

The 2015-16 Budget Proposition 98 Education Analysis

Legislative Analyst’s Office—EXCERPTS

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OVERVIEW OF K-12 STUDENT CHARACTERISTICS

California Has More K-12 Students Than Any Other State. In 2013-14, California’s public schools enrolled 6.2 million students, representing 13 percent of all public school students in the nation. About two-thirds of these students were in grades kindergarten through eight, with one-third attending high school. These enrollment levels include nearly 1 million (11 percent) more students compared to 20 years ago. Statewide enrollment grew rapidly between 1993-94 and 2003-04, averaging 2 percent growth each year. Over the past decade, however, student enrollment has been relatively steady, with enrollment in 2013-14 about 1 percent below the 2004-05 level.

Almost Six in Ten California Students Are From Low-Income Families. In 2011-12, 59 percent of California’s public school students were eligible to receive a free or reduced price school meal. States frequently use this measure as an indicator of student poverty. Qualifying students come from families earning no more than 185 percent of the federal poverty level—\$44,000 annually for a family of four. California’s rate of free or reduced price meal eligibility is slightly above the nationwide rate.

Half of California Students Are Hispanic. The ethnic make-up of California’s students is notably distinct from the nationwide picture. While slightly more than half (52 percent) of American students are white and about one-quarter are of Hispanic origin, in California those percentages are flipped. Asian students make up a slightly larger percentage of students in California (11 percent compared to 5 percent nationwide), while California schools serve proportionally fewer black students (7 percent compared to 16 percent nationwide).

Nearly One-Quarter of California Students Are English Learners (ELs). In 2013-14, 23 percent (1.4 million) of California students were classified as ELs—a higher proportion than in any other state. One out of every three EL students in the nation attends school in California. Even more California students, however—almost 2.7 million students overall—speak a primary language other than English at home. Whereas about half of these students are classified as ELs, the remainder are considered Fluent English Proficient. California students come from families speaking over 60 different languages, although the vast majority (79 percent) speak Spanish, with Vietnamese as the next most common language (3 percent).

One in Ten California Students Identified With a Disability Affecting Their Education. In 2013-14, about 635,000, or roughly 10 percent of K-12 students in the state, were diagnosed with a disability that affects their educational attainment. Pursuant to federal law, schools must provide these students with special education services. California identifies a smaller proportion of students for special education compared to most other states. (The national identification rate is about 11 percent of K-12

public school enrollment.) Specific learning disabilities—including dyslexia—are the most common diagnoses requiring special education services (affecting about 4 percent of the state’s K-12 students), followed by speech and language impairments. While the overall prevalence of students with autism and chronic health problems still is relatively rare (each affecting about 1 percent of all California public school students), the number of students diagnosed with these disabilities has increased notably over the last decade.

California Ranks Near Bottom on National Tests. California performs near the bottom in tests of reading and mathematics for fourth and eighth grades. Although the performance of non-low income students tends to rank somewhat higher than that of low-income students, both groups perform lower than their peers in other states. California’s performance compared to other states has not changed significantly in the past 10 years. In addition to having lower performance compared to other states, California also has among the largest “achievement gaps”—the difference between the scores of low-income and non-low-income students. In fourth grade reading, for example, California’s achievement gap is ranked 45th in the country. (That is, 44 states have achievement gaps that are smaller than California.)

Figure 7
California Ranks Near Bottom on National Tests^a

California’s Ranking Among 50 States and District of Columbia				
	All Students	Low-Income Students	Non-Low-Income Students	Achievement Gap ^b
4th Grade				
Reading	46	48	38	45
Mathematics	46	49	42	43
8th Grade				
Reading	41	42	29	45
Mathematics	44	47	38	43

^a Reflects performance on federal tests known as the National Assessment of Educational Progress.
^b Achievement gap is the difference between the scores of non-low-income and low-income students. A higher ranking implies a smaller gap.

Eight in Ten Students Graduate High School Within Four Years. Of the cohort of students that entered ninth grade in the 2009-10 school year, 80.4 percent graduated within four years, 11.4 percent dropped out of school, and 7.4 percent returned to school for a fifth year. Less than 1 percent of students completed their high school education after four years having received either a High School Equivalency Certificate (if they passed the General Educational Development Test) or a special education certificate of completion.

Increasing Share of Graduates Meet University Eligibility Requirements. In 2013, 39 percent of California students graduated high school having completed the coursework required to be eligible for admission to the University of California and California State University. This proportion has been gradually increasing over the last 20 years. In 1993, only 33 percent of California high school graduates met eligibility requirements for the state’s public universities.

California Students’ College Attendance Rates About the Same as National Average. Federal data from 2010 show that 62 percent of California high school graduates attend college (including community colleges and other institutions that offer an associate’s degree). This compares to 63 percent nationwide. College-going rates have declined somewhat since 2008, both nationally (1 percent) and, to an even greater degree, in California (nearly 4 percent).

ESTIMATES OF THE PROP 98 MINIMUM GUARANTEE

2013-14 Minimum Guarantee Up \$371 Million. The administration's revised estimate of the 2013-14 minimum guarantee is \$58.7 billion, a \$371 million increase from the June 2014 estimate.

2014-15 Minimum Guarantee Up \$2.3 Billion The administration's revised estimate of the 2014-15 minimum guarantee is \$63.2 billion, a \$2.3 billion increase from the June 2014 estimate.

2015-16 Minimum Guarantee Up \$4.9 Billion Over 2014-15 Budget Act Level. The administration estimates the minimum guarantee will be \$65.7 billion in 2015-16. This is \$2.6 billion (4 percent) above the revised 2014-15 guarantee and \$4.9 billion (8 percent) above the *2014-15 Budget Act* level.

Assessment

If Revenue in 2014-15 Increases, Most Will Go to Proposition 98. As described earlier, the minimum guarantee in 2014-15 is highly sensitive to changes in state General Fund revenue, with a near dollar-for-dollar effect on Proposition 98 funding. Recent economic and state tax data suggest that, barring a sustained stock market drop before June, 2014-15 General Fund revenue could exceed the administration's estimates by \$1 billion to \$2 billion. Given that such a large share of additional General Fund revenue in 2014-15 would be required to go to Proposition 98, the Legislature could begin considering how it might allocate such a large, year-end funding increase to schools and community colleges. (This strong relationship between revenue and the minimum guarantee holds in 2014-15 until the state pays down all remaining maintenance factor. We estimate revenues would need to increase \$4.4 billion above the Governor's estimates for the state to retire all outstanding maintenance factor. Above that threshold, the minimum guarantee would increase only 40 cents for every \$1 increase in state General Fund revenue.)

If 2014-15 Minimum Guarantee Increases, 2015-16 Minimum Guarantee Also Increases. Because Test 2 or Test 3 is likely to be operative in 2015-16, the 2015-16 minimum guarantee very likely will build off the prior-year Proposition 98 funding level. That is, any increase in the 2014-15 minimum guarantee likely will increase the 2015-16 guarantee.

WORKFORCE EDUCATION AND TRAINING

Governor's Workforce Package Provides \$827 Million in State Funding for Workforce Education and Training Proposals. The Governor provides \$827 million (Proposition 98 General Fund) for four workforce efforts. The largest proposal is \$500 million in ongoing support for adult education provided through a recently established regional consortia program. The second largest proposal is \$250 million each year for three years for a new CTE grant program for secondary schools. The third proposal is \$48 million to extend for one year an existing program supporting CTE collaboration among schools, CCC, and businesses. The fourth proposal is \$29 million to restore funding for existing apprenticeship programs to pre-recession levels and create new apprenticeships in high-demand occupations. (In addition to the \$827 million, the Governor provides \$49 million to increase the rate for certain workforce-related CCC noncredit courses to the credit rate, as required by 2014-15 budget legislation.)

Governor Cites Better Coordination and Alignment With Labor Market as Goals for System. In the *Governor's Budget Summary*, the Governor critiques the state's existing workforce system, noting that the state lacks a coordinated approach to workforce development that links the efforts of various workforce entities. The Governor articulates his belief that "increasing the resources available and better targeting

where they are used will help improve the skills of California's workforce and better meet the demands of the growing economy." He describes his package of budget proposals as a first step toward a better coordinated and aligned workforce system.

Better Coordination Is Laudable Goal

Coordination Is Essential to Maximizing System's Value. Coordinating state workforce efforts involves guiding the various entities providing workforce services toward collectively meeting the state's needs. A coordinated approach can help policymakers consider the system as a whole and develop policies and budgets that maximize its value. If providers' efforts are complementary and coordinated while still adding unique value, their combined efforts may add up to more than what they could achieve independently.

Efforts to Better Coordinate Underway

State's Current Workforce Development Plan Has Integration Goal. This assessment of the state's workforce system is not new—the state has been trying to forge a coherent system for years. The state's current workforce plan takes significant steps by laying out a comprehensive strategy for the state's workforce programs based on economic regions and industry sectors.

New Federal Law Places Greater Emphasis on Integration of State's Workforce Services. The federal government also has been requiring state workforce coordination for some time. A reauthorization of the WIA that takes effect July 1, 2015—seventeen years after its original authorization—significantly increases integration requirements. Similar to the state's existing workforce plan, the new law emphasizes regional and sector-based strategies to break down silos among providers of workforce services.

Statewide Working Group Developing New Integrated Plan. Although the federal regulations for implementing the new law have not been finalized, the CWIB has convened a work group on WIOA implementation—chaired by CCC's vice chancellor for workforce and economic development—to begin revising the state's workforce plan to meet new WIOA requirements. Because the state's existing plan in many ways is consistent with WIOA, this effort will be a continuation of work begun under the current plan. One of the significant changes, according to working group members, will be a greater commitment to use data more meaningfully. For example, the group currently is conducting data analyses to help them better define the state's major economic regions. The group intends to extend this approach to the local and regional level to help workforce-service providers use data to align supply with demand for certificates and other credentials and support career pathways that lead to discernable skill and wage gains. The state's first plan under WIOA must take effect by July 1, 2016.

CCC Efforts Tackling Similar Issues. In addition to participating in the CWIB's statewide working group, CCC officials are working internally to align goals, policies, and practices within the system in ways that are consistent with the state's workforce plan. For example, networks of colleges are working with employers regionally and by industry sector to improve alignment between college programs and workforce needs.

Much Work Left to Do

Integration Will Take Time. The state's workforce programs comprise a complex network that will continue to have multiple funding streams and providers. Despite the state's promising efforts to improve

alignment, many difficult decisions remain related to structure, governance, and accountability, as well as funding policies. In the rest of this section, we define the specific issues the state must address moving forward and offer some initial guidance for how the Legislature might address them.

Assess Spending Priorities in Light of State’s Workforce Goals. In the coming months, the Legislature will be making its spending commitments for 2015-16 and potentially laying the groundwork for future state investments. As it considers these decisions, we suggest the Legislature weigh all investments against the state’s strategic workforce plan and prioritize those spending commitments that are most likely to advance the state’s progress toward its goals.

Integrate Existing Regional Structures. As noted earlier, the WIOA working group is in the process of defining the state’s major economic regions by patterns of economic activity. These efforts should help the state better align education and training programs with workforce needs.

Ensure Accountability to Public. As the Legislature considers how to align the state’s existing regional structures, it will need to think about the best way to ensure public accountability. Regional decision making tends to be complicated because participants—who may be elected, appointed, or volunteer members of legally constituted collaborations or informal ones—represent different constituencies and may not have formal authority to commit the organizations they represent to a course of action.

Provide Flexibility in Service Delivery to Regions and Providers. An approach similar to LCFF—relying on accountability for results rather than prescriptive spending requirements—also could extend to regional consortia and other decision making bodies. We encourage the Legislature to set clear expectations and empower the regions to determine how best to meet those expectations in their local context. Likewise, we recommend service providers be held accountable for results rather than for complying with particular instructional methods or processes.

Develop Funding and Fee Policies. In general, we believe the state should not provide significantly different subsidies for similar outcomes—for example, funding basic skills courses in one segment or geographic area at one per-student rate while paying a very different rate in another segment or area. On the other hand, providing some flexibility in funding rates could allow for innovation and competition among educational providers within a region, resulting in better outcomes per dollar. The Legislature will need to decide how it wants to balance consistency and flexibility in its funding policies. It faces somewhat similar issues in setting its fee policies, with tension between consistency (charging the same fee for the same types of programs across the state) and competition (allowing providers to compete with each other for offering the best service at the most affordable fee level). Regardless of its exact funding and fee policies, the state should know what it is getting—both in terms of service levels and outcomes—in return for its public investment.

Use Consistent Performance Measures and Data Collection to Track Progress on State Goals. State workforce leaders have been working toward a common workforce accountability system. The goal is to provide a way for the state to evaluate the success of its various workforce efforts. This requires the state to adopt standard performance measures that can be aggregated across providers, as well as methods to track participants’ progress through the system and into the workforce. We recommend the Legislature require all recipients of workforce-related funding to use common performance measures and regularly share standardized data so that they, as well as the state, can identify areas of success as well as duplication of effort and other systemic problems.

ADULT EDUCATION

Planning Grants Distributed to 70 Consortia. According to the first adult education consortia report submitted in March 2014, 281 school districts and 72 community college districts formed 70 consortia and received planning grants. (Since then, the number of participating school districts has increased to 320.

Plans Identify Common Program Challenges and Gaps in Service. The preliminary plans also included data on challenges and gaps. Common challenges reported include insufficient adult education personnel and space for instruction, lack of information and data sharing between providers, absence of consistent policies such as for assessment and placement, a shortage of basic skills training, and inadequate professional development. The plans also highlighted the scarcity of apprenticeship and other CTE opportunities for adults.

Governor Proposes \$500 Million in Dedicated Funding for Adult Education. The Governor proposes \$500 million (Proposition 98 General Fund) for instruction in the five priority areas through an adult education block grant to be distributed to the regional consortia. The Governor's proposal defines the consortia members as school districts, COEs, and community college districts and indicates that they will operate under a governance structure to be approved by the Superintendent of Public Instruction (SPI) and Chancellor. The SPI and Chancellor would determine the allocation of funds to each consortium based on regional adult education needs. The funding would be appropriated directly from the state to each consortium's fiscal agent, which could use up to 5 percent of funds for administration. (The Governor's proposal does not affect colleges' apportionments, their primary source of support for adult education.) The administration indicates that it will provide a more comprehensive proposal after the required Chapter 545 report is released this spring. This report is to contain recommendations addressing various fundamental issues, including student assessment policies, fee rates, and accountability systems.

Assessment

In Concept, Adult Education Proposal Consistent With Integration Approach. The Governor's regional approach to adult education has the potential to better coordinate the adult education system. This approach could help align services across different educational levels and providers. It also could better align programs and funding with workforce needs. Adult education providers already have indicated that the process of working with other regional providers through the consortium planning process has improved communication and collaboration among them.

Proposed Block Grant Does Not Include All Adult Education Funding. Although the Governor's proposal would require consortia plans to *consider* all adult education funding available in the region, the proposed block grant excludes the largest source of funds for adult education—community college apportionments. Because of the relative magnitude of apportionment funding for adult education—an estimated three times the amount of the proposed block grant—excluding these funds from the regional allocation process limits the ability of consortia to align adult education funding with regional needs.

Proposal Lacks Significant Details. The Governor's proposal lacks many details regarding the new adult education approach. Most notably, the Governor leaves it to the SPI and Chancellor to approve the governance structures proposed by the regional consortia. Moreover, the proposal fails to explain what formal authority and accountability the allocation committees would have for directing the flow of state dollars. Although the idea of an allocation board that includes members who are independent from the funded entities has some merit, it also raises difficult accountability issues.

Unclear How Much Education the Proposal Would Fund. Under the Governor’s proposal, adult schools could fund adult education courses at any rate approved by the regional consortium. (In contrast, state law sets CCC funding rates for various types of enrollment.) Moreover, state law specifies that additional adult education funds should “expand and improve” adult education, leaving uncertainty about how the state should balance investments in increased enrollment with efforts to improve program quality, expand support services, and support coordination efforts.

Recommendations

Adopt Governor’s Adult Education Proposal With Modifications. We recommend the Legislature fund the adult education block grant as proposed, including the one-year hold-harmless provision for adult schools. We suggest the Legislature modify other aspects of the proposal, as discussed below.

Consider Ways to Incorporate Other Major Sources of Adult Education Funding. The Legislature could consider ways to better integrate CCC funding used for adult education and WIA adult literacy funding into regional consortium planning. The Legislature could consider folding these funds into the consortia program or otherwise coordinating the funds with the consortia program.

Require CDE and CCC to Provide Legislature With Statewide Allocation Plan. We recommend the Legislature require the SPI and Chancellor to present their statewide allocation plan at spring budget hearings. At that time, the Legislature will need to determine whether additional statutory guidance may be required to ensure the allocation of these funds is consistent with the state’s highest priorities for adult education and workforce coordination.

Set Clearer Parameters for Allocation Boards. We recommend the Legislature request additional information from the administration regarding its proposal for the allocation committees. Specifically, the administration should explain how the boards would be held accountable for their actions, and how decisions would be made in the event a board cannot agree on an allocation plan. Alternatively, the Legislature could modify the role of the committees to an advisory one with a strong presumption that consortia follow their recommendations. This would leave the formal authority for allocating the funds with the designated fiscal agent for each consortium—agents who have clearer lines of accountability to the state.

CTE INCENTIVE GRANTS FOR SECONDARY SCHOOLS

Governor Proposes \$250 Million for CTE Incentive Grants. The Governor’s budget proposal provides \$250 million for a competitive grant initiative for secondary schools to offer (or continue offering) CTE programs that lead to industry-recognized credentials or prepare students for postsecondary CTE training. This appropriation is to be the first of three annual \$250 million installments. The administration indicates that the three years would be a transition period to help districts maintain CTE as LCFF is being implemented.

Grant Amounts and Grantees Determined by CDE and SBE. The program would be open to school districts, COEs, charter schools, and ROCP joint powers authorities. Proposed budget legislation specifies several eligibility requirements. Most notably, applicants must offer high-quality instruction and comprehensive services (including career guidance) and coordinate their programs with local postsecondary institutions, businesses, and labor organizations. Local education agencies that leverage other CTE resources, currently invest in CTE programs, and collaborate with each other regionally would

receive priority. The proposal requires CDE to consult with CCC and state workforce and business groups in developing the request for proposals and considering applications.

Requires Local Match and Commitment to Ongoing Support. As a condition of receiving funds, grantees would be required to provide a dollar-for-dollar match and commit to providing ongoing support for CTE programs after the grant expires.

Assessment

Proposal Is Inconsistent With LCFF Principles. The passage of LCFF signaled a shift in the way the state funds schools from a compliance based system with dedicated funding streams that schools were required to spend in a certain way to an accountability-based system where districts are provided flexibility in how they use their funding as long as they meet certain goals. By creating a new categorical program (albeit a short-term one), the Governor's proposal represents a departure from the new funding approach.

CTE PATHWAYS PROGRAM

This section provides information about the Governor's proposal to fund the CTE Pathways Program for one additional year.

Program Aims to Improve Career Pathways. The CTE Pathways Program provides grants to consortia that must include community colleges and high school districts (and may include other partners). 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 business and labor organizations. To qualify for funding, grantees must work toward eight specific objectives set forth in the program's authorizing legislation, Chapter 433, Statutes of 2013, (SB 1070, Steinberg). These objectives include aligning secondary and postsecondary CTE programs to create seamless transitions for students, providing professional development to facilitate CTE partnerships, and increasing the number of students who engage in work experience programs.

Governor's Proposal Extends CTE Pathways Program for One Year. The Governor's plan includes \$48 million to extend the CTE Pathways Program for an additional year. He plans to use 2013-14 Proposition 98 General Fund to support the extension. The funds could cover existing grants or fund new grants.

Assessment

Justification for Extending CTE Pathways Program Unclear. As discussed in our assessment of the Governor's CTE Incentive Grant proposal, providing additional categorical funding for CTE further fragments funding.

Recommendation

Reject CTE Pathways Program Extension. Given these concerns, we recommend rejecting the Governor's proposal to extend the CTE Pathways Program by an additional year.

APPRENTICESHIP PROGRAMS

Apprenticeships Provide On-the-Job Training in a Specific Trade. Apprenticeships are paid, educational work programs that pair adult students with skilled workers for supervised, hands-on learning, typically in the skilled trades. Apprenticeships last from two to six years, ideally resulting in a job placement. Apprenticeship programs commonly are sponsored by businesses or labor unions that help design and support the programs and recruit apprentices.

Apprenticeships Also Have a Classroom Component. During an apprenticeship, apprentices take classes relevant to their trade. Many apprenticeship programs have stand-alone training centers, but adult schools, ROCPs, and community colleges also house some apprenticeship instruction. Classroom time, known as related supplemental instruction (RSI), usually is held on weekends or evenings to accommodate work schedules. RSI is a smaller component of apprenticeships than on the job training. The required mix of training hours varies by industry.

Governor's Proposal Restores Funding for Existing Apprenticeships Up to Pre-Recession Levels and Increases RSI Rate. The Governor proposes to increase funding for existing apprenticeship programs by \$14 million (Proposition 98 General Fund). This would bring the total amount for existing apprenticeships to \$37 million. The administration indicates that the increase would restore apprenticeship slots to their pre-recession level and raise the RSI rate from \$5.04 to \$5.46 to match the CCC noncredit hourly rate.

Funds New Apprenticeships in High-Demand Occupations. The Governor also provides \$15 million in new, ongoing funding to support the development of apprenticeships in high-demand occupations. CCC indicates that apprenticeships likely would be started in healthcare, advanced manufacturing, information technology, and “green collar” jobs (for example, jobs in renewable energy). Unlike other apprenticeship funding the state provides through CCC, the Governor proposes allowing CCC to use these funds for purposes other than reimbursing providers for RSI. According to CCC, these could include developing aligned coursework, marketing and piloting new programs, and conducting studies to determine regional needs for apprentices.

Assessment

Apprenticeship Categorical Inconsistent With State's Coordinated Workforce Approach. While the new apprenticeship funding aligns with legislative intent to expand apprenticeship opportunities to new fields, augmenting and expanding a categorical program is inconsistent with a coordinated approach to workforce education.

Recommendation

Fold Apprenticeship Categorical Program Funds into Adult Education Block Grant. We recommend the Legislature redirect the Governor's proposed apprenticeship funding to the adult education block grant. (The Legislature also could move base apprenticeship funding into the block grant.) Regional consortia could fund RSI (or other costs associated with apprenticeships) from their block grant apportionments. The Legislature could require that apprenticeship programs receiving state funds be approved and monitored by the Division of Apprenticeship Standards, as they are now. In keeping with a coordinated approach, CDE and CCC could award apprenticeship funds on a competitive basis to adult education regional consortia based on regional industry needs.

Overview of Governor's Proposals on Workforce Education and Training

Recommend Better Coordinating Workforce Education and Training Programs. The Governor has four workforce proposals: (1) \$500 million for adult education regional consortia, (2) \$250 million for a new secondary school CTE program, (3) \$48 million for extending a CTE program by one year, and (4) \$29 million for apprenticeship programs. The Governor links these proposals to a broader goal of better coordinating the state's workforce investments. Though we believe better coordination is a laudable goal, we are concerned that the Governor's proposal only partly improves coordination for adult education and further fragments the state's already fragmented CTE landscape. The state has much to do if it intends to improve coordination of its workforce development system. Moving forward, we recommend the Legislature assess its spending priorities in light of its goals, better integrate existing regional structures, avoid creating new programs and further fragmenting the system, balance policy consistency with flexibility to develop local solutions, and ensure accountability to the public through transparent governance and reporting. To this end, we recommend the Legislature adopt components of the Governor's adult education proposal, fold some of the other proposed funding into the adult education program, and reject the proposals to create new programs.