

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator Mike Morrell



Thursday, March 26, 2015
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Room 3191, State Capitol

Consultants: Elisa Wynne and Anita Lee

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6110 DEPARTMENT OF EDUCATION**Item 1: Adult Education and AB 86 Cabinet Report Oversight****Description**

New Adult Education Block Grant. The Governor's budget proposes to provide \$500 million in Proposition 98 funding on an ongoing basis for a new Adult Education Block Grant. The Governor's budget proposal is intended to build off of the last two years of planning and fund adult education programs through regional consortia.

Panel

- **Keith Nezaam, Department of Finance**
- **Natasha Collins, Legislative Analyst's Office (LAO)**
- **Dan Troy, Chancellor's Office of California Community Colleges**
- **Monique Ramos, California Department of Education**

Background

Adult education has been delivered by a variety of different providers in different areas of the state. These providers primarily include community colleges and adult schools operated by school districts, but other local providers such as libraries participate in some areas. According to a recent report submitted by CDE and the CCC Chancellor's Office, required by AB 86 (Committee on Budget), Chapter 43, Statutes of 2013, there are 554 adult schools and 250 community college adult programs. Adult school offerings began declining after the introduction of categorical flexibility in 2008-09 (discussed below). Recent enrollment counts from the report estimate that enrollment fell in adult education programs from 2.3 million students enrolled in 2008-09 to close to 1.5 million students currently being served.

Historically, adult education has lacked a clear definition and core mission and covered everything from learning English to completing secondary education to personal enrichment. Adult schools operated by school districts generally provide more of the literacy, high school diploma, English as a second language, and citizenship-related instruction, while community colleges have focused more on remedial instruction to prepare a student for college-level coursework and vocational education. However this school district and community college divide in education offerings is not consistent across the state, and local regions split adult education offerings in a variety of ways.

Funding. Prior to 2008-09, school districts operating adult schools received Proposition 98 funding, based on average daily attendance (ADA) at a specified rate for services, through a categorical block grant (approximately \$635 million annually). However under the policy of categorical flexibility (enacted in 2008-09), school districts' categorical funds, including those for adult education, were reduced but categorical dollars could be used for any purpose through 2014-15. This new flexibility was intended to help soften the significant cuts made to education funding as a result of the recession. The Department of Finance (DOF) estimates that roughly \$300 to \$350 million Proposition 98 is spent on adult education by school districts. Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under a new Local Control Funding Formula (LCFF). This new formula eliminated most categorical programs, including adult education, and instead provided school districts with a grade span adjusted per ADA amount based on the number and type (low income, English learner and foster youth students generate additional funds) of K-12 students. In order to protect adult education programs as the state transitioned to LCFF, the Legislature and the Governor

enacted a maintenance-of-effort requirement to ensure school districts continued to expend, from their LCFF allocation, the same amount of funds on adult education as they had in 2012-13 through the 2014-15 fiscal years.

Community colleges receive funding for adult education through Proposition 98 apportionments and receive different rates per student, based on the type of course and whether it is credit or non-credit instruction. According to the LAO, in 2014-15, community colleges received \$6.9 billion in Proposition 98 funding (both General Fund and property taxes) to serve 2.3 million students (1.1 million full-time equivalent students). Of this, \$5.8 billion was for apportionments, including \$5.6 billion for credit instruction (1.1 million full time equivalent students) and about \$230 million for non-credit instruction (70,000 full time equivalent students). The remainder includes categorical funding. The CCC Chancellor's Office estimates that about \$1.2 billion is spent on adult education annually from apportionments.

While adult education is funded primarily through Proposition 98 resources that are allocated for adult schools and community colleges, as discussed above, there are other funds sources as well. Some providers also receive federal funds through the Workforce Investment Act (WIA), recently reauthorized as the newly passed Workforce Innovation and Opportunity Act (WIOA); in 2014-15 a total of \$86 million supported providers, including 139 adult schools and 19 community colleges, according to the LAO. Finally, adult education providers have some authority to charge fees: community colleges can charge fees for credit instruction and adult schools can charge fees for English as a second language, citizenship, vocational courses and other instructional areas. Fee revenue according to the LAO, is in the low tens of millions for school districts and approximately \$120 million for community colleges.

A New Vision. At the same time LCFF was enacted to change the funding structure of K-12 education, the 2013 Budget Act and accompanying legislation in AB 86 set up a new structure for adult education that included:

- \$25 million in planning grants for regional consortia that consist of school districts and community colleges and could include other local providers of adult education services. These funds could be used to examine existing adult education services, determine regional needs, and create a program plan to address adult education needs.
- Reporting on the planning from the California Department of Education and the Community Colleges Chancellor's Office, referred to as the AB 86 Cabinet, due to the Legislature and Governor in March of 2014, and again in March of 2015.
- Intent language to continue to develop common policies for adult education and to fund an adult education program based on the consortia plans, commencing in 2015-16.

The March 2014 report from the AB 86 Cabinet detailed the organizational structure for the consortia, the initial planning process and the participants; 70 consortia (280 school districts and 72 community college districts) formed and received planning grants. These include all community college districts and all school districts operating adult education programs.

The March 2015 Cabinet report addressed each of the following, as required under LCFF statutes and additional legislation enacted in SB 173 (Liu), Chapter 545, Statutes of 2014:

- Current adult education services in each consortia region and any gaps in service.
- Plans to create linkages between services, leverage existing regional structures, such as local workforce investment boards, and create collaboration on professional development for providers.
- Strategies to accelerate student progress towards academic and career goals.
- Recommendations on creating common assessment and placement policies for adult education students at adult schools and community colleges, linked data systems, consistent fee policies, and a comprehensive accountability system.

The March 2015 report identified the populations eligible for adult education services compared to enrollment, the enrollment numbers before and after the recession, and waiting lists for adult education services in local areas to help determine the gap in services across the state. The total enrollment change from 2008-09 to 2012-13 across the AB 86 education categories reflects a decrease of 36 percent, while the percentage of the eligible population who receive services from K-12 or community colleges (the high-end indicator of need) varies across the state from 7 to 15 percent.

The report recommends that regions begin to address this need by focusing on restoring the capacity lost during the last recession, and exploring other delivery methods, such as online instruction. Other recommendations include hiring full-time faculty and counselors, and ensuring a dedicated funding stream.

The report identified a variety of existing and developing linkages across the two systems that vary by region. These include increased joint planning, data collection, instruction, transition support, and partnerships. Moving forward, the report recommends that the existing curricula be aligned across all five AB 86 program areas and between and within the K-12 and community college systems. To support this effort, additional professional development is recommended, not just for faculty, but also for counselors, so that there is a better understanding of options and pathways for adult students within a region-wide system.

In addition to the recommendations for strengthening curricula and professional development, the report identifies additional support structures that adult education can provide for students, both academic and social. Other recommendations reflect the integration of the adult education system into the community e.g. varied course offering times, childcare provisions if needed, and partnering with other community services.

The report recommends that the Legislature: 1) Consider the trade-offs of eliminating fees or establishing a consistent fee policy; 2) Convene a working group of the Department of Education and the Chancellor's office to consider existing assessments and to develop an integrated assessment system; and 3) Create a common approach to capturing data by leveraging existing systems and creating centralized data clearinghouses. To support and facilitate this process a shared set of data inputs and outputs would need to be determined, and especially a common student identifier system. The report does not specify the extent to which additional funds would be needed or these activities.

Finally, the report also specifically notes the value of the regional consortia planning process and specifies a need to continue this effort and to further this collaboration into the faculty level.

Governor's Budget Proposal

Under the proposal, the Chancellor of the Community Colleges (Chancellor), the Superintendent of Public Instruction (Superintendent) with the concurrence of the executive director of the State Board of Education (SBE) shall approve one adult education consortium in each region based on the current planning effort. The consortium shall provide for adult education in the region, based on the regional plan developed under the AB 86 planning process for 2015-16, and shall update and approve a plan annually thereafter that includes the following:

- An evaluation of the adult education needs.
- An evaluation of the current adult education services.
- An evaluation of the funds available for adult education, including from fund sources than the adult education block grant.
- Actions that can be taken to address adult education needs.
- Actions that can be taken to improve the delivery of services.
- Actions that can be taken to better transition adult education recipients into postsecondary education and/or the workforce.
- A description of alignment of adult education services with other plans from all providers, including those pursuant to the federal WIOA.

The governance structure of the adult education consortium would include all community college districts, school districts, or county offices of education that wished to join as members within the region. The consortium would be required to consult with other adult education and service providers in the region when developing their annual plans.

The chancellor and the superintendent, with the concurrence of the executive director of the SBE, would jointly approve the allocation of funds to consortia on an annual basis and shall consider prior year funding, share of statewide adult education need, and effectiveness of the consortium at meeting adult education needs, when determining the distribution of funds. Each consortium shall establish an allocation board that will approve the allocation schedule for funds in their region consistent with their annual plan and select a fiscal administrator for the distribution of the funds. The allocation board would consist of seven members, representing: community colleges, K-12 school districts, other adult education providers, local workforce investment boards, county social services departments, correctional rehabilitation programs, and a public member. Funds may be used for the following purposes, with up to five percent reserved for administration of the consortium:

- Elementary and secondary basic education
- Citizenship, English as a second language, and workforce preparation for immigrants
- Education for adults with disabilities
- Career technical education
- Apprenticeship and pre-apprenticeship programs subject to some conditions.

In 2015-16, the funds would first be allocated to K-12 school districts in the amount of their MOE requirements in previous years, and remaining funds would be allocated to regional consortia. In future years, all block grant funding would be allocated to regional consortia under the structure described above.

Annual reporting to the Legislature on consortium expenditures, activities, and outcomes would be provided by September 30 of each year.

Finally, the Governor also proposes to consolidate the Adults in Correctional Facilities program into the new adult education block grant in 2015-16. The 2015-16 Governor's budget provides reimbursement funding for the 2014-15 activities provided by this program. The Governor proposes, that commencing with 2015-16, these activities are funded from the adult education block grant.

Legislative Analyst's Office Analysis and Recommendations

The LAO recommends adopting the Governor's proposed adult education block grant, a one-year hold harmless provision for adult schools, and adopting the proposed reporting requirement on spending and outcomes.

While the LAO recommends adopting the Governor's proposal, they also recommend making several modifications. Specifically, the LAO has concerns regarding the parameters and function of the allocation committees, and recommends the Legislature request additional information from the Administration on how the committees will be held accountable for the actions, and how decisions would be made should a board not agree to an allocation plan. Alternatively, LAO states that the role of the committees could be modified to an advisory role, and leave formal authority for the allocation of funds to the designated consortia members.

Moreover, the LAO states that annual consortia planning is very time consuming and may be over burdensome for a region, and recommends the Legislature to extend the life of the comprehensive regional plans. Instead of updating every year, the LAO suggests updating them less frequently, from an annual basis to four years, which is consistent with the WIOA planning cycle. Additionally, LAO recommends gradually shifting future augmentations to reflect needs and performance.

Staff Comments

The Governor's proposal builds on the planning work done over the past two years. While the final AB 86 Cabinet report has been released, several outstanding questions and concerns around the funding and future of adult education remain.

As mentioned above, the Governor's budget proposal requires each adult education consortia to develop an annual plan, and select members for an allocation committee to determine the distribution of funds. Membership of the allocation committee is not limited to traditional Proposition 98 entities, such as school districts or community colleges. Instead the allocation committee includes other non-Proposition 98 entities, such as workforce development boards and libraries, that traditionally have not been a part of any decision making on how Proposition 98 funding is spent. This added level of bureaucracy has raised questions about whether it is appropriate to have entities and officials with no traditional involvement in Proposition 98 make decisions on how these new adult education funds are spent. Additionally, having two separate groups working on planning and spending may slow down the process of distributing funding. The Legislature may wish to consider whether this is the appropriate governance structure to distribute these funds.

Additionally, under the Governor's proposal, the adult education block grant only consists of Proposition 98 General Fund. However, there are other sources that fund adult education, including the Workforce Investment Act, which provide funds for adult literacy at schools, community colleges, libraries. If the goal of the Governor's proposal is to encourage collaboration and holistic regional coordination of adult education services, the Legislature may wish to consider how to best incentivize these programs to work together.

The Governor's proposal also provides no explanation of what formal authority and accountability the allocation committees would have for directing the flow of state dollars. For example, should issues

arise with the allocation committee on how the funds are spent, it is unclear who would hold the allocation committee accountable, and conversely, who would be held accountable for those issues. Thus, under the Governor's proposal, the level of accountability and oversight over the allocation committee and their decision making is unclear.

While the local allocation committees have very little oversight; on the state level, the State Board of Education may have too much oversight authority over the Chancellor and the Superintendent. Under the Governor's proposal, the executive director of the board has veto authority on every activity conducted by the Superintendent and Chancellor. Since the State Board of Education has had relatively little experience with adult education programs and previously did not oversee these programs, this level of oversight seems unusual, and overly burdensome.

The outcomes reporting requirement under the Governor's proposal has merit, however more clarity is needed to ensure consistent data collection and a common accountability approach. The Governor's proposal does not define what type of outcomes to report, nor do they define what "effectiveness" means in meeting adult education needs. In order to monitor the progress of adult education students and whether or not a consortium is meeting the needs of its region, consortia, the Chancellor, and the Superintendent should report on common metrics. The Legislature may wish to require reporting on various metrics such as number of degrees earned, number of adults who gained employment, number of adults who earned high school diplomas or GEDs, and other metrics that encourage regional collaboration.

The Legislature anticipated that the March 2015 AB 86 Cabinet report would further inform the discussion on the future adult education program. The 2013-14 budget provided significant funding for regional consortia planning and statewide planning. However, the report lacks specifics in many of the areas where it was expected to add insight and detail. The Legislature may wish to ask the AB 86 Cabinet to determine which recommendations are of the most value, are achievable in the short term, and what the need for additional funding, statute, or regulation is. For those areas where the AB 86 Cabinet was unable to come to a clear resolution and recommendation; for example establishing a consistent fee policy, the Legislature may wish to provide further guidance. The timelines and deliverables for any further activities should be clearly set in statute and aligned with further implementation of the adult education program. Priorities among these activities should include data collection, including establishment of uniform inputs and outputs, and an integrated assessment system.

Subcommittee Questions

- 1) How far does \$500 million go in meeting adult education program needs? Are there factors the Legislature should consider when determining the ongoing funding level for this program?
- 2) Are the Department of Finance and the Department of Education able to determine the amount of adult education funds that were provided to the five AB 86 adult education areas by school districts under the MOE for purposes of allocation in 2015-16?
- 3) The Adults in Correctional Facilities categorical program is proposed to be rolled into the adult education block grant. Funds for this program were not part of the adult education MOE in place for the past two years. Do these programs receive the same funding protections in 2015-16 as other adult education programs under the Governor's proposal?
- 4) What actions can be taken based on the AB 86 Cabinet report? What actions should be prioritized and what support or guidance is needed from the state to move forward on these actions?

- 5) What are the characteristics of the most successful regional consortia? Can these be replicated across the state?
- 6) How consistent are the federal data and accountability requirements under WIOA with the data and accountability measures that the AB 86 Cabinet consider necessary for a state adult education system?

Staff Recommendation

Hold open pending May Revision.

Item 2: Career Technical Education Proposals

Issue 1: K-12 Career Technical Education

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

Issue 2: Community College Career Technical Education

- **Keith Nezaam, Department of Finance**
- **Judith Heiman, Legislative Analyst’s Office**
- **Dan Troy, California Community Colleges Chancellor’s Office**

Issue 3: Local Perspective

- **Jim Aschwanden, Executive Director of the California Agricultural Teachers Association**
- **Randy Page, Director, Regional Occupational Programs and Career Technical Education, Sutter County, and President of the California Association of Regional Occupational Centers and Programs**
- **Mollie Smith, Director of Occupational and Noncredit Programs at Palomar College**

Issue 1: 6110 DEPARTMENT OF EDUCATION, CAREER TECHNICAL EDUCATION

Background

The California Department of Education defines career technical education as a “...program of study that involves a multiyear sequence of courses that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers.” It further defines 15 industry fields for career technical education as noted in the table below:

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

Career technical education has been provided through a variety of programs in California:

- **Regional Occupational Centers and Programs (ROCPs).** ROCPs provide services for high school students over 16 and some adult students. According to the California Department of Education, approximately 470,000 students enroll in ROCPs each year. Students may receive training at schools or regional centers. The provision of career

technical education services by ROCPs varies across the state and services are provided under the following organizational structures: 1) county office of education operates an ROCP in which school districts participate, 2) school districts participate in a joint powers agreement that operates an ROCP, or 3) a single school district operates an ROCP. Funding for ROCPs historically was on an hourly attendance basis, but is now provided under the LCFF.

Prior to 2008-09, ROCPs received funding through a categorical block grant (approximately \$450 million Proposition 98 annually). However, similar to adult education, under the policy of categorical flexibility, school districts could use ROCP funds for any purpose through 2012-13. Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under a new LCFF. This new formula eliminated most categorical programs including separate ROCP funding and instead provided school districts with a grade span adjusted per ADA amount based on the number and type (low income, English learner and foster youth students generate additional funds) of K-12 students. The high school grade span rate included an additional 2.6 percent increase over the base grant to represent the cost of career technical education in high schools; however, school districts are not required to spend this funding on career technical education. In order to protect career technical education programs as the state transitioned to LCFF, the Legislature and the Governor enacted a maintenance-of-effort requirement to ensure local educational agencies continued to expend, from their LCFF allocation, the same amount of funds on career technical education as they had in 2012-13 through the 2014-15 fiscal year. According to the California Department of Education, prior to this new flexibility there were 75 ROCP programs in the state and approximately six have closed or are planning to close since categorical flexibility was enacted.

- **Other Career Technical Education Categorical Programs.** Three additional high school career technical education categorical programs exist outside of LCFF. The Specialized Secondary Program provides seed funds for pilot programs in specialized fields and supports two high schools with special programs in math, science, and the arts. The Agricultural Career Technical Education Incentive Program provides funds to support non-salary expenses for agriculture education. Finally, the California Partnership Academies support smaller scale instruction cohorts in career-related fields. Combined these categorical programs receive approximately \$39 million in Proposition 98 funds. The Governor proposed folding the Specialized Secondary Program and the Agricultural Career Technical Education Incentive Program into LCFF in 2014-15; however, the Legislature rejected the proposal and retained separate funding to support these programs which are particularly important in specific regions of the state.
- **Career Pathways Trust and Career Technical Education Pathways Initiative.** Two grant programs provide funding to support building collaboration between career technical education programs in LEAs, postsecondary education institutions and the business community. The Career Pathways Trust is a one-time competitive grant program that provided \$250 million in one-time Proposition 98 funding (available for expenditure for the 2014-15 and 2015-16). The CTE Pathways Initiative is a partnership between the California Community Colleges and the Department of Education to provide CCC and K-12 students with technical training, mentorships, STEM academies, internships, and high-wage employment opportunities.

Governor's Proposal

New Career Technical Education Competitive Grant Program. The Governor's budget proposes to provide \$250 million in one-time Proposition 98 funding for each of the next three years for a Career Technical Education Incentive Grant program. This program would provide funding for school districts, charter schools, and county offices of education to develop and expand career technical education programs. Grantees would be required to provide dollar-for-dollar matching funds, including funding from any source, such as the Local Control Funding Formula, foundation funds, federal Perkins Grant, California Partnership Academies, the Agricultural Incentive Grant, and the California Career Pathways Trust. Grantees must also provide a plan for continued support of the program after the expiration of the three year grant and provide the following at a minimum:

- Curriculum and instruction aligned with the California Career Technical Education Model Curriculum Standards
- Quality career exploration and guidance for students
- Pupil support and leadership development
- System alignment and coherence
- Opportunities for after-school, extended day, and out-of-school work based learning
- Reflect regional or local labor market demands, and focus on high skill, high wage, or high demand occupations
- Lead to an industry recognized credential, certificate, or appropriate post-secondary training or employment
- Skilled teachers or faculty with professional development opportunities
- Data reporting

The California Department of Education in conjunction with the California State Board of Education shall determine whether a grantee continues to receive funds after the initial year based on the grantee's success in achieving positive outcomes in the following areas:

- Number of pupils graduating high school
- Number of pupils completing career technical education coursework
- Number of pupils obtaining an industry-recognized credential, certificate, license, or other measure of technical skill attainment.
- Number of former pupils employed and types of employment.
- Number of former pupils enrolled in postsecondary education, apprenticeships, or other job training.

Priority for funding would be given to regional partnerships and those that effectively leverage existing federal and state resources.

LAO Analysis and Recommendations

The LAO recommends that the Legislature reject the Governor's proposal to establish the Career Technical Education Incentive Grant Program and continue to focus on incentivizing career technical education through outcome based-reporting. They note the program is inconsistent with LCFF and allowing school districts to determine locally which programs provide the most value for their students. The LAO notes that school districts are incentivized to continue high quality career technical education programs as a result of the accountability system under LCFF. Career technical education helps to ensure students remain engaged in school and meet academic standards. Outcomes for student academics and engagement are already required to be reported in the district's Local Control and Accountability Plan (LCAP). In addition, districts must report on completion of career readiness through the LCAP. Finally, the LAO notes that the Department of Education continues to work on

adding a career-readiness indicator to the Academic Performance Index (API) and recommends that the department update the Legislature on the progress in this area.

Staff Comments

Under LCFF, school districts and county offices of education no longer receive separate career technical education categorical funds for ROCPs. Similar to other programs previously funded with categorical funding, school districts could choose to continue to support programs that met the needs of their students at funding levels they deem appropriate locally. The intention of LCFF is that school districts would retain their most successful programs and use the flexibility to amend, strengthen, or eliminate other programs, based on local needs. The Governor and Legislature agreed to an MOE requirement on career technical education programs for two years to ensure LEAs had time to transition to LCFF. In addition, some school districts participated in county office of education programs or other regional programs and the MOE allowed participants time to examine these program relationships in light of the new funding requirements. The new Career Technical Education Incentive Grant Program would allow school districts and county offices of education an additional three years to transition to funding of career technical education within LCFF. The Governor's proposed program includes requirements for a local match, eligibility, and accountability.

The Legislature may wish to consider whether to continue a categorical program outside of the LCFF rather than continuing with the original plan to transition this program to LCFF in 2015-16. If the Legislature does wish to continue a short-term categorical program, it is important to ensure that the eligibility and accountability requirements are not overly burdensome and are aligned with the LCFF and LCAP so that three years from now, school districts and county offices of education are in a position to retain and support career technical education programs within their LCFF resources.

Subcommittee Questions

- 1) How does the proposed Career Technical Incentive Grant allow for new innovative programs to be eligible for funds? These programs may not have data on the eligibility and accountability requirements immediately, and in some categories, not until the program is scheduled to sunset.
- 2) The accountability requirements for this new program exceed those currently required for Career Technical Education in the LCAP. Does the Department of Finance support amending LCAP statute to include more rigorous Career Technical Education indicators?
- 3) How will the career-readiness indicators, set to be included in the API, contribute to high-quality career technical education?

Staff Recommendation

Hold open pending May Revision.

Issue 2: 6870 COMMUNITY COLLEGES CAREER TECHNICAL EDUCATION

Description

The Governor’s budget proposes to extend the CTE Pathways Initiative Program through 2015-16 by providing \$48 million in 2014-15 Proposition 98 funds. The Governor’s budget also proposes an additional \$29 million Proposition 98 General Fund for the expansion of apprenticeship programs, and \$49 million in Proposition 98 funds to reflect an increase in the funding rate for career development and college preparation non-credit courses to equal the rate provided for credit courses.

Background

According to an inventory of CTE courses published in 2012 by the Institute for Higher Education Leadership and Policy at Sacramento State University, community colleges collectively offered about 8,000 CTE certificate programs and 4,500 associate degree programs. Despite this diversity of courses, enrollment and completions are concentrated in a few fields, as the table below indicates.

| Field | Share of Enrollment | Share of Completions |
|---|----------------------------|-----------------------------|
| Administration of Justice | 8% | 9% |
| Nursing | 8% | 13% |
| Child Development/Early Care and Education | 7% | 10% |
| Accounting | 6% | 4% |
| Fire Technology | 5% | 5% |
| Office Technology/Office Computer Application | 4% | 2% |
| Information Technology, General | 3% | <1% |
| Nutrition, Foods, and Culinary Arts | 3% | 2% |
| Cosmetology and Barbering | 3% | 2% |
| Automotive Technology | 3% | 3% |

Source: Institute for Higher Education Leadership and Policy

The Division of Workforce and Economic Development within the Chancellor’s Office provides support and manages grants for CTE programs across the state. The division manages other sources of CTE funding aside from apportionment funding, including the following:

Apprenticeship. Apprenticeships are paid education work programs that pair adult students with skilled workers for supervised, hands-on learning. Apprenticeship programs are commonly sponsored by business or labor unions that help design and support the programs. In addition to on-the-job training, apprentices also have classroom instruction through K-12 or community college partners. Classroom time, known as related supplemental instruction (RSI), is a smaller component of apprenticeships than training, and classroom hour requirements vary by industry. State funding helps support some costs of RSI by providing about \$5 for every hour of instruction.

The 2013 Budget Act moved the apprenticeship program previously administered by the Department of Education into the community college budget. Thus there are now two apprenticeship categorical programs administered by the Chancellor’s Office: one originally administered by CCC and the one transferred from CDE. Funding in 2014-15 was \$7.2 million Proposition 98 General Fund for the community college program and \$15.7 million Proposition 98 General Fund for the K-12 program; funding levels are proposed to be \$31.4 million and \$20.5 million in 2015-16, respectively.

CTE Pathways Program. SB 70 (Scott), Chapter 352, Statutes of 2005, established the CTE Pathways Program, which directed the Board of Governors of the California Community Colleges to work with the CDE to improve linkages and career-technical education pathways between high schools and community colleges in order to create opportunities for students in both education systems. SB 1070 (Steinberg), Chapter 433, Statutes of 2012, reauthorized the program. The CTE Pathways Program provides competitive grants to consortia that must include community colleges and high school districts. The goal of the program is to help regions develop, over a three-year period, sustainable policies and infrastructure to improve CTE pathways among schools, community colleges, and regional businesses and labor organizations. CDE and the Chancellor's Office jointly administer the grants that work towards eight objectives outlined in SB 1070 (Steinberg). These objectives include aligning secondary and postsecondary CTE programs to create seamless transition for students, providing professional development to facilitate CTE partnerships, and increasing attainment of industry recognized certificates. The initiative helped build 5,792 partnerships, developed over 1,000 courses, provided trainings or externships to 36,000 staff at high schools and community colleges, and served approximately 750,000 students.

Economic and Workforce Development Program. This categorical grant program funds the development of programs that address regional workforce needs and supports regional centers, hubs, or advisory bodies, among other things. The Chancellor's Office has recently used this funding to hire statewide and regional experts in specific industries to help improve and coordinate programs to benefit local economies, as well as other efforts for the Doing What Matters for Jobs and the Economy, which is described below. This program received \$72.9 million in 2014-15, which includes a \$50 million one-time grant program. For 2015-16 the Governor proposes \$22.9 million, the same as its 2013-14 level.

Carl D. Perkins Career Technical Education Program. The Carl D. Perkins Career Technical Education Program provides \$113 million in ongoing federal funding for CTE programs, with half going to the K-12 system and half going to community colleges. Of these funds, 85 percent goes directly to LEAs and community colleges to be used for CTE purposes, including curriculum, professional development, and purchasing equipment and supplies. The remaining 15 percent is provided to the CDE and the Community College Chancellor's Office for administration of various CTE programs.

Nursing Program Support. This is a categorical program that provides grants to colleges to increase nursing program enrollment and completion rates. The grants are distributed on a two-year basis. Funding in 2014-15 was \$13.4 million Proposition 98 General Fund and is proposed for the same amount in 2015-16.

Doing What Matters for Jobs and the Economy. In an effort to better align CTE and workforce development programs with regional employer needs, the Chancellor's Office launched an initiative requiring regional collaboration between colleges and industry. The 11 economic regions are working to develop plans to better support programs for the sectors they have selected. Among the sectors are:

- Advanced Manufacturing
- Advanced Transportation and Renewables
- Agriculture, Water and Environmental Technologies
- Energy Efficiency and Utilities
- Global Trade and Logistics
- Health
- Information and Communication Technologies/Digital Media
- Life Sciences/Biotech

- Retail/Hospitality/Tourism
- Small Business

On November 17, 2014, the California Community Colleges Board of Governors commissioned the Task Force on Workforce, Job Creation and a Strong Economy which is comprised of 26 leaders from across the community college system, the business community, labor, public agencies involved in workforce training, community-based organizations, K-12 policy, and other groups. The goal of the taskforce is to consider strategies and develop recommend policies and practices on how the community college system can improve workforce training. Specifically, the task force will develop policy recommendations and practices that would:

- Prepare students for high-value jobs that currently and will exist in the state
- Position California's regions to attract high-value jobs in key industry sectors from other states and around the globe
- Create more jobs through workforce training that enables small business development, and
- Finance these initiatives by braiding state and federal resources

Over the last several months, the taskforce held 11 regional college conversations with community college chief executive officers, chief information officers, career technical education deans, and faculty, among others, to help develop recommendations for the priorities outlined above. From these conversations, five recommendation categories were observed: 1) workforce data and outcomes, 2) curriculum and instructors, 3) structured career pathways and student support, 4) funding, and 5) regional coordination. The task force will present the final policy and regulatory recommendations to the Board of Governors in September, 2015.

Governor's Budget Proposal

CTE Pathways Program. The Governor's proposed budget provides \$48 million in one-time Proposition 98 Funds to extend the CTE Pathways Program for one year. The Governor plans to use 2014-15 Proposition 98 General Fund to support the extension and funds can be used to cover existing grants or fund new grants for ongoing programs or initiatives with one-time goals. As mentioned previously, CDE and CDE jointly allocate funding for programs through an interagency agreement.

In the Chancellor's Office 2015-16 draft expenditure plan proposes spending the 2015-16 grants on:

- Certificate development and sector pathway alignment and training
- Creating additional pathways for Science Technology Engineering and Mathematics
- Funding existing and new California Partnership Academies
- Professional development to middle and high school teachers, and community college faculty
- Enhancing Science Technology Engineer Mathematics pathways programs
- Mapping of current regional and state pathways projects, training and infrastructure, among others

Apprenticeship. The Governor's proposed budget also 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 apprenticeship slots and raise the RSI from \$5.04 to \$5.46 to match the CCC noncredit hourly rate. This would bring the total amount for existing apprenticeships to \$27 million.

Additionally, the Governor also provides \$15 million in new, ongoing funding to support the development of apprenticeships in high-demand occupations. The Chancellor's Office indicates that they would create apprenticeships in nontraditional areas, such as:

- Healthcare: Radiology Technician, Community Health Worker, Certified Nursing Assistant
- Information & Communications Tech: Network Security, Applications Developer, Software analyst
- Advanced Manufacturing: Industrial Maintenance Mechanic, Computer Numeric Control (CNC) Milling Operator

The 2014-15 budget act established the CTE Enhancement Fund, which allocated, on a one time basis, \$50 million to help community college CTE programs purchase equipment, align and develop curriculum and provide professional development training. The Chancellor's office distributed funds to districts based on a formula that factored in CTE full-time students, all full time students, and the number of colleges in each region. A majority of these one-time funds went toward purchasing or upgrading equipment. Class sizes in CTE programs need to be smaller in order to give students hands-on experience with specialized equipment. Additional funds were used to provide professional development, and identify priorities and emerging sectors in ten industries. The Governor's 2015-16 budget proposal does not include funding for the enhancement fund.

Legislative Analyst's Office Analysis and Recommendations

The LAO recommends rejecting the Governor's proposal to extend the CTE Pathways Program. LAO states this proposal is counter to the state's school funding approach, which relies heavily on accountability for results, rather than dedicated funding tied to specific programmatic requirements. Instead, the Legislature could use associated funds for other high one-time Proposition 98 priorities.

The LAO also recommends rejecting the Governor's proposal on apprenticeship programs. LAO states that apprenticeship education is already included as one of the five priority areas for the Governor's proposed adult education block grant, and as a result, the Governor's proposal would fund the same goal in two different areas, increasing fragmentation and hindering integration. LAO recommends folding the apprenticeship categorical program into the adult education block grant.

Staff Comments

Over the last eight years, the CTE Pathways Program provided more than \$380 million to improve CTE through various local, statewide and regional initiatives. In particular, grants have funded CA Partnership Academies, which are small learning communities within a high school; the teacher preparation pipeline; and developed industry-specific model courses for statewide use that meet "a-g" requirements for the University of California, among others. The subcommittee may wish to ask the Administration and the Chancellor's Office whether it will continue to support some, or all of these programs in the future.

Additionally, both the Administration and the LAO have noted that the state has a myriad of career development programs that overlap, or operate in silos, from other programs. Under the federal Workforce Innovation and Opportunity Act, efforts to better coordinate these programs are underway with the development of a new statewide workforce plan, as well as the Chancellor's new Task Force on Workforce, Job Creation and a Strong Economy.

While the CTE Pathways Program has made significant strides in enhancing regional and local coordination, there are still some challenges regarding outcome measures, data collection and updating curriculum. In a recent WestEd report, *Career Technical Education Pathways Initiative Final Report*, it notes that the program lacks the ability to track students from one system to the next. Specifically, there is no unique identification code that follows students as they transition between segments. Data reports only provide yearly snapshots of participation in grant-funded programs, rather than following cohorts of students through pathways to determine the impact of the grant dollars over time. The Legislature may wish to ask the Chancellor's Office about specific steps that could be taken to ensure better data collection and coordination.

Apprenticeships play an important role in preparing our state's workforce with the skills and tools to obtain jobs and higher wages. In early 2015, California had over 53,000 active apprentices in 47 trades. The most common apprenticeships are construction trades and public safety, which make up over 75 percent of apprentices. During the Great Recession, apprenticeship programs were significantly cut: the community college program was cut by 50 percent and the K-12 program was cut by 20 percent, both rates have remained stagnant since the cuts. The Governor's proposal supports 1997 legislation that has previously been unfunded. The legislation called for the development and implementation of innovative apprenticeship training in high growth industries that meet local labor market needs.

While the Governor's budget proposal restores the apprenticeship categorical to pre-recession levels, it does not provide a similar augmentation or restoration to other categoricals at the community colleges, such as Extended Opportunity Programs and Services and part-time faculty office hours. These items will be discussed at a later subcommittee hearing. Additionally, as noted above, apprenticeship programs are one of the five state priorities in the adult education block grant, and it is unclear how these separate funding streams will coordinate.

Subcommittee Questions

- 1) DOF and Chancellor's Office: What 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?
- 2) How will the Chancellor's Office address the data collection and coordination?
- 3) How are CTE programs and courses meeting the needs of employers? What challenges do community colleges face in meeting employer and industry needs, and what are possible solutions?
- 4) How will these efforts and programs align with the new statewide workforce plan?

Staff Recommendation

Hold open pending May Revision.

Item 3: Mandates**Description**

The California Constitution requires the state to reimburse local governments for new programs or requirements for higher levels of service that the state imposes on them, commonly referred to as “mandates”. In the area of education, local governments that qualify for reimbursement include school districts, county offices of education (COEs), and community colleges—collectively referred to as local educational agencies (LEAs). The state currently owes approximately \$4.2 billion in prior year mandate costs. In addition, the state established the mandate block grant to provide funding for mandated activities on an ongoing basis. The Governor proposes to provide \$1.5 billion to pay off K-14 mandate claims, and also proposes to add a new mandated activity to the mandate block grant.

Panel

- **Cheryl Ide, Department of Finance**
- **Jameel Naqvi, Legislative Analyst’s Office**
- **Monique Ramos, Department of Education**
- **Dan Troy, Chancellor’s Office, California Community Colleges**

Background

The concept of state reimbursement to local agencies and school districts for state-mandated activities originated with the Property Tax Relief Act of 1972 (Senate Bill 90, Chapter 1406, Statutes of 1972), known as SB 90. The primary purpose of the Act was to limit the ability of local agencies and school districts to levy taxes. In 1979, Proposition 4 was passed by voters, which required local governments to be reimbursed for new programs or higher levels of services imposed by the state. Local educational agencies (LEAs) can seek reimbursement for these mandated activities. 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.

Proposition 1A, approved by the state’s voters in 2004, required the Legislature to appropriate funds in the annual budget to pay a mandate’s outstanding claims, “suspend” the mandate (render it inoperative for one year), or “repeal” the mandate (permanently eliminate it or make it optional). The provisions in Proposition 1A, however, do not apply to K-14 education.

Over the years, as the cost and number of education mandates grew, the state began to defer the full cost of education mandates. Prior to the 2010-11 budget act, the state had deferred the cost of roughly 50 education mandates but still required LEAs to perform the mandated activity by providing a nominal amount of money (\$1,000) for each activity. An exception was made 2006, when the state provided more than \$900 million in one-time funds for state mandates. This funding retired almost all district and college mandate claims (plus interest) through the 2004-05 fiscal year. Though a superior court in 2008 found the state’s practice of deferring mandate payments unconstitutional, constitutional separation of powers means the courts cannot force the Legislature to make appropriations for mandates.

Mandates Backlog. The SCO provides an estimate of unpaid claims and, as of October 2014, this totaled approximately \$5.7 billion for K-12 mandates and \$500 million for the California Community College mandates. However the LAO estimates an actual backlog of closer to \$4.2 billion. This is based on the SCO estimate, and updated to include the \$450 million payment that the state made to reduce the mandates backlog in 2014-15, a potential reduction in claims due to audits of \$170 million,

and a reduction in claims of \$940 million due to a potential overstatement of claims as the state has identified and directed LEAs to use other funds provided in the budget to pay for some mandated activities.

Mandate Reimbursement Processes. Under the traditional mandate reimbursement process, the CSM first determines whether an activity is a mandate. Next, LEAs are required to document in detail how much they spent on a particular mandate. The LEAs then submit this information on an ongoing basis to the State Controller's Office (SCO) for review and approval. This process has been criticized because reimbursements are based on actual costs, and LEAs may therefore lack an incentive to perform required activities as efficiently as possible. This process also does not consider how well an activity is performed. As a result, the state may pay some LEAs more than others, regardless of their performance.

In recent years, the state created two alternative reimbursement systems. First, in 2004, the state created the Reasonable Reimbursement Methodology (RRM). Rather than requiring LEAs to submit detailed documentation of actual costs, RRM uses general allocation formulas or other approximations of costs approved by the CSM. Only three school mandates currently have approved RRM.

Then, as part of the 2012-13 budget, the state created two block grants for education mandates: one for school districts, COEs, and charter schools (for which some mandated activities apply) and another for community colleges. Instead of submitting detailed claims that track the time and money spent on each mandated activity on an ongoing basis, LEAs can choose to receive block grant funding for all mandated activities included in the block grant.

Block Grant Participation. The 2014-15 budget included a total of \$250 million for the mandates block grants (\$218 million for schools and \$32 million for community colleges). Block grant funding is allocated to participating LEAs on a per-pupil basis, based on average daily attendance (ADA) or full-time equivalent students. The rate varies by type of LEA and by grade span, due to the fact that some mandates only apply to high schools. The per-pupil rates are as follows:

- School districts receive \$28 per student in grades K-8 and \$56 per student in grades 9-12.
- Charter schools receive \$14 per student in grades K-8 and \$42 per student in grades 9-12.
- County offices of education (COEs) receive \$28 for each K-8 student they serve directly and \$56 for each student they serve in grades 9-12, plus an additional \$1 for each student within the county. (The \$1 add-on for COEs is intended to cover mandated costs largely associated with oversight activities, such as reviewing district budgets.)
- Community colleges receive \$28 per student.

Most school districts and COEs, and virtually all charter schools and community college districts, have opted to participate in the block grant. Specifically, in 2014-15, the LEAs participating in the block grant served 95 percent of K-12 students and 98 percent of community college students.

New Education Mandates. While various activities are currently moving through the CSM mandate determination process, one recent state law was determined to be a mandate and the CSM has adopted a cost estimate for the mandated activities. AB 354 (Arambula), Chapter 434, Statutes of 2010 required LEAs to verify the pertussis (whooping cough) immunization records for all students at the beginning of seventh grade on an annual basis and once for students in grades eight through twelve only in 2011-12. This statute augmented existing state law that requires the verification of the pertussis immunization when students first start attending school. The CSM determined that the mandated activities under this law were to verify immunization records, conditionally admit students pending proof of immunization, and exclude students who did not produce proof of immunization or

exemption. The CSM further adopted a statewide cost estimate of \$1.7 million based on claims submitted in 2012-13.

Governor's Budget Proposals

The Governor's budget proposes to both pay off the mandates backlog and to make adjustments to the mandates block grant:

- The Governor proposes to provide \$1.1 billion in one-time Proposition 98 General Fund for K-12 mandates and \$379 million for community colleges. These funds would be distributed to all school districts, charter schools, and county offices of education on a per average daily attendance (ADA) basis and to all community colleges on a per full time equivalent student (FTES) basis. While the funds are discretionary, intended to reimburse LEAs and community colleges for activities that were completed in the past, the Governor does include intent language that LEAs use the funds for implementing new state standards and that community colleges use the funds for one-time activities, including deferred maintenance and updating instructional equipment.

Providing mandates funds on a per ADA and per FTES basis means that all LEAs and community colleges would receive some funding, regardless of whether they had submitted mandate claims or the dollar amount of their outstanding claims. As a result, the entire \$1.5 billion will not offset the mandates backlog, but rather some lesser portion of the total as determined by the SCO. The Governor estimates this, combined with the \$450 million payment in the 2014-15 budget, would reduce the SCO's mandate backlog balance of \$5.7 billion to approximately \$4 billion.

- The Governor further proposes to add the pertussis immunization mandate to the mandates block grant and increase the grant by \$1.7 million.

LAO Analysis and Recommendations

The LAO supports adopting the Governor's proposal to provide additional one-time funding to pay down the mandates backlog. They are also supportive of the method (per ADA and per FTES) of payment since it recognizes that while all LEAs and community colleges were required to complete mandated activities, not all LEAs and community colleges submitted claims, for a variety of reasons, some of which may be simply related to the administrative workload of documenting costs, retaining records, and filing claims. The LAO believes that the additional \$1.5 billion payment proposed by the Governor would reduce the backlog to \$2.9 billion (the LAO differs from the Department of Finance on the estimate of the remaining backlog and the amount of leakage in recent and proposed backlog payments).

The LAO does however note a concern over determining the amount of "leakage", or the amount of the one-time payment that would not count against the mandate backlog because it was provided to LEAs or community colleges that did not submit claims. The LAO recommends that the Legislature direct the SCO to report to the Governor and Legislature on the estimated leakage amounts for 2014-15 by November 1, 2016, and for 2015-16 by November 1, 2017.

The LAO also supports the Governor's proposal to include the pertussis immunization mandate in the mandates block grant. However, they recommend adding \$4.5 million to the block grant for this mandate rather than the Governor's estimate of \$1.5 million. The LAO's recommendation takes into account the median cost of providing these activities and applies it to the total number of seventh grade students in the state. They believe this represents the true cost of the mandated activities rather than the Governor's approach of relying on total claims submitted, which excludes those LEAs

who have not submitted claims for various reasons. The LAO also recommends reducing the mandate block grant by \$1.5 million to reflect the elimination of a previously mandated activity: verifying hepatitis B immunizations for seventh grade students. This requirement was deleted in the same legislation that amended the pertussis immunization requirements. The LAO bases their \$1.5 million recommendation on an estimated cost of the hepatitis B claims at the time the block grant was established, and recommends that the Legislature direct the Department of Finance to file a request for redetermination with the CSM for this change.

Finally, the LAO recommends providing a cost-of-living-adjustment (COLA) of 1.58 percent, as provided to other categorical programs in the Governor's budget, to the mandates block grant. They believe providing the COLA would protect the value or purchasing power of the mandates block grant and continue to encourage the participation of LEAs and community colleges. Applying the COLA would require an increase of \$4 million, \$3.5 million for the K-12 block grant, and \$513,000 for the community college block grant.

Staff Comments

The Governor's proposal to use one-time Proposition 98 funds to pay for one-time costs, such as the mandates backlog is a reasonable use of funds. These funds provide LEAs and community colleges with additional revenues that they can use for discretionary purposes. Staff also agree that, as noted by the LAO, as the Legislature and Governor continue to pay down the mandates backlog, it will be important to accurately estimate the amount of "leakage" that occurs each year to determine the amount of funding needed to pay off the remaining claims in future years. Working with the SCO to ensure this information can be accurately reported in a timely manner will be necessary and staff supports the LAO recommendation to require reporting deadlines for this information.

Staff also agrees with the LAO and Governor that the pertussis mandate be added to the mandates block grant. However, staff believes that a consistent approach to funding the mandates block grant should be established, whether this is to estimate the cost of performing the mandate statewide or to base the additional funding on claims filed. This method should be applied for both adding new mandates and removing activities that are no longer mandated by the state. A consistent method moving forward should also include a discussion of whether to include a COLA each year. The Legislature may wish to ask the LAO and Department of Finance to provide an update on any other impending mandate claims after the May Revision as they consider amending the mandates block grant.

Subcommittee Questions

- 1) When will the information on how much budgeted funds in 2014-15 offset claims be available (both estimates and actuals)? Has the Department of Finance, the Department of Education, or the LAO been working with the SCO to find this information?
- 2) Why does the Department of Finance propose to fund the mandates block grant based on claims data rather than mandate activity costs?
- 3) Why did the Department of Finance not provide a COLA for the mandate block grant?
- 4) How does the Department of Finance currently approach redeterminations of mandates? Is the Department of Finance currently requesting any mandate redeterminations?
- 5) Would the Department of Finance, LAO, Department of Education, and Chancellor's Office support using additional one-time funds, if available at the May Revision, to pay down additional mandates backlog?

Staff Recommendation

Hold open pending May Revision.