB 2329 (Chapter 693, Statutes of 2016) requires the Superintendent to convene, on or before September 1, 2017, a computer science strategic implementation advisory panel composed of 23 members, as specified, to develop and submit recommendations for a computer science strategic implementation plan to the State Department of Education, the state board, and the Legislature on or before July 1, 2018. The bill requires the department and the state board to consider the advisory panel's recommendations; the department to develop, and the state board to adopt, a computer science strategic implementation plan on or before January 1, 2019; and the department to submit the plan adopted by the state board to the Legislature on or before January 1, 2019. The bill requires the Superintendent to appoint a statewide computer science liaison to serve on the advisory panel.

The Governor's proposed trail bill language delays the existing timeline by one year. The trailer bill language also shifts control of the appointments to the panel from the Superintendent to the Governor and state board. The Governor's signing message for AB 2329 expressed concerns with the lack of discretion of the state board in the staffing of the advisory panel and other technical issues. The estimated savings for this delay is \$224,000 in one-time General Fund in 2017-18.

The Governor's budget also proposes trailer bill language requiring the CDE to assess publisher fees to cover the costs for adopting basic instructional materials in all subject areas. The trailer bill language allows for the state board to reduce the fee for a small publisher or small manufacturer participating in the adoption, upon request. This language is proposed in order to save General Fund, allowing for publisher fees to cover the cost of conducting an instructional materials adoption.

LAO Recommendations

The LAO has no concerns with the Governor's proposed funding level for the CDE's state operations.

STAFF COMMENTS

Staff has no concerns with the Governor's proposed federal fund increases, as they help to implement recent legislation and comply with federal law. Staff recommends approving these increases.

Staff has concerns with the Governor's proposals to delay a number of deadlines for the Instructional Quality Commission. These deadlines were established through legislation and signed by the Governor. Staff recommends providing an additional \$948,000 General Fund to maintain the current deadlines.

SUGGESTED QUESTIONS

- Does the CDE have other high priority state operations needs that were not funded in the Governor's budget?
- Why does the Governor's budget delay funding for the Instructional Quality Commission?

Staff Recommendation: Approve the Governor's proposed federal fund increases. Reject the Governor's proposed trailer bill language to delay the deadlines for the following:

- Ethnic studies model curriculum
- Visual performing arts standards
- World language standards/frameworks
- Computer science standards
- Computer science panel/implementation plan

Provide the Department of Education with an additional \$948,000 General Fund to maintain the deadlines under current law.

ISSUE 2: SCHOOL FACILITIES PROGRAM

The Subcommittee will hear the Governor's proposed trailer bill language regarding the School Facilities Program.

PANELISTS

- Cheryl Ide, Department of Finance
- Dan Kaplan, Legislative Analyst's Office
- Juan Mireles, Department of Education
- Lisa Silverman, Office of Public School Construction

BACKGROUND

The State School Facilities Program was created in 1998 for the purpose of allowing the state and school districts to share the costs of building new school facilities and modernizing existing facilities. Between 1998 and 2006 there were four-voter approved bonds for the school facilities program (totaling \$35.4 billion) which funded the program through 2012.

In 2016, voters passed Proposition 51, which authorized the state to sell \$9 billion in general obligation bonds to fund the existing school facilities program (\$7 billion for K-12 education and \$2 billion for community college facilities). Of the \$7 billion designated for projects at K-12 schools, \$3 billion is for new construction projects, \$3 billion is for modernization projects, and the remaining \$1 billion is split between charter school and career technical education projects. After bond funds are approved by the voters, the State Treasurer sells the bonds and the state repays the general obligation bonds using General Fund dollars.

Local educational agencies (LEAs) have other options for financing school facilities related projects, the most common of which are local general obligation bonds, which can be passed with 55 percent of voter approval and are repaid by increasing local property tax rates. LEAs can also levy developer fees that may cover up to a portion of the cost to build a new school, or use other local funding sources.

Approval Process and Accountability

LEAs that are building new schools or modernizing old schools must work with the CDE on their plans and have their plans approved by the Division of the State Architect (DSA) to ensure they meet all requirements. Once the plans are approved, a LEA can apply to the Office of Public School Construction (OPSC) who will calculate the LEA's eligibility and check approvals, including certifying local matching funds are available and the project is shovel ready. Projects then must be approved by the State Allocation Board (SAB) before funding is released. Currently there are approximately \$370 million in unfunded projects (have already been through the approval process and are waiting for state financing) at the SAB. In addition, there are \$2 billion worth of projects that are on an acknowledged list (have not gone through the approval process with OPSC). This backlog accumulated as funding from prior bond sales was exhausted in 2012.

The OPSC is also responsible for oversight and accountability of school construction projects. LEAs must submit annual summary reports of state facilities expenditures to OPSC, which audits a sample of the reports based on risk factors and project size, but does not do site based audits. LEAs that are found to have misspent funds are required to repay funds to the state or have future apportionments of funds reduced. In 2015, the Office of State Audits and Evaluations (OSAE) audited funding provided to LEAs under the 2006 bond and found that 41 percent had not been audited, and when sampling those expenditures found that one percent was spent on ineligible items.

OPSC Staffing

As workload at OPSC reduced when bond funding was exhausted, the state reduced staffing at the OPSC. OPSC historically has averaged around 130 staff, and today, is at a low point of approximately 50 staff.

The Governor's 2017-18 Budget

The Governor's office has indicated that the state will issue approximately \$655 million in school bonds this fall (\$594 million from the 2016 bond and \$61 million from prior bonds.) This amount would cover the unfunded list (\$370 million) and the remaining \$285 million could be used to process applications on the acknowledged list. The Administration came up with this amount based on the capacity of OPSC staff. The Administration has not provided a schedule of future bond sales.

The Governor's budget proposes additional accountability and oversight requirements for all participants in the School Facilities Program. The Governor's budget summary points to a 2016 audit that found instances in which school districts inappropriately used school facilities bond funding as the need for additional oversight. Specifically, the Governor proposes to implement front-end grant agreements that define basic terms, conditions, and accountability measures for participants that request bond funding. This proposal does not require legislation, as the OPSC can do this on their own.

The Governor's budget also proposes trailer bill language requiring facility bond expenditures to be included in the annual K-12 Audit Guide. This requirement would apply to all LEAs that receive funding going forward.

The Governor's budget also includes other technical trailer bill changes to ensure remaining unencumbered funds in the State School Deferred Maintenance Fund are transferred to the State School Site Utilization Fund and that balances from the School Facilities Emergency Repair Account is transferred to the General Fund, as of July 1, 2018.

LAO Recommendations

The LAO recommends adopting the Governor's proposal to include facility bond expenditures in the K-12 Audit Guide. The LAO believes this will ensure that all expenditures are subject to audit, treats facility expenditures the same as other expenditures and shifts accountability to the local level.

The LAO also raises concerns with the backlog of projects and recommends the Administration provide more information during spring budget hearings on how to address the backlog of school facility projects as quickly as possible, including the appropriate staffing levels at the OPSC.

STAFF COMMENTS

Many schools are facing great facility needs due to the lack of state funding available since 2012. As a result, the state has accumulated a significant backlog of projects at the OPSC. The Legislature may wish to consider if the \$655 million in bond sales is sufficient, or if a larger bond sale is needed. The Legislature should also consider the appropriate staffing level at the OPSC.

Staff has the following questions/concerns with the Governor's proposed trailer bill language to add school facilities expenditures to the K-12 Audit Guide:

- **Do these additional audit requirements violate Proposition 51?** Some advocates argue that the voters passed Proposition 51, therefore, any additional conditions or requirements would need to be approved by the voters.
- **Concerns about repayment of ineligible expenses.** Under the Governor's proposal, any ineligible expenditure must be paid back and would go back to the General Fund to be used for other Proposition 98 purposes, instead of going back to the bond fund. The Subcommittee should consider whether these payments should go back to the bond fund.

Additionally, the CDE has raised concerns with the trailer bill language regarding the process for paying back ineligible expenses. Staff recommends holding this issue open.

SUGGESTED QUESTIONS

- Does the OPSC believe additional auditing is needed for the School Facilities Program?
- Does the LAO or CDE believe that the additional audit requirements violate the intent of Proposition 51?

Staff Recommendation: Hold Open

ISSUE 3: CAREER TECHNICAL EDUCATION INCENTIVE GRANT

The Subcommittee will hear the Governor's proposed funding level for the Career Technical Education Incentive Grant for 2017-18.

PANELISTS

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

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. Applicants that receive a grant in 2015-16 are eligible to receive a renewal grant in 2016-17 and 2017-18. Also, applicants that did not receive a grant in 2015-16 are eligible to receive a grant in 2016-17 and a renewal grant in 2017-18. The CDE, in collaboration with the SBE, are charged with determining the renewal grant eligibility.

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.

The Governor's 2017-18 Budget

The Governor's budget provides \$200 million in one-time Proposition 98 funding for the third and final year of funding the CTE Incentive Grant program. This funding will be used for new and renewal grants, which will be determined by the CDE.

STAFF COMMENTS

CTE is essential in providing students with the skills and training needed to enter the workforce and postsecondary education upon completion of high school. The Legislature has made CTE a high priority and there have been several Legislative efforts in recent years to maintain ongoing CTE funding outside the LCFF. Instead, the Governor proposed the CTE Incentive Grant, a three year competitive grant to provide temporary assistance to LEAs during the implementation of the LCFF. This year, there is a legislative and budget proposal to provide \$300 million for the CTE Incentive Grant in 2017-18 and maintain this level of funding for 2018-19, 2019-20 and 2020-21.

If maintaining CTE is a high priority, the Subcommittee may wish to consider providing ongoing funding to support CTE programs, or additional one-time funding until the state reaches full implementation of the LCFF.

SUGGESTED QUESTIONS

- Is the CTE Incentive Grant sufficient in addressing CTE funding? Will schools be able to sustain CTE programs using LCFF funding beginning in 2018-19?
- Does the LCAP provide sufficient accountability to ensure schools are offering high quality CTE?

Staff Recommendation: Hold Open

**6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****ISSUE 4: CAREER TECHNICAL EDUCATION PATHWAYS PROGRAM**

The Subcommittee will hear the Governor's budget proposal related to the Career Technical Education Pathways Program.

PANELISTS

- Mollie Quasebarth, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Debra Brown, Department of Education
- Mario Rodriguez, California Community Colleges

BACKGROUND

SB 70 (Chapter 352, Statutes of 2005) created the Career Technical Education (CTE) Pathways program. The bill required the California Community Colleges Chancellor's Office and the CDE work together in an effort to create seamless pathways for students from middle school through the community college system and beyond. Projects and work were developed based on six themes including 1) Career Pathways and Articulation for CTE Students 2) Career Planning and Development 3) Programs for Underserved Students 4) Business and Industry Engagement in CTE 5) CTE Teacher Recruitment and Professional Development and 6) Capacity Building, Research, and Evaluation. The program was later reauthorized through SB 1070 (Steinberg), Chapter 433, Statutes of 2012.

The Chancellor's office has received a total of \$48 million annually for this program. Of this amount, the Chancellor's office is required to provide CDE with \$15.4 million annually for a variety of programs to support CTE, including:

- 1) Over 125 California Partnership Academies throughout the state, providing direct services to high risk students (approximately 25,000) who have successfully completed CTE and academically integrated pathways.
- 2) CTE Online: California's repository for CTE curriculum designed by CTE teachers for CTE teachers and has been vetted through academic partners.
- 3) CTE TEACH: California's CTE teacher induction and mentoring program for new CTE teachers just entering the classroom.
- 4) Career Technical Student Organizations (approximately 140,000 students) providing students with leadership development and the ability to test their skills with industry based on their classroom instruction.
- 5) Leadership Development Institute training new and aspiring CTE leaders in CTE program administration.
- 6) UC a-g In-service Workshops provides workshops for CTE and academic teachers to produce CTE courses meeting the UC a-g requirements for admission.
- 7) Virtual Counselor which combines California Career Resource Network's existing online resources including the California Career Center and California CareerZone.
- 8) Health Science Capacity Building Pathways in grades 7-14.

The state also provides \$21 million annually for the California Partnership Academies (CPA) categorical program, administered by CDE. This is in addition to the \$9 million currently provided from the CCC for additional CPAs.

The Governor's 2017-18 Budget

The Governor's budget includes the funding for CDE's portion of the SB 1070 funds (\$15.4 million) into the community colleges strong workforce program. Under this program, the efforts previously funded through CDE are no longer required to be funded, however the community colleges must consult with education and community partners, including K-12 education, when planning how to expend funds.

STAFF COMMENTS

Staff has received letters of concern from participating CPAs that they will lose funding for their program under the Governor's proposal. Although the Department of Finance argues that these programs could still be funded through the community college strong workforce program, it is unknown whether any of these programs would be maintained in 2017-18. The Subcommittee may wish to maintain existing funding for these programs or augment the CPA categorical program in order to keep these programs whole. Alternatively, the state could require the community colleges to pass through existing funding for one more year, to allow for LEAs to better plan and participate in the strong workforce planning process.

SUGGESTED QUESTIONS

- Does the CDE/CCC believe that the Partnership Academies or any of the other CTE support programs administered by CDE would continue to be funded under the Governor's proposal?

Staff Recommendation: Hold Open

ISSUE 5: ADULT EDUCATION

The Subcommittee will hear an update from the Department of Education and Community College Chancellor's Office on the second year of implementing the Adult Education Block Grant. The Subcommittee will also hear the Governor's budget proposals related to Adult Education.

PANELISTS

- Natasha Collins, Legislative Analyst's Office
- Mollie Quasebarth, Department of Finance
- Debra Brown, Department of Education
- Mario Rodriguez, California Community Colleges

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 K-12 adult schools through a categorical program. In 2007–08, the state provided \$708 million for K-12 adult schools. During the recession, funding for adult education was cut, and school districts also were given the option of using adult education funding for other purposes, resulting in a decline in adult education classes in many areas. In 2013, the adult education categorical program was eliminated. However, the state instituted a maintenance of effort (MOE) provision, requiring school districts and county offices of education (COEs) to spend the same amount annually on adult education in 2013-14 and 2014-15 as they did in 2012-13 (using their LCFF funding). It was estimated that statewide spending for K-12 adult schools was between \$300 million and \$350 million at that time.

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

Reforming Adult Education

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

- The adult education categorical program was eliminated, although schools were required to maintain existing levels of funding through the 2014-15 school year.

- State-funded adult education was narrowed to five programs: basic skills, citizenship and English as a Second Language, education programs for adults with disabilities, career technical education, and apprenticeship programs;
- And the state provided \$25 million to support the formation of regional adult education consortia, which were directed to identify current adult education programs in their region, current needs, and a plan to better serve need. Most consortia include one community college district, school districts in the region, and some other members, such as libraries and community-based organizations. Consortia were required to provide regular updates to the Department of Education and Chancellor's Office, and the two state agencies were required to submit a final report to the Legislature that included a summary of regional findings and recommendations for improving the overall system.

Adult Education Block Grant

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

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

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

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

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

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

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

The 2015-16 budget also provided \$25 million in one-time Proposition 98 funding (\$12.5 million to the community colleges and \$12.5 million to CDE) for data collection and reporting. The Chancellor's Office and CDE must provide 85 percent of the funding to consortia to develop or update data systems and collect specified data.

The 2016-17 Budget

The 2016-17 budget maintained the \$500 million in ongoing Proposition 98 funding and included some technical changes to the regional consortia process.

Additionally, the 2016-17 budget appropriated \$5 million in one-time funding to the Chancellor of the Community Colleges to provide to a community college, school district, COE, or adult education consortium to provide statewide leadership activities including; collecting and disseminating best practices, providing technical assistance and professional development, maintaining a website, and reporting on the effectiveness of the block grant among other things. Funds may be expended over a three year period (2016-17 through 2018-19). The contract for these activities has been awarded to the Sacramento County Office of Education.

The Governor's 2017-18 Budget

The Governor's budget proposal includes \$500 million in ongoing Proposition 98 for the AEBG. The Governor does not provide a COLA for the program. The Governor also proposes technical clean-up language specifying that Adult Education funding must be deposited into a separate fund and may only be expended for adult education purposes.

STAFF COMMENTS

Adult education is essential in providing adults with the basic skills and knowledge they need to participate in society. Adult education programs have endured a number of funding and policy changes in recent years. The new regional consortium process has provided an opportunity for more collaboration in determining the needs of each region and providing services more efficiently. In this hearing, the Subcommittee will hear an update on the second year of implementing the Adult Education Block Grant and regional consortium process.

The CDE and CCC are still working on creating a coordinated data system to be able to track student outcomes and the additional need across systems. The Subcommittee should continue to monitor these efforts, which can better inform the appropriate funding level for adult education in the future.

Staff recommends holding this issue open until updated revenue estimates are available at the May Revision.

SUGGESTED QUESTIONS

- When will the state have student outcome data for Adult Education programs?
- Is there demand for additional adult education programs?
- How is the regional consortium process working across the state?

Staff Recommendation: Hold Open

ISSUE 6: PROPOSITION 39

The Subcommittee will hear an update on Proposition 39 energy efficiency programs for California's schools and community colleges. The Subcommittee will also consider the Governor's estimated funding level for these projects in 2017-18.

PANELISTS

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

BACKGROUND

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

Governor's 2017-18 Budget

The Governor's budget includes a total of \$483.9 million for energy efficiency projects through Proposition 39. Specifically, the Governor's budget proposes to allocate Proposition 39 funding as follows:

- \$422.9 million to K-12 schools and \$52.3 million to community colleges for energy efficiency project grants
- \$5.7 million to the Conservation Corps for technical assistance to K-12 school districts
- \$3 million to the Workforce Investment Board for job training programs

K-12 Project Grants

The 2013 Budget Act and accompanying legislation designated 89 percent of Proposition 39 funds for K-12 schools to be allocated by the CDE. Of this funding, 85 percent is to be distributed on the basis of student average daily attendance (ADA) and 15 percent is distributed on the basis of students eligible for free and reduced price meals. Minimum grant amounts were established for LEAs within the following ADA thresholds:

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

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

Since the passage of Proposition 39, a total of \$1.8 billion has been allocated to the Department of Education for energy efficiency projects. The Department of Education notes that as of February 2017, 1,646 LEAs have received planning funds and 1,070 have received energy project funds and the Energy Commission has approved \$861 million in projects. As shown below, of the total appropriated through 2016-17, \$478 million is still unspent. In 2017-18, the Governor projects that an additional \$423 million will be available. The Energy Commission is requiring LEAs to submit expenditure plans for this final amount of funding by August 1, 2017 and LEAs have until June 30, 2018 to encumber the funds.

| Annual Budget Appropriation, Funds Paid, and Balance Available by FY | | | | | |
|--|------------------------|----------------------|----------------------|--------------------|----------------------------|
| Year | Budget Authority | Planning Funds Paid | EEP Funds Paid | Funds Returned | Budget Authority Available |
| 2013 | \$381,000,000 | \$ 153,337,778 | \$ 171,457,712 | \$1,464,859 | \$ 57,669,369 |
| 2014 | 279,000,000 | 239,212 | 205,284,975 | 154,210 | 73,630,023 |
| 2015 | 313,421,000 | 222,519 | 193,020,358 | 0 | 120,178,123 |
| 2016 | 398,800,000 | 501,811 | 171,497,820 | 0 | 226,800,369 |
| 2013-16 Subtotal | \$1,372,221,000 | \$154,301,320 | \$741,260,865 | \$1,619,069 | \$478,277,884 |
| 2017 Proposed | 422,900,000 | 0 | 0 | 0 | 422,900,000 |
| Total | \$1,795,121,000 | \$154,301,320 | \$741,260,865 | \$1,619,069 | \$901,177,884 |

Source: California Energy Commission

According to the CEC, the types of K-12 energy efficiency projects approved for funding include:

| Project Type | Count | Percentage of Total |
|---------------------------|--------------|---------------------|
| Lighting | 7,895 | 50% |
| Lighting Controls | 1,813 | 11% |
| HVAC | 2,484 | 16% |
| HVAC Controls | 1,593 | 10% |
| Plug Loads | 862 | 5% |
| Generation (PV) | 347 | 2% |
| Pumps, Motors, Drives | 325 | 2% |
| Building Envelope | 237 | 1% |
| Domestic Hot Water | 164 | 1% |
| Kitchen | 81 | 1% |
| Electrical | 49 | 0% |
| Energy Storage | 42 | 0% |
| Pool | 13 | 0% |
| Power Purchase Agreements | 27 | 0% |
| Irrigation | 3 | 0% |
| Total Projects | 9,888 | 100% |

Source: California Energy Commission

California Community Colleges.

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

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

| Project Type | Prop 39 Year 1 Projects | | Prop 39 Year 2 Projects | | Prop 39 Year 3 Projects | | Prop 39 Year 4 Projects | | Prop 39 Total Projects | |
|-----------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|------------------------|------------------------------|
| | Count | Percentage of Total Projects | Count | Percentage of Total Projects | Count | Percentage of Total Projects | Count | Percentage of Total Projects | Count | Percentage of Total Projects |
| Lighting | 168 | 56.38% | 103 | 44.02% | 95 | 54.60% | 48 | 64.86% | 414 | 53.08% |
| HVAC | 57 | 19.13% | 65 | 27.78% | 49 | 28.16% | 13 | 17.57% | 184 | 23.59% |
| Controls | 44 | 14.77% | 42 | 17.95% | 12 | 6.90% | 9 | 12.16% | 107 | 13.72% |
| MBCx/RCx | 13 | 4.36% | 18 | 7.69% | 11 | 6.32% | 1 | 1.35% | 43 | 5.51% |
| Tech Assist | 3 | 1.01% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 3 | 0.38% |
| Self-Generation | 2 | 0.67% | 2 | 0.85% | 2 | 1.15% | 1 | 1.35% | 7 | 0.90% |
| Other | 11 | 3.69% | 4 | 1.71% | 5 | 2.87% | 2 | 2.70% | 22 | 2.82% |
| Total Projects | 298 | 100% | 234 | 100% | 174 | 100% | 74 | 100% | 780 | 100% |

The Chancellor’s Office reports that in the first four years, the community college system has been allocated \$172.5 million in Proposition 39 funding. Of that, \$121.5 million has been allocated to 780 projects in the 72 districts. The Chancellor’s Office reports the following system wide results:

- \$14.9 million in annual energy cost savings;
- 78.3 million reduced kilowatt hours;
- 1.5 million reduced therms;
- And 13,734 certificates, degrees and certifications issued in energy-related fields.

Another \$22 million has been spent on increasing workforce and economic development programs related to energy efficiency. More than 5,000 students have completed degrees, certificates or industry certifications.

For 2017-18, 58 of the 72 community college districts have submitted preliminary project lists.

STAFF COMMENTS

This is the final year of dedicated funding for energy efficiency funding through Proposition 39. This funding has provided some needed energy efficiency upgrades at schools and community colleges in recent years. K-12 schools have been slower at planning and implementing projects than the community colleges, and as a result have a significant

amount of unspent funds. The Subcommittee may wish to extend the current encumbrance date of June 30, 2018, to allow for more funding to be used for energy efficiency projects at K-12 schools.

Regarding community colleges, the Chancellor's Office notes that this program has had a significant impact throughout the system. Future energy efficiency funding would likely need to address larger-scale issues that may not create as much savings as has been realized so far.

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

SUGGESTED QUESTIONS

- What types of projects have yielded the most energy savings for K-12 schools and community colleges?
- How many LEAs have not applied for Proposition 39 funding to date and why?
- Do the CDE and CEC believe that extending the encumbrance date for LEAs is necessary in order to utilize unspent funds?

Staff Recommendation: Hold Open

ISSUE 7: K-14 EDUCATION MANDATES

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

PANELISTS

- Ed Hanson, 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 \$5.7 billion toward reducing the K-14 education mandates backlog (\$4.9 billion for the K-12 backlog and \$788 million for the community college backlog). Specifically, \$450 million was provided in 2014-15, \$3.8 billion in 2015-16 and \$1.4 billion in 2016-17. This funding was provided on a per average daily attendance (ADA) for K-12 and per full time equivalent student (FTES) for community colleges. Charter schools were also included in the per ADA allocation although they do not have mandate claims. This payment methodology acknowledges that all LEAs and community colleges were required to complete mandated activities, but for a variety of reasons, not all LEAs and community colleges submitted claims.

This payment methodology would be extremely costly to pay off the remaining mandate claims. The per ADA and FTES methodology results in “leakage”, or the amount of the one-time payments that does not count against the mandate backlog because it was provided to LEAs or community colleges that did not submit claims or whose claims have already been paid off. As the state pays off more of the mandate backlog, the amount of leakage becomes more significant. With fewer LEAs that have remaining claims on the books, additional funding provided on a per ADA and per FTES basis has a diminishing return on reducing the backlog as the remaining claims become concentrated in those LEAs with high per-student claims.

The DOF estimates that the remaining backlog of claims after 2016-17 will be \$1.6 billion for K-12 mandates and \$264 million for community college mandates. This assumes that the \$1.4 billion provided in 2016-17 reduces mandate claims by approximately \$802 million. However, the SCO has not yet applied this funding to claims, so actuals are not yet available.

The LAO's estimate of the backlog is slightly different because they do not include a claim that is currently pending litigation (the LAO assumes the state prevails in these cases). The LAO estimates the K-14 backlog to be \$1.3 billion at the end of 2016-17.

New Mandates

In 2014, AB 1432 (Chapter 797, Statutes of 2014) was enacted to require school districts to train staff in the detection and reporting of child abuse. In 2015, the CSM determined that the training of mandatory reporters, reporting to the school's governing board upon completion of training, and reporting to the CDE if alternate materials other than the state's online training module were used, were activities that constitute a reimbursable state mandate. The CSM subsequently released a statewide cost estimate for annual costs of \$32.4 million for employee training, \$5.4 million for reporting to CDE, and \$2.7 million in indirect costs, a total of \$40.5 million.

Additionally, the CSM recently determined that the activities required by AB 484 (Chapter 489, Statutes of 2013) are considered a reimbursable state mandate. The bill required all LEAs to administer computer-based state assessments in English language arts and math. The CSM determined that the minimum technology requirements of the new exams constituted a reimbursable mandate. The CSM has not yet issued a statewide cost estimate for this mandate.

The Governor's 2017-18 Budget

The Governor's budget proposes to provide \$287 million in one-time discretionary Proposition 98 funds toward the K-12 backlog, but does not provide any funding for the community college backlog. These funds would offset any existing mandate claims. Similar to prior years, this funding would be allocated on a per student basis. LEAs can use this funding for any purpose. However, the Governor includes language suggesting that LEAs use their one-time funds for content standards implementation, professional development for teachers or deferred maintenance.

Because not all schools and community colleges have outstanding claims, the DOF estimates that this payment would reduce the backlog by \$135 million. After this payment, the DOF estimates that the remaining K-14 education mandate backlog would be \$1.7 billion (\$1.4 billion for the K-12 backlog and \$264 million for the community college backlog).

K-12 Mandate Block Grant. The Governor's budget includes \$226.5 million for the K-12 mandates block grant and \$32 million for the community colleges block grant. The Governor's proposed funding for the K-12 mandates block grant includes the addition of the new mandatory reporters training and reporting requirements mandate to the mandates block grant with an annual increase to the block grant of \$8.5 million (approximately 20 percent of the statewide cost estimate developed by the CSM.) The Administration estimate differs from the CSM, based on the Administration's review of claims, with the largest difference adjusting the average time of training to 15 minutes per employee. The Governor did not provide a COLA for the mandates block grant.

LAO Recommendations

The LAO continues to have concerns, as in past years, that the Administration is not effectively paying 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 be an exceptionally costly way to eliminate the mandates backlog. In the LAO's 2016-17 analysis of Proposition 98, the LAO proposed a different approach to paying off the claims, which would require one-time payments to all LEAs with the requirement that those who received funds wrote off all remaining claim balances. The LAO continues to recommend that the Legislature take a more strategic approach to reducing the mandates backlog.

The LAO also notes that the Governor's proposal to add the mandatory reporter training mandate to the mandates block grant is underfunding the mandates costs. The LAO recommends instead adding this new mandate and \$41.9 million to the mandates block grant, \$33.4 million more than is included in the Governor's budget. The LAO's estimate is based on the CSM statewide costs estimate, but is adjusted to better capture all school employees affected by this mandate.

The LAO also recommends adding a new mandate relating to the California Assessment of Student Performance and Progress to the K-12 mandates block grant and increase block grant funding by \$37.8 million. Of this amount \$25 million reflects the costs associated with the new mandated activities and \$12.8 million is a shift of existing, related assessment funding.

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 one-time purposes.

Staff recommends holding this issue open pending the May Revision.

SUGGESTED QUESTIONS

- Does the Administration have a plan for eliminating the education mandates backlog?
- Why does the Governor's budget not include a COLA for the education mandates block grant?

Staff Recommendation: Hold Open

ITEMS TO BE HEARD**6870 CALIFORNIA COMMUNITY COLLEGES****ISSUE 8: APPRENTICESHIP**

The Subcommittee will discuss proposed trailer bill language to provide the Chancellor's Office the ability to audit and verify hours for related and supplemental instruction reported to each community college district as part of apprenticeship programs.

PANEL

- Mollie Quasebarth, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

BACKGROUND

Apprenticeship programs help prepare individuals for careers in skilled crafts and trades by providing classroom or online instruction and on the job training. Classroom and online instruction give apprentices an understanding of the theoretical aspects of their crafts or trades, while on the job training lets them put into practice what they learn under the supervision of an experienced journeyman.

Apprenticeship programs cover a wide range of crafts and trades. Individual employers, joint employer and labor groups, and employer associations sponsor apprenticeship programs. The Department of Industrial Relations apprenticeship division has primary responsibility for overseeing apprenticeship programs, and state law requires division to foster, promote, and develop the welfare of the apprentices and the industry. The apprenticeship division distributes grants to apprenticeship programs to train apprentices.

The Chancellor's Office and local education agencies (LEAs) also allocate state funding for the classroom portion of apprenticeship training. The State's budget includes appropriations for minimum annual funding levels set by Proposition 98 for K-12 schools and community colleges. Included in Proposition 98 funds are apportionments for apprenticeship instruction funds, which are used to reimburse apprenticeship programs for providing what is known as related and supplemental instruction to apprentices. Before fiscal year 2013-14, the California Department of Education (CDE) was responsible for allocating apprenticeship instruction funding to apprenticeship programs that were administered by K-12 LEAs, while the Chancellor's Office was responsible for allocating this funding to programs administered by community college LEAs. However, state law shifted the responsibility of allocating apprenticeship instruction funding for all LEAs to the Chancellor's Office, beginning in fiscal year 2013-14. The Chancellor's Office allocates this funding directly to LEAs that have contracts with apprenticeship programs that have been approved by the apprenticeship division.

The Chancellor's Office reimburses LEAs based on the number of hours of teaching time reported; these hours should not include time that apprentices spend on homework assignments. The Chancellor's Office and the Department of Education provided \$78.5 million to more than 260 other apprenticeship programs throughout the state during the same period.

In November 2016, the California State Auditor released a report which found that the state needs to better oversee apprenticeship programs, such as the Air Conditioning Trade Association (ACTA). Specifically, the report noted that ACTA claimed homework assignment hours for reimbursement from Central Unified School District, however such claims are not allowed for reimbursement under state law. The Chancellor's Office was unaware that ACTA had claimed these hours, and notes that it does not provide guidance to K-12 LEAs to verify attendance hours. The State Auditor noted that as a result, between 2010-11 through 2014-15, nearly \$51,000 of the \$142,000 reimbursements to Central Unified was unallowable because those funds were used for homework assignments. The Chancellor's Office does have regulations and accounting procedures for community college attendance records, however they argued that they did not have statutory authority to implement similar requirements on K-12 LEAs or to audit their attendance records. As a result, the State Auditor's report recommended that in order to ensure accountability, the Legislature should amend state law to clarify that the Chancellor's Office has the authority to provide accounting guidance to and conduct audits of K-12 LEAs' oversight of apprenticeship funding training.

Governor's 2017-18 Budget Proposal

The Administration proposes trailer bill language to provide the Chancellor's Office the ability to audit and verify hours for related and supplemental instruction reported to each community college district by a participating apprenticeship program sponsor. Additionally, trailer bill language provides the Chancellor's Office the authority to provide guidance regarding procedures for verifying if the hours for related and supplemental instruction.

STAFF COMMENT

The trailer bill proposal addresses recommendations made by the State Auditor, and staff is not aware of any opposition.

Staff is aware of two other proposals related to apprenticeship programs:

- SEIU Local 1000 is requesting trailer bill language to extend the spending and encumbrance period for innovative apprenticeship programs. Created as part of the 2015 Budget Act, Education Code Section 79148 allows the Chancellor's Office and Department of Industrial Relations to develop and implement innovative apprenticeship training demonstration projects in high-growth industries that meet local labor market needs. Both the 2015 and 2016 Budget Acts provided \$15 million Proposition 98 General Fund for these activities, and the Governor's Budget for 2017-18 proposes a similar funding level. As part of this program, SEIU 1000 has partnered with San Joaquin Delta College and state Department of Corrections and Rehabilitation to train 50 licensed vocational nurses (LVN) working in state prisons to become registered nurses (RN), which will increase their salary from about \$45,000 annually to \$93,000 annually and help prisons fill vacant RN positions. SEIU states

that the program took longer than expected to launch, and may lose funding due to statutory language that requires programs to encumber the funding in one year and spend the funding within three years. SEIU has asked that the statutory language be amended to allow three years to encumber and five years to spend. This would allow the program more time to allow the students to complete their training and help other innovative programs by giving them more time to develop.

- The California Professional Firefighters are seeking an augmentation of the K-12 apprenticeship program by \$11.2 million one-time Proposition 98 General Fund and \$4.4 million ongoing Proposition 98 General Fund. They note that the program has been underfunded in 2014-15 and 2015-16 due to increased classroom hours and higher per-hour rates. The one-time funding would cover the shortfall in those two years and an anticipated shortfall in the current year. The ongoing funding would prevent future shortfalls based on current participation rates. The firefighters note that the number of active apprentices grew by about 40% between December 2014 and December 2016, from 53,366 to 74,441.

Staff Recommendation: Hold Open

ISSUE 9: CAPITAL OUTLAY

The Subcommittee will discuss the Governor's Budget proposal to support five community college capital outlay projects, and an April Finance Letter which approves four projects.

PANEL

- Raghda Nassar, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

BACKGROUND

The state typically issues general obligation bonds to help pay for community college facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of \$4 billion for community college facilities. Virtually no funding remains from these facility bonds.

After a ten-year gap, voters approved Proposition 51 in November 2016. It authorizes the state to sell \$2 billion in general obligation bonds for community college projects (in addition to \$7 billion for K-12 school facilities projects). The funds may be used for any community college facility project, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The Chancellor's Office ranks all submitted facility projects using the following five criteria adopted by the Board of Governors (in order of priority):

- Life-safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
- Projects to increase instructional capacity.
- Projects to modernize instructional space.
- Projects to complete campus build-outs.
- Projects that house institutional support services.

In addition, projects with a local contribution receive greater consideration. (Districts raise their local contributions mainly through local general obligation bonds.) Based on these criteria, the Chancellor submits capital outlay project proposals to the Legislature and Governor for approval and funding as part of the annual state budget process.

The Chancellor has recommended 29 projects for 2017-18. These projects, located at 24 colleges, would require \$71 million in state funding for planning in the first year and \$621 million for construction and equipment in the following years. In addition, districts have committed \$438 million in local funding for these projects. Of the 29 projects, the Chancellor ranks 3 in the highest-priority category, 11 in the second highest-priority category, 11 in the third category, 4 in the fourth category, and none in the last category.

Governor's 2017-18 Budget Proposal and April Finance Letter

The Governor's Budget included planning costs for 5 of the 29 projects submitted by the Chancellor's Office. An April Finance Letter approved planning costs for 4 more of these projects. Together, the nine projects would require about \$11.7 million in bond funding, with eventual costs (for all phases, including construction) totaling about \$304 million.

The Department of Finance states that it reviewed all projects but only approved those having to do with life/safety issues.

The chart below was prepared by the LAO and provides details of the nine projects approved by the Administration, as well as the other 20 projects approved by the Chancellor.

| CCC Capital Outlay Projects | | State Bond Funds | | All Funds ^b |
|---|---|---------------------------|------------------|------------------------|
| 2017-18 (In Thousands) | | 2017-18 Cost ^a | Total Cost | Total Cost |
| College | Project | | | |
| Governor's January Proposals | | | | |
| City College of San Francisco, Ocean Campus | Utility Infrastructure Replacement | \$2,978 | \$76,855 | \$76,855 |
| Pasadena City College | Armen Sarafain Building Seismic Replacement | 2,199 | 58,287 | 60,539 |
| El Camino College, Compton Center | Instructional Building 2 Replacement | 765 | 16,591 | 25,591 |
| Fullerton College | Business 300 and Humanities 500 Building Modernization | 711 | 15,270 | 29,935 |
| City College of San Francisco, Alemany Center | Seismic and Code Upgrades | 715 | 15,148 | 15,148 |
| <i>Subtotals January Proposals</i> | | <i>\$7,368</i> | <i>\$182,151</i> | <i>\$208,068</i> |
| Governor's April Proposals | | | | |
| Santa Monica College | Math/Science Addition | \$1,222 | \$40,088 | \$79,025 |
| Orange Coast College | New Language Arts and Social Sciences Building | 1,183 | 31,221 | 61,511 |
| Long Beach City College, Liberal Arts Campus | Multi-Disciplinary Facility Replacement | 954 | 26,160 | 51,749 |
| Allan Hancock College | New Fine Arts Complex | 945 | 24,394 | 48,057 |
| <i>Subtotals April Proposals</i> | | <i>\$4,304</i> | <i>\$121,863</i> | <i>\$240,342</i> |
| Totals Governor's Proposals | | \$11,672 | \$304,014 | \$448,410 |
| Other CCC -Approved Projects (in Priority Order) | | | | |
| Yuba College | New Performing Arts Facility | \$741 | \$17,833 | \$35,223 |
| Skyline College | Workforce and Economic Development Center Modernization | 698 | 13,433 | 26,414 |
| American River College, Natomas Center | Natomas Center Phases 2 and 3 Development | 480 | 26,271 | 37,537 |
| College of the Canyons, Canyon Country Campus | New Science Building | 97 | 13,911 | 17,290 |
| Solano College | Library Building 100 Replacement | 1,543 | 20,751 | 41,188 |
| Santa Rosa Junior College | Science and Mathematics Replacement | 1,086 | 34,008 | 67,061 |
| Mt. San Jacinto College, Menifee Valley Center | New Math and Sciences Building | 962 | 28,957 | 55,851 |
| West Hills College Coalinga, North District Center | Center Expansion | 831 | 43,224 | 44,106 |
| Long Beach City College, Pacific Coast Campus | Construction Trades 1 Modernization | 364 | 7,097 | 12,733 |
| Golden West College | New Language Arts Complex | 748 | 23,152 | 45,715 |
| Laney College | New Learning Resource Center | 738 | 23,782 | 74,879 |
| College of the Sequoias | Basic Skills Center Modernization | 745 | 16,244 | 16,244 |
| Monterey Peninsula College, Fort Ord Center | Fort Ord Public Safety Center Phase 1 Development | 379 | 8,973 | 17,818 |
| Mt. San Antonio College | New Physical Education Complex | 1,530 | 48,658 | 61,191 |
| Imperial Valley College | Academic Buildings Modernization | 386 | 9,185 | 18,027 |
| Merritt College | New Child Development Center | 170 | 5,879 | 19,552 |
| College of San Mateo | Building 9 Library Modernization | 504 | 11,709 | 23,119 |
| Mission College | MT Portables Replacement Building | 412 | 10,824 | 21,377 |
| Cabrillo College | Modernization of Buildings 500, 600, and 1600 | 128 | 3,393 | 5,601 |
| Santa Ana College | Russell Hall Replacement | 986 | 20,734 | 40,952 |
| <i>Subtotals Other Proposals</i> | | <i>\$13,528</i> | <i>\$388,018</i> | <i>\$681,878</i> |
| Totals | | \$25,200 | \$692,032 | \$1,130,288 |

^a Governor proposes funding preliminary planning in 2017-18. Amounts shown for projects not proposed by Governor also reflect only preliminary planning.

^b Includes local bond funds, often used to supplement state bond funds.

LAO Recommendation

The LAO recommends the Legislature ask the administration during spring budget hearings to clarify its plans for rolling out the \$2 billion in Proposition 51 bond funding for community college projects as expeditiously as possible.

The LAO also recommends the Legislature consider a five-year expenditure plan. One option for such a plan would be to approve projects totaling about one-fifth (\$400 million) of the available funding for each of the next five years. Having a multiyear plan for spending Proposition 51 bond monies would (1) help community colleges plan their capital outlay programs, (2) ensure that voter-authorized funds are put to use within a reasonable time, and (3) spread bond sales over several years, thereby allowing more time for the Legislature to review proposed projects.

STAFF COMMENT

The Subcommittee has received multiple letters urging the Legislature to approve all 29 projects already vetted and approved by the Chancellor's Office, including from:

- Community College League of California
- Association of California Community College Administrators
- Faculty Association of California Community Colleges
- Community College Facility Coalition
- Santa Monica College
- North Orange County Community College District
- Los Rios Community College District

Letter writers note that the Chancellor's Office has a well-established and thorough vetting process that considers key campus issues as described above. They also note that most of these projects also have local bond funding available that has been approved by voters, and thus the colleges have local funds ready to match the state funds. Delaying projects can increase costs and impact scheduling and cash flow for districts.

The LAO has provided preliminary estimates for General Fund debt service for these projects. Under the Governor's proposals, annual debt service for planning costs for the nine projects would be about \$800,000, and debt service for the full costs associated with the nine projects would be \$19 million. If all 29 projects were approved, debt service costs for planning would be \$1.6 million, and full debt service costs would be \$43.4 million.

Potential Questions

- For the Administration, what is the long-term plan for spending Proposition 51 funding for community colleges?
- Why is the Administration only supporting life-safety projects this year?
- Is there a concern regarding the Chancellor's Office process?
- For the Chancellor's Office, what is the system's total capital need?

Staff Recommendation: Hold Open

ISSUE 10: STRONG WORKFORCE UPDATE

The Subcommittee will review the implementation of the Strong Workforce program and discuss options for improving workforce development programs in high unemployment areas.

PANEL

- Van Ton-Quinlivan and Mario Rodriguez, California Community College Chancellor's Office

BACKGROUND

The 2016 Budget Act created the Strong Workforce program within the Economic and Workforce Development categorical program. The purpose of the new program is to improve the availability and quality of career technical education (CTE) and workforce programs leading to certificates, degrees, and other credentials.

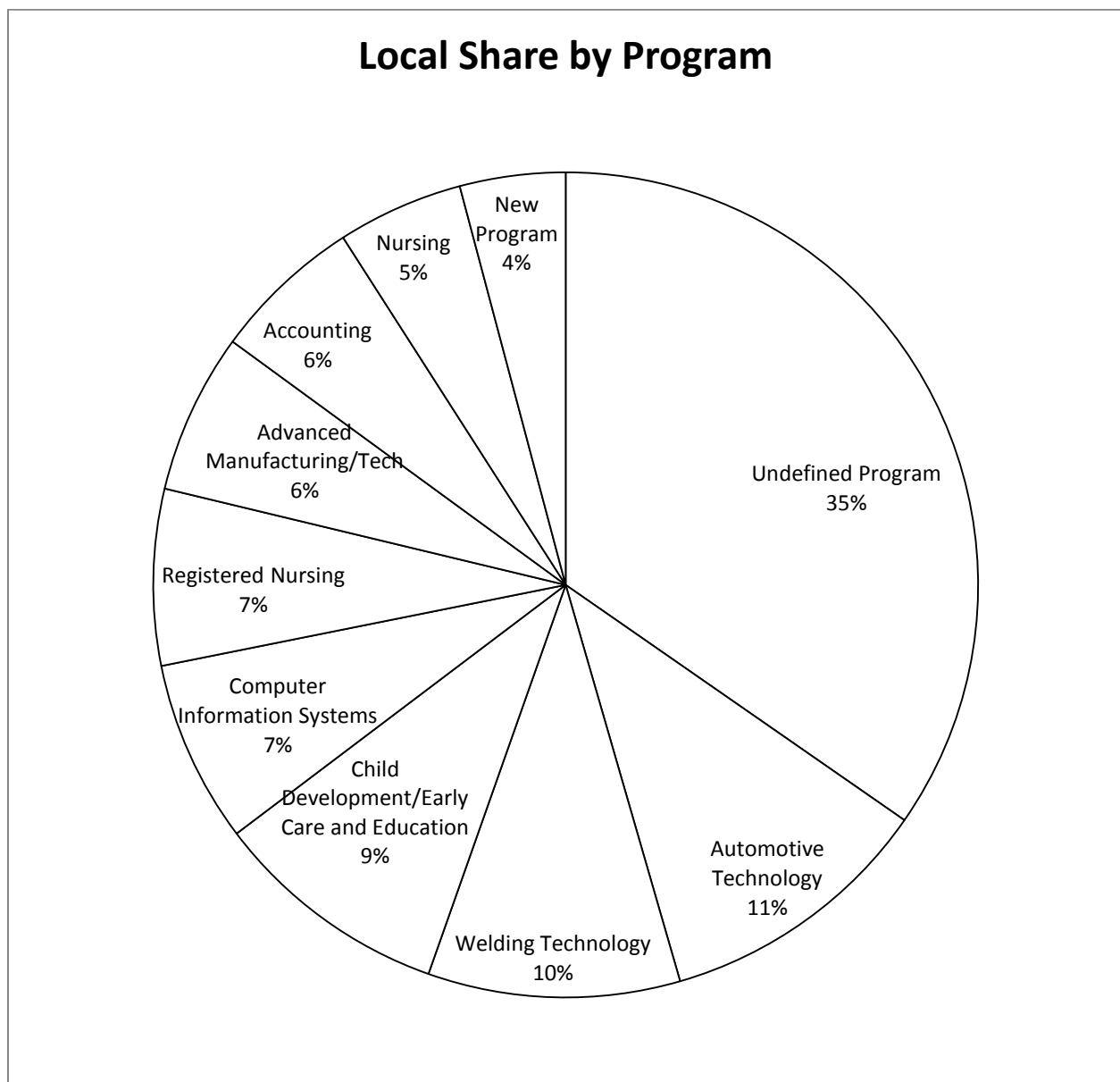
The Budget Act provided \$200 million in ongoing Proposition 98 General Fund. Trailer legislation required community colleges to coordinate their CTE activities within seven existing regional consortia. Each consortium, consisting of all community colleges in the region, is to ensure that its offerings are responsive to the needs of employers, workers, civic leaders, and students. To this end, each consortium must collaborate with local workforce development boards, economic development and industry sector leaders, and representatives from civic and labor organizations within its region. Each consortium also must collaborate with LEAs, adult education consortia, and interested California State University and University of California campuses to improve program alignment.

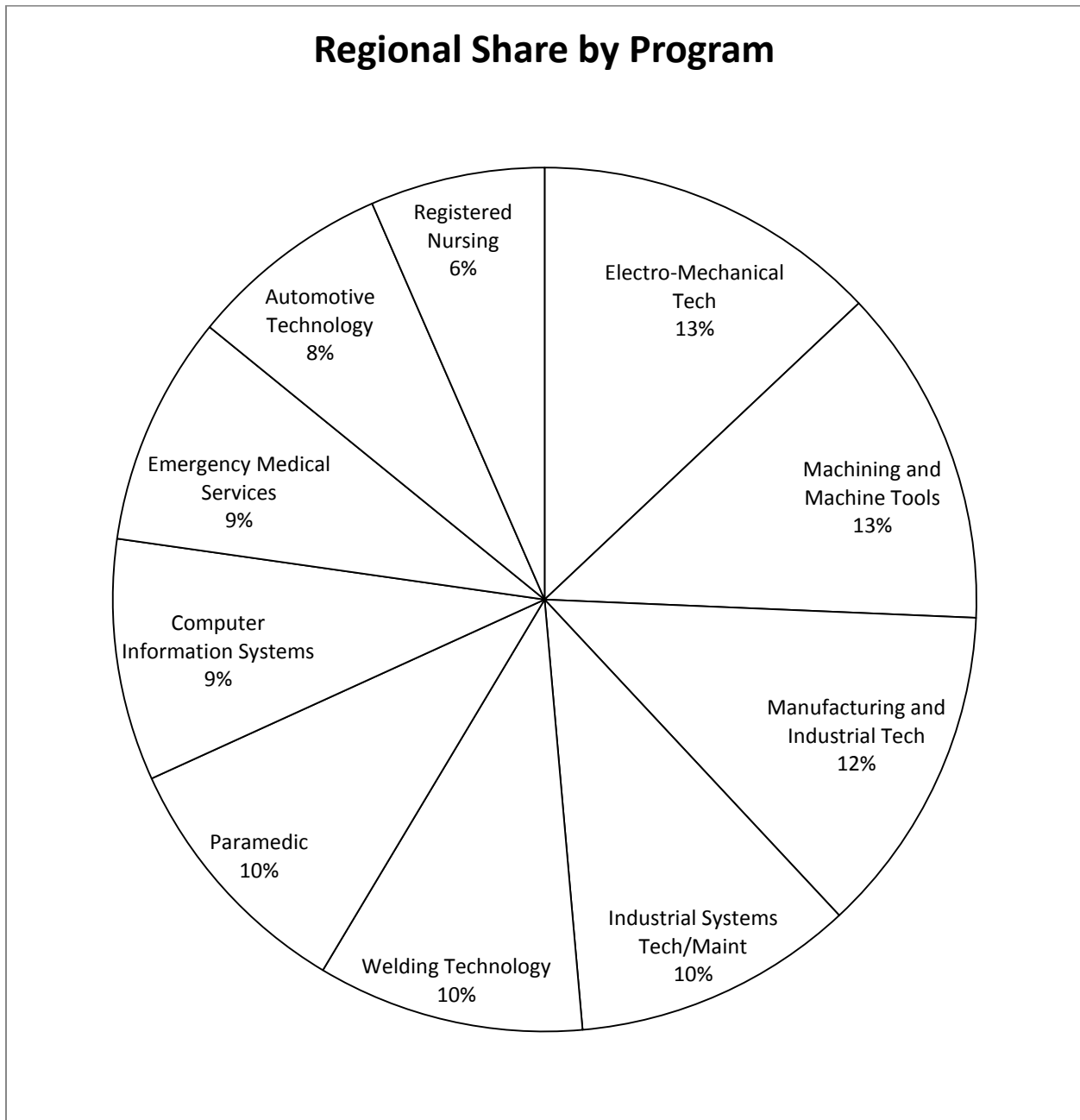
Consortia must meet at least annually to develop or update four-year program plans based on analyses of regional labor market needs. Each plan must include: regional goals aligned with performance measures under the federal Workforce Innovation and Opportunity Act (WIOA); a work plan, spending plan, and budget for regionally prioritized projects identifying the amounts allocated for one-time and ongoing expenditure; and a description of the alignment of the plan with other CTE and workforce plans in the area, including the regional WIOA plan. The Chancellor's Office is to post regional plans and, beginning January 1, 2018, annually submit a report to the Governor and the Legislature on performance outcomes, disaggregated for underserved demographic groups.

The budget directs the Chancellor to provide 40 percent of program funds to the seven CTE regional consortia and 60 percent directly to community college districts. Both pots of funding are for supporting regionally prioritized initiatives aligned with their CTE program plans. The legislation prohibits districts from using the new funds to supplant existing support for CTE programs. The legislation permits the Chancellor to allocate up to 5 percent of the funds to a community college district for statewide activities to improve and administer the program.

For 16-17, each region’s and district’s funding allocation reflected its share of (1) the state’s unemployed adults, (2) FTE students enrolled in CTE courses, and (3) projected job openings. Each of these factors determined one-third of the allocation. Beginning in 2017-18, unemployment and CTE enrollment each will comprise 33 percent of the allocation, job openings will comprise 17 percent, and successful workforce outcomes (as evidenced by the WIOA performance measures) will comprise 17 percent. The Chancellor’s Office will provide its recommended funding allocation to DOF and the Legislative Analyst’s Office by August 30 of each year. Release of funds is subject to DOF’s approval.

Based on data collected by the Chancellor's Office, the charts below indicate how both the regional funding and local funding is being spent in the current year by program.





Governor's 2017-18 Budget

The Governor's Budget continues Strong Workforce funding at \$200 million Proposition 98 General Fund. As discussed earlier in this agenda, the Governor's Budget also folds \$48 million previously used for the Career Technical Education Pathways program into this program.

STAFF COMMENT/QUESTIONS

The Strong Workforce program marks a major new state investment in community college workforce programs. Regions and local colleges have submitted plans, and funding is flowing to colleges and regions. It is difficult measure overall success of the new program at this time, but there are positive signs. The Chancellor's Office has developed an excellent

data dashboard that indicates the types of programs and sectors being funded in each region and locally, although there are some data issues still being worked out. Some regions appear to be doing a good job at planning program expansion based on local job demand. Many of the regional projects involve coordination within regions, program alignment, curriculum streamlining, and professional development – the types of activities that can cut costs for local colleges and provide better programs for local students.

The Subcommittee must continue to monitor the program to ensure that its goals – more CTE programs and better student outcomes – are met.

Chancellor's Office working on Positive Incentive funding. The Chancellor's Office is continuing work to develop the workforce outcomes that will become 17% of the funding formula in 2017-18. The formula is expected to be considered by the Board of Governors in September. The Chancellor's Office is considering metrics such as certificate completion, transfer to a four-year university, employment, earnings and skill gains. Staff notes that there is an ongoing discussion about what types of wages for program graduates will be determined a good outcome.

Idea for improving programs in high unemployment areas. The Assembly Budget Committee has asked the Chancellor's Office to consider ways in which some funding could be targeted to benefit areas of the state with high unemployment. One option is to provide additional funding to regions with high unemployment or lower relative job growth to support innovative programs or scale up existing programs that accelerate workforce development.

Grants could be awarded to CTE programs in conjunction with industries or businesses as a business attraction tool, for example, or as bonus funding for colleges that produce more nationally-recognized credentials, which are more valuable to students because the credentials are recognized as valuable by numerous companies throughout the state.

Potential Questions

- How much of the 2016-17 funding has been distributed?
- Are most colleges expanding existing programs or creating new ones?
- What does the Chancellor's Office believe would be positive outcomes for students, in terms of improved completion, employment, wage gains, or other outcomes?
- How is this program interacting with adult education consortia and other local and regional workforce development programs?
- How well are colleges and regions incorporating local job demand into their planning?

Staff Recommendation: Hold Open
