



**Barstow Area Consortium for Adult Education  
Board Minutes  
Barstow Community College, President's Conference Room  
Thursday January 25, 2018 (2:00 p.m. – 4:00 p.m.)  
(<sup>1</sup>Materials in Board Packet)**

Call to Order: 2:00 pm

Attending:	Voting Member	Alternate	Attendee
Baker Valley	<input type="checkbox"/> Ronda Tremblay	<input type="checkbox"/> Eric Huynh	<input type="checkbox"/>
Barstow CC	<input checked="" type="checkbox"/> Eva Bagg	<input type="checkbox"/> David Morse	<input checked="" type="checkbox"/> Kim Young
Barstow AS	<input checked="" type="checkbox"/> Scott Godfrey	<input type="checkbox"/> Jeff Malan	<input checked="" type="checkbox"/> Sonya Smith <input type="checkbox"/> Jon Bonvillain
Silver Valley	<input checked="" type="checkbox"/> Jeff Youskievicz	<input checked="" type="checkbox"/> Michael Cox	<input type="checkbox"/>

1. <sup>1</sup>Approval of Minutes – December 11, 2017

- Motion for approval made by J. Youskievicz; 2<sup>nd</sup> by S. Godfrey – Passed Unanimously

2. Public Comment – Public comment will be allowed on any topic relevant to the BACAE. Pursuant to BACAE Policy, comments are limited to 3 minutes per person. Please begin your comment by stating your name.

3. Reports/Information Items

3.1 Coordinator's Report – Sonya Smith

- <sup>1</sup>AEBG Program Fee Policy – July 1, 2018
  - S. Smith reviewed the new state fee policy
- <sup>1</sup>AB104 Legislative Alignment with the Brown Act
  - S. Smith reviewed Brown Act requirements for Consortium. M. Rosin added information about AB2257.
- Burlington English Training – January 18, 2018
  - S. Smith – ESL training provided for 2 hours. Enhances programs, includes audio and speech via accent reduction using real world scenarios. Teachers are excited about the program. Headphones were provided to all districts and teacher toolkits were handed out. MTI Reduction built into the program.
- AEBG Summit Report – January 22-23, 2018, Universal City
  - S. Smith – 72 sessions provided in 1.5 days to participants. Focus included: new AEBG web site, change in name to eliminate “grant” from AEBG, reporting to state, Strong Workforce, job training, engagement with employers is critical, alignment around performance outcomes, student goal setting strategies. Major focus of AEBG was to improve relationships between K-12 and CC partners. Focus also on D&A and performance outcomes. Students with disabilities and accommodations (students with IEPs) are important to better service.
  - K. Young – Ability to Benefit: how adult students access financial aid at the community college, and how the state can make determinations about ATB to align with federal initiatives. Human Centered Design sessions on focusing more on students.
  - M. Cox – Shared information about USA Learns and OER from Summit.
  - S. Godfrey – What about the mandatory attendance was a take-away? Sonya: D&A is critical via TOPS Pro and CASAS and alignment to WIOA. Understanding the services provided, addressing post-secondary transitions, including CTE programs. Scott: Dollars are tied to performance outcomes. Curriculum ties into testing and into funding. Sonya: Demonstration of outcome improvement through HSE/GED and ESL programs.
  - E. Bagg – Performance based funding models are the new requirement.
- Ongoing Data & Accountability Training Workshops – [www.aebg.cccco.org](http://www.aebg.cccco.org)

- S. Smith – Attended Burbank Adult Ed training on 1.24.18
  - LaunchBoard Adult Education Dashboard Data Element Dictionary:  
<http://aebg.cccco.edu/Portals/1/docs/For%20AEBG%20Grantees/Student%20Data%20Collection/11.1.17%20Adult%20Ed%20LaunchBoard%20Data%20Element%20Dictionary.pdf>
    - Goal of February for up and running access
    - Will contain school data, student information, administration resources, teacher portal
  - Upcoming Deadlines:
    - Jan. 31: Student data due in TOPSPro (Q2)
    - Jan. 31: 15/16 consortium funds - final expense report due (old system)
    - Jan. 31: Mid-term data and accountability expense report due (old system)
    - Feb 25: 2018 - 15/16 consortium funds - close out financial report due (old system)
    - Feb 28: Preliminary allocations for 2018-19 & 2019-20 released by this date
    - Mar 1: 16/17 & 17/18 member expense report due in NOVA Q1 & Q2
    - Mar 31: 16/17 & 17/18 member expense report certified by consortia in NOVA (Q1 & Q2)
    - Mar 31: End of Q3
  - State AEBG Guidance Update
  - NOVA Reporting – Certified on January 9, 2018 per state guidance
    - Revised budget to be reconciled with NOVA in March via Member budgets
  - Program Area Working Group Meeting – January 19, 2018
    - S. Smith – Meeting was cancelled, but will be rescheduled.
    - M. Rosin– Meetings will align with Brown Act.
  - Common Intake/Registration Form
    - S. Smith – D&A specialists have created common intake forms to collect student information.
    - M. Rosin – Feb 21 field trip to visit Redlands, Yucaipa, ICEC
- 3.2 Consultant Report – Mitch Rosin
- AEBG State Guidance – State moving to Per Student Cost & Member Effectiveness
  - Citizenship Preparation Materials - Classes or Referral at each District
  - Mailer Date will produce New Enrollment (Are we ready for hiring and expanding?)
  - <sup>□</sup>Brochure and Poster Review with new QR Codes.
    - Add \*Satellite Campus at Ft. Irwin; contact your district for information.
  - Ft. Irwin Programs – See above.
  - Planning Days:
 

February 20 & 21, 2018	April 25 & 26, 2018	June 11 & 12, 2018
March 13 & 14, 2018	May 16 & 17, 2018	July - TBD
- 3.3 Fiscal Agent Report: 2015-16 Spend Down
- S. Godfrey – Meeting on 1.25.18 meeting with Fiscal Agent. Processes and procedures will be adjusted to facilitate smoother payments, and allocation tracking. Pass-through check system is standardized. 2016-17 spend-down plan reviewed.
- 3.4 Media Manager Report: Jorge Saucedo-Daniel
- J. Saucedo-Daniel – Request for any additional follows or events to follow? Keep retweeting other consortia and follow more.
- 3.5 GED Test Center Update
- S. Godfrey – Negotiating with City of Barstow. Paint colors, conditional use permits, temporary sign going up soon. Vandalism; copper removed from ac unit on roof, causing \$5,000 in damage. Security system being put in place, including cameras. Architectural plans done. Soft opening April, full opening for classes in July. Will plan discussion around occupation of space. Add to Feb agenda.
- 3.6 Update: Local Board Meeting Dates for Appointing BACAE Voting Board Members

#### 4. Action Items

- 4.1     <sup>□</sup>2016-17 Spend Down Budget  
- Discussion was held on each line item of the proposed budget.  
- Motion for approval made by S. Godfrey; 2<sup>nd</sup> by E. Bagg – Passed Unanimously

#### 5. Discussion Items

- 5.1     Plan for Ongoing Auditing – Share expense with other SB County Consortia  
- March 23: 8 Consortium Director meeting at Valley College
- 5.2     Dr. Helga Wild – (BCC) Barstow Community Research Project Presentation  
- Introduced by E. Bagg.  
- Presentation by Dr. Wild: What does adult education mean to the community? Looking at groups that provide social services to adults, and how the boundaries of “what is adult education” are being expanded. How can all resources be brought together so we don’t lose sight/track of the different offerings in the community. Ethno-socio-geo-cultural research. Human centered approach to moving the consortium forward. Examining gaps in services, transitions can be made smoother, and share qualitative process with key stakeholders. Recommendations will be brought forward. Meetings being scheduled, focus groups held.

#### 6. Announcements

- 6.1     <sup>□</sup>Upcoming Conferences  
- Feb 1-2, 2018 – CAEAA, Sacramento, CA  
- Feb 8-9, 2018 – ACCE, Oakland, CA  
- March 9-10, 2018 – OTAN TDL, Napa, CA  
- March 22, 2018 – AEBC Regional Training, San Bernardino Valley College  
- March 25-28, 2018 – COABE, Phoenix, AZ  
- May 3-5, 2018 – CCAE, Fresno, CA
- 6.2     2017-18 BACAE Board Meeting Schedule (2:00 pm in BCC President’s Conference Room):  
February 22, 2018     April 26, 2018     June TBD per Guidance  
March 15, 2018     May 17, 2018     July – No Meeting
- 6.3     <sup>□</sup>Online Community College Initiative
- 6.4     WASC – Fall 2018 deadline: April 30, 2018
- 6.5     Feb 28 – Preliminary Allocations Released for 2018-19 & 2019-20; May 2 – CFAD Due
- 6.6     Annual Plan Retreat Date – June 11 & 12, 2018

#### 7. Closed Session

#### 8. Adjournment 3:56 pm

- Motion for approval made by J. Youskievicz; 2<sup>nd</sup> by E. Bagg – Passed Unanimously

## Adult Education Indirect Cost Rate

### Section 84913 of the Education Section Code is Amended to Read:

84913. (a) Funds apportioned for the program shall be used only for support of the following:

- (1) Programs in elementary and secondary basic skills, including programs leading to a high school diploma or high school equivalency certificate.
- (2) Programs for immigrants eligible for educational services in citizenship, English as a second language, and workforce preparation.
- (3) Programs for adults, including, but not limited to, older adults, that are primarily related to entry or reentry into the workforce.
- (4) Programs for adults, including, but not limited to, older adults, that are primarily designed to develop knowledge and skills to assist elementary and secondary school children to succeed academically in school.
- (5) Programs for adults with disabilities.
- (6) Programs in career technical education that are short term in nature and have high employment potential.
- (7) Programs offering preapprenticeship training activities conducted in coordination with one or more apprenticeship programs approved by the Division of Apprenticeship Standards for the occupation and geographic area.
- (8) Indirect costs of the adult education block grant members. For the purpose of this paragraph, "indirect costs" means the lesser of the member's prior year indirect cost rate as approved by the State Department of Education, for local educational agency members, or no more than five percent of the total funding received from the adult education block grant.**

(b) A consortium may use no more than 5 percent of funds allocated in a given fiscal year for the sum of the following:

- (1) The costs of administration of these programs.
- (2) The costs of the consortium.

## Adult Education Block Grant Three-Year Planning Cycle Extension

### Section 84906 of the Education Section Code is Amended to Read:

84906. (a) As a condition of receipt of an apportionment of funds from this program for a fiscal year, commencing with the 2019–20 fiscal year, the members of a consortium shall have a consortium-approved an three year adult education plan that addresses that fiscal year a three-year fiscal planning cycle. The plan shall be updated at least once each year, based on available data pertaining to plan requirements pursuant to subdivision (b). For the 2018-19 fiscal year, as a condition of receipt of an apportionment of funds from this program, the members of a consortium shall have a consortium-approved adult education plan pursuant to subdivision (c).

(b) An adult education plan shall include all of the following:

(1) An evaluation of the educational needs of adults in the region.

(2) A list of the following:

(A) Entities that provide education and workforce services to adults in the region.

(B) Entities that are impacted by, or that have a fundamental interest in, the provision of those services.

(3) A description of the services provided by entities listed pursuant to paragraph (2).

(4) An evaluation of current levels and types of education and workforce services for adults in the region.

(5) An evaluation of the funds available to the members of the consortium and the entities listed pursuant to paragraph (2), including funds other than those apportioned pursuant to this article.

(6) Actions that the members of the consortium will take to address the educational needs identified pursuant to paragraph (1).

(7) Actions that the members of the consortium will take to improve the effectiveness of their services.

(8) Actions that the members of the consortium, the entities listed pursuant to paragraph (2), and other interested parties will take to improve integration of services and to improve transitions into postsecondary education and the workforce, including actions related to all of the following:

(A) Placement of adults seeking education and workforce services into adult education programs.

(B) Alignment of academic standards and curricula for programs across entities that provide education and workforce services to adults.

(C) Qualifications of instructors, including common standards across entities that provide education and workforce services to adults.

(D) Collection and availability of data.

(9) A description of the alignment of adult education services supported by this program with those described in other education and workforce plans guiding services in the region, including plans pertaining to the building of career pathways and the employment of workforce sector strategies and those required pursuant to the federal Workforce Innovation and Opportunity Act (Public Law 113-128).

(10) A description of the ways in which each of the entities identified in paragraph (2) contributed to the development of the plan.

~~(c) The members of a consortium shall approve an adult education plan at least once every three years. The plan shall be updated at least once each year based on available data.~~

(c) For the 2015–16, 2016–17, ~~and~~ 2017–18, and 2018–19 fiscal years, a regional plan developed pursuant to Section 84830 shall satisfy the requirements of this section.

## The 2018-19 Budget:

# Adult Education Analysis

MAC TAYLOR  
LEGISLATIVE ANALYST  
FEBRUARY 2018



### Summary

**Recommend Revamping Funding for Adult Education and Aligning Certain Policies.** The state restructured its adult education system in 2013-14 with the intent of fostering greater coordination among providers—primarily community colleges and adult schools. After five years, several key fiscal and policy inconsistencies remain across the two sets of providers. Most notably, adult programs offered by community colleges and adult schools have different funding rules, different fee policies, different instructor qualifications, and different student identifiers. The Governor's budget provides \$5 million ongoing to improve data alignment between community colleges and adult schools. The administration, however, does not address the other areas of misalignment. To address these areas, we recommend the Legislature set a uniform per-student funding rate for adult education providers, establish a consistent fee policy (having all providers charge no fee or a nominal fee), and eliminate certain qualifications for adult education instructors. We recommend approving the Governor's proposed \$5 million augmentation for data alignment but modifying the proposal to require each segment to assign and share student identifiers. This would allow the state and providers to see how students move between the K-12 system, adult schools, and community colleges.

In this report, we first provide background on adult education and review the restructuring of adult education that the state embarked on in 2013-14. We then describe the Governor's two 2018-19 adult education proposals. Next, we assess those proposals and examine various unresolved issues relating to the alignment of adult education policies among community colleges and adult schools. Lastly, we make recommendations relating to the Governor's proposals and policy alignment.

### Background

**Adult Education Has Multiple Purposes.** The primary purpose of adult education is to provide adults with the precollegiate knowledge and skills they need to participate in civic life and the workforce. Toward this

end, most adult education course offerings are in three instructional areas: basic math and English, English as a second language (ESL), and career technical education (CTE). For CTE, adult education providers tend to offer programs that are one year or less in length.

**State Embarked on Major Adult Education Restructuring in 2013-14.** Community colleges and school districts (through their adult schools) are the primary providers of adult education. In addition, various other entities provide adult education, including community-based organizations, libraries, and jails. Due to longstanding concerns with a lack of coordination among providers, the 2013-14 budget package mapped out a new state strategy for funding and operating adult education. Specifically, the budget provided limited-term grants to adult education

providers to form consortia and develop regional delivery plans. The 2015-16 budget created the Adult Education Block Grant (AEBG), which provided \$500 million in ongoing funding to the consortia to serve adults according to their plans. The amount of AEBG funding that a consortium receives is based primarily on its 2012-13 adult education spending level, with a smaller portion distributed based on a calculation of regional need. Consortia have received the same funding amounts annually since 2015-16. In addition to AEBG funding, the state continues to provide about \$300 million annually in noncredit apportionment funding for community college adult education programs. (We estimate that community colleges spend another \$2 billion on CTE programs that are longer than one year in length. These programs generally are not included as part of consortia planning activities.)

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

## Governor's Proposals

**Provides AEBG 4.1 Percent Cost-of-Living Adjustment (COLA).** Since the first \$500 million AEBG appropriation in 2015-16, the state has not provided a COLA to the program. The Governor proposes a \$20.6 million (4.1 percent) increase in 2018-19. This increase is higher than the increase the Governor proposes for certain other community

college programs. The higher rate is in recognition that the program did not receive a COLA the past few years. (Specifically, the 4.1 percent increase equates to a 2.5 percent COLA associated with 2018-19 and a 1.6 percent COLA associated with 2017-18.) The administration proposes to distribute the augmentation to consortia based on their current allocations.

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

## Assessment

Below, we first assess the Governor's adult education COLA proposal, along with unresolved funding and fee alignment issues. We then assess the Governor's data alignment proposal. Next, we assess unresolved alignment issues relating to student placement policies, faculty qualifications, and the delineation between noncredit and credit instruction. The first four columns of **Figure 1** summarize all of these unresolved alignment issues.

**Providing the AEBG Program a COLA Would Treat It Similarly to Several Other Education Programs.** The Governor's budget funds a COLA for many K-12 and community college programs in 2018-19. This is consistent with state action the past few years to fund COLAs for many Proposition 98 programs. For some major education programs, including the Local Control Funding Formula and community college apportionments, recent state budgets have provided augmentations notably in excess of inflation. The AEBG, however, has not received these COLAs. (Since 2015-16, the only AEBG



**Figure 1**

**Summary of Unresolved Adult Education Alignment Issues**

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

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

augmentation has been \$5 million one time in 2016-17 for technical assistance and professional development.)

***State Lacks Data to Help It Set Overall AEBG Funding Level.*** Currently, the state lacks much key data that could help it determine how much to provide annually for adult education in California. Most notably, the state currently does not know the extent of the current unmet need in the state, how much providers are spending on services, and the quality of those services. Without this basic information, the Legislature cannot have confidence it knows what it is getting for any particular state appropriation level (with or without a COLA).

***Existing State Funding Rules Are Inconsistent and Exacerbate Differences in Access and Quality.*** In addition to being concerned that the state lacks the basic data required to help it set the annual adult education appropriation level, we have serious concerns about the overall way adult education is funded. Most notably, the state has one set of rules for community colleges and a different set of rules for adult schools. The result of having different sets of funding rules means some providers likely are receiving and spending substantially more on adult education services than other providers. These funding and spending differences, in turn, likely are contributing to widening differences in levels of access and quality for adults across the state. Below, we describe funding rules for community colleges, then describe the rules for adult schools.

***One Set of Funding Rules for Community Colleges . . .*** Currently, community colleges annually receive about \$60 million in AEBG funding and about \$300 million in noncredit apportionment funding to provide adult education. (The amount of apportionment funding going for adult education is likely higher than \$300 million because the lines between noncredit and credit instruction are blurred at the community colleges, an issue we discuss later in this section.) The apportionment funding community colleges receive equates to \$5,310 per full-time equivalent student for most noncredit courses (including basic math and English, ESL, and CTE) and \$3,300 for remaining noncredit courses (including citizenship and parenting). Whereas community colleges use their apportionment funding for direct adult education instruction, they typically use their AEBG funding to provide

additional support for adult students and for consortia coordination activities.

***. . . And Another Set of Funding Rules for Adult Schools.*** By comparison, adult schools do not receive apportionment funding, with their sole source of state funding being AEBG. Currently, adult schools receive about \$440 million in AEBG funding annually. As with community colleges, adult schools use a part of their AEBG funding for planning and coordination activities. They use the bulk of their AEBG funding for direct instruction. The state, however, has no set per-student funding rate, so each adult school determines for itself how much to spend per student. The state currently does not have data on per-student spending by adult school, but providers indicate that spending varies across the state. (AEBG administrators indicate that they are beginning to collect this data in 2017-18.) Without a set per-student funding rate, some adult schools may be offering much richer programs to a much smaller group of students.

***Differences in Fee Policies Make Matters Worse.*** Inconsistencies exist not only in state funding but also in state fee policies. Statute prohibits community colleges from charging any fees for adult education (or any noncredit instruction), whereas statute prohibits adult schools from charging fees for basic math and English courses as well as ESL courses but permits them to charge fees for CTE courses (which typically are more expensive). CTE fees vary among adult schools and type of CTE program, with fees reaching the thousands of dollars for some programs. Based on self-reported school district accounting data, we estimate that adult schools collected about \$40 million statewide in fee revenue in 2015-16. The rationale for different CTE fee policies appears to be that community colleges can claim apportionment funds to cover their costs, but adult schools only have their AEBG allocations, which might be insufficient to cover their costs. By allowing adult schools to collect fees for CTE courses, they therefore could maintain courses they might otherwise have to cancel due to a lack of state funding.

***Limited Incentives to Improve Student Outcomes.*** Though the state continues to lack some basic adult education data, statute authorizing AEBG requires regional consortia to report outcomes on several performance measures and specifies that some funding is to be based on consortia's performance

on these measures. To date, however, the state has not distributed any AEBG or noncredit apportionment funding based on performance. While data collection still is being refined, we have concerns that without performance-based funding or some other form of state accountability for student outcomes, consortia will have weak incentives to improve their programs.

**Adult Education Providers Receiving Other Funds Are Not Required to Coordinate With Consortia.** In addition to community colleges and adult schools, several other entities—including libraries and community-based organizations—receive various pots of state and federal funding for adult education. These other fund sources include federal Workforce Innovation and Opportunity Act (WIOA) Title II funds, state funding for jail education, and California State Library literacy funds. State law encourages but does not require providers receiving these pots of funds to coordinate their adult education course offerings with their regional consortia. Not requiring such coordination weakens the primary goal of the adult education restructuring—better coordination. Without coordinating funds and program offerings, providers could continue offering courses that are not aligned to regional workforce needs, are duplicative, or are of lower priority.

**Funding Data Alignment Efforts Could Improve Quality and Value of Data.** Helping providers submit consistent and accurate data would benefit all users of the data platform—both providers themselves and policymakers. Improving providers' understanding of how data can benefit them also could result in the data being used more frequently to inform program decisions, particularly around program redesigns and improvements. Moreover, continuing to develop AEBG's data linking platform would allow for more seamless sharing and dissemination of data. Many of these improvements could help policymakers adopt more informed adult education policies.

**Governor's Data Proposal Tries to Deal With One Major Existing Data Issue.** The current data linking platform has great potential in that it is intended to be able to follow students throughout their educational programs and into the workforce. A major data hurdle, however, is that many adult students do not have an SSN—the primary method state agencies have of tracking adult students' educational and EDD workforce outcomes. The Governor's proposal seeks to address this shortcoming by funding surveys of students without

an SSN to ask them about their employment outcomes. Such surveys might help address the issue of missing employment data for these students.

**Proposal Does Not Address Even More Fundamental Issue.** When students attending community college adult programs do not have an SSN, CCC assigns them a CCC identifier. When students attending adult schools do not have an SSN, CDE will sometimes assign them a Statewide Student Identifier, or SSID. (Every K-12 student in the state's public schools is assigned an SSID when they enroll.) Currently, the state does not require CCC to share its student identifiers with CDE or vice versa. As a result, the state is not able to systematically analyze how adult students move from the K-12 system into adult schools and community colleges or between adult schools and community colleges. This is a particularly notable shortcoming given one of the key points of having a regional approach to adult education is better coordination.

**No Consistent Way to Assess Students' Skill Level.** Both community colleges and adult schools may use scores on skill assessments as one consideration when they place students into adult education courses. (In addition, providers consider other factors, like a student's educational goals and high school grade point average.) The assessments and cut scores, however, are set locally and differ from provider to provider. As a result, different providers may place students with similar skill levels into different courses. For students who need to change providers within or outside of their consortium—for example to take a more advanced class—these differences in placement policies can result in confusion and potentially duplication in course taking. The differences in placement policies also mean that some students may take longer to complete their program, as their providers require them to take additional classes.

**Adult Education Instructors Held to Different Qualification Requirements.** Despite teaching similar content, instructors from community colleges and adult schools are subject to different minimum qualifications for employment. Whereas both community colleges and adult schools generally require instructors to have a bachelor's degree or higher, statute places higher requirements on adult school instructors. Specifically, adult school instructors also must have a state-approved teaching credential. This inconsistency

results in instructors who can teach at one segment but not the other. It also can make hiring instructors at adult schools more difficult than at community colleges.

**Definition of Credit Versus Noncredit Coursework Is Unclear and Inconsistent Across Community Colleges.** Though many of the state's current problems with adult education stem from inconsistent policies across community colleges and adult schools, some problems stem from inconsistent policies within the community colleges themselves. Generally, CCC noncredit courses are considered adult education (precollegiate) while credit courses generally are considered college level. The state, however, has no standard definition of noncredit and credit coursework, with colleges making such determinations themselves. For example, some colleges offer certified nursing assistant courses for credit, whereas others offer the same courses on a noncredit basis. Three major problems result from lack of clear delineations: (1) the state does not know how much funding community colleges are providing for adult education; (2) students may or may not receive credit for the same or similar course depending upon the college they attend; and (3) community colleges may or may not include similar courses as part of their adult education regional consortia planning. That is, some colleges coordinate certain courses with other adult education providers, whereas other colleges do not coordinate those course offerings.

## Recommendations

Below, we discuss our recommendations relating to the Governor's two adult education proposals and adult education alignment. The last column of Figure 1 summarizes our alignment recommendations.

**Timely Opportunity to Revamp Adult Education Funding Rules.** While the Governor's proposal to provide AEBG with a COLA treats AEBG similarly to some other education programs, we believe the state's overall approach to funding adult education is fundamentally flawed and in need of revamping. The coming year could be a particularly good opportunity to undertake such restructuring, as the Governor simultaneously is proposing major changes to community college apportionment funding rules. (We discuss this proposal in our report, *The 2018-19 Budget: Higher Education Analysis*.) Under our recommended approach, all of adult/noncredit

education would have a funding and accountability system separate from community college credit instruction. If the Legislature reviewed both the noncredit and credit funding rules in 2018-19, it would have greater assurance that the new rules were coherent, coordinated, and had fewer, if any, unintended consequences.

**Begin by Setting Uniform Adult Education Per-Student Funding Rate.** We think the most important first step in any restructuring of adult education funding rules is to set a uniform rate per full-time equivalent student. That is, we recommend the state provide the same base per-student funding rate for adult schools and community college noncredit courses. Providing a uniform base per-student funding rate would result in more consistent services across California and enhance the state's ability to monitor the adult education system. It also would allow the state to establish a corresponding fee policy that was rationale and consistent (as discussed below), treating providers and students the same across the state. In doing so, the state would no longer allow some providers to charge hefty fees for the same courses that other providers offer free of charge. Depending upon the distributional effects of the base per-student rate, the state might wish to phase in the new rate over a few years.

**Consider Building Performance Component Into New Funding System.** As the Legislature considers developing new funding rules, it could build off of recommendations we have made in previous years as well as the administration's 2018-19 community colleges apportionment proposal to include a performance component. By examining adult/noncredit rules separately from credit rules, the Legislature could ensure that the performance measures built into the funding system were appropriate for adult education. It also could ensure that associated planning and accountability requirements were seamlessly integrated into the regional consortia system. By building a performance component into the funding system, the state could create a strong incentive for regional consortia to work together to identify strategies that improve student learning and workforce outcomes.

**Make Fees Consistent Using One of Two Approaches.** We recommend the Legislature make fee policies consistent by either eliminating adult school fees entirely or charging students a nominal

fee at both community colleges and adult schools. Under our recommendation to provide a uniform state funding rate per student, most, if not all, adult schools likely could eliminate their CTE fees and still operate their programs. This is because the state funding rate would cover all, or almost all, of their program costs. Even if state funding were to cover virtually the full cost, the state nonetheless might want to institute a nominal enrollment fee that would apply to all students enrolled in adult education courses regardless of provider. Requiring all students to pay a small fee could foster positive behavioral tendencies—such as making students more deliberate in their selection of courses and more purposeful about holding campuses accountable for providing high-quality services. That is, rather than being a barrier, the fee would be intended to ensure students are serious about their studies and campuses are serious about offering quality programs aligned with students' interests. If the Legislature were to institute a fee, we recommend setting the fee amount low given the vast majority of adult students are low income.

**Require All Providers to Coordinate With Regional Consortia.** We recommend that as a condition of receiving state or federal funds, adult education providers document that they participate in their regional planning consortia. Participation would include reporting of adult education services and funding. By requiring all providers of adult education to participate in their consortia's regional efforts, the state could ensure that consortia get a full picture of the services and funding available to adult learners in their region.

**Approve Funding to Support Data Projects, With Additional Requirement.** We believe that having accurate program outcome data is essential if the Legislature is to monitor adult education in California in meaningful ways. Such data can help the Legislature make informed and strategic decisions about how much to spend for adult education, how to allocate such funding among providers, and how to change programmatic requirements to help ensure providers offer effective and efficient programs. We also believe providing local providers access to data can allow them to better tailor their course offerings. We think the Governor's data alignment proposal helps foster accurate and meaningful data. For these reasons, we recommend the Legislature approve it. We recommend,

however, that the Legislature also require the CCC Chancellor's Office and CDE to use a portion of the \$5 million augmentation to collect or assign an SSID to adult students without an SSN and for CCC to use and maintain these SSIDs in the adult education data platform. This would allow the state and providers to assess how students move between the K-12 system, adult schools, and community colleges.

**Wait for Segments to Finish Work Aligning Assessment and Placement Policies.** The CDE and CCC Chancellor's Office are in the midst of working to crosswalk between currently used adult education assessments, scoring, and placement policies. The segments indicate that providers will be able to start using the new crosswalk policies in 2018-19. We recommend waiting for the segments to complete this work in 2018-19. Were the Legislature still to have concerns with inconsistencies in assessment and placement policies after this work has been completed, it could revisit the issues in 2019-20.

**No Longer Require Adult School Instructors to Hold a Credential.** We recommend the Legislature amend statute so that individuals no longer need a teaching credential to serve as instructors at adult schools. By aligning qualifications for instructors, instructors could readily teach adult education courses at both community colleges and adult schools. Moreover, the change could help adult schools in hiring teachers. If the state has concerns about the quality of adult education instructors, it could encourage consortia to provide professional development as needed.

**Establish Clear Definition of CCC Noncredit Instruction.** We recommend the Legislature create consistent rules that clearly distinguish adult education coursework in math, English, ESL, and CTE from collegiate coursework. The delineation between precollegiate and collegiate coursework already is much clearer for other subjects, such as history and science. Similar to the delineations made for these other subjects, we recommend the Legislature restrict credit instruction in math, English, ESL, and CTE to college-level coursework. Though the state does not collect data on how many precollegiate courses in these areas are now being offered for credit, the impact of this recommendation could be significant, with colleges needing to reclassify many courses.

## SUMMARY OF RECOMMENDATIONS

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- Revamp adult education funding rules. Begin by setting a uniform per-student funding rate and consider building a performance component into the new funding system.
- Establish a consistent fee policy using one of two approaches—either eliminating fees or charging a nominal fee for all adult education courses.
- Require all adult education providers to coordinate with their adult education regional consortia.
- Approve Governor’s proposal to support data projects, but additionally require school districts to assign student identifiers and community colleges to use and maintain the identifiers.
- Wait for the California Department of Education and California Community Colleges Chancellor’s Office to complete planned 2018-19 work on aligning assessment and placement policies. If inconsistencies remain, revisit assessment and placement policies in 2019-20.
- Amend statute so that adult education instructors at adult schools no longer need a teaching credential. If the Legislature has concerns with instructor quality, encourage consortia to provide professional development as needed.
- Create clear definitions that distinguish credit and noncredit instruction at community colleges.

## LAO PUBLICATIONS

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This report was prepared by Natasha Collins and reviewed by Jennifer Kuhn. The Legislative Analyst’s Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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# California Public Higher Education: Funding Supplemental Services for Low-Income and First-Generation Students

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DECEMBER 20, 2017



## Summary

**Legislature Seeks Evaluation of Supplemental Services for Low-Income and First-Generation Students in College.** The California Community Colleges (CCC), California State University (CSU), and University of California (UC) each serve a large number of low-income and first-generation college students. *The Supplemental Report of the 2017-18 Budget Act* requires our office to examine funding and services for these students as well as provide options for restructuring existing funding approaches. The restructuring options are to include creating a weighted student formula along the lines of the formula the state now uses for K-12 education (known as the Local Control Funding Formula). This reports fulfills this requirement.

**Different Current Approaches to Funding and Serving These Students.** The community colleges go about funding and serving low-income and first-generation students in a notably different way than the universities. For CCC, the state currently funds ten programs that each supports a designated set of services to students (such as counseling, subsidized employment, and child care). Compared to CCC, the universities have a much simpler approach, generally operating one systemwide supplemental program and giving campuses flexibility to design additional programs and services to address specific student subgroups. In addition to targeted support services, the state and all three segments operate several financial aid programs for low-income students.

**Several Restructuring Options.** For CCC, the state's current approach is complicated, overly rigid, and administratively burdensome. Community colleges, in our view, would benefit from a streamlined approach that provided more flexibility and local control. Such approaches include consolidating programs into a student support block grant or creating a weighted student formula. For CSU and UC, we believe the current approach to providing supplemental services is reasonable, but neither segment regularly provides clear information on program spending and results. For CSU and UC, the Legislature could consider enhancing oversight and reporting. If it believes a stronger, more prescriptive approach is needed, the Legislature could create a new categorical program that funds supplemental services directly, or it could more fundamentally transform the segments' governance, funding formulas, planning requirements, and systems of accountability. Regardless of what the Legislature chooses to do about funding supplemental services at each of the segments, we think financially needy students at all three segments would benefit considerably from a more seamless, transparent, and rational financial aid system.

## INTRODUCTION

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***Legislative Interest Expressed in Improving Outcomes for Low-Income and First-Generation Students.*** During the 2017-18 legislative session, several members of the Legislature expressed interest in ensuring that low-income and first-generation college students receive enough support to have positive college experiences and outcomes. To this end, *The Supplemental Report of the 2017-18 Budget Act* required our office to examine how much existing funding and support is provided to these students and identify options for increasing that funding and support. This report fulfills this requirement. The report

has two main parts. The first focuses on the California Community Colleges (CCC) and the second focuses on the state's two public university systems—the California State University (CSU) and the University of California (UC). Within each part, we provide (1) an inventory of systemwide supplemental programs for low-income and first-generation students; (2) an assessment of the current approach for supporting these students; and (3) options for restructuring funding and support for these students, including the option of creating a weighted student formula.

## CCC

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CCC provides lower-division undergraduate instruction and grants associate degrees and skills certificates. It is the largest public higher education segment in California, serving 1.2 million full-time equivalent (FTE) students. Below, we provide background on community college governance and funding. We then provide the inventory of supplemental programs, an associated assessment, and restructuring options.

### Background

***CCC Overseen by State Board of Governors and Local Governing Boards.*** Key functions of the 17-member, statewide Board of Governors include setting minimum standards for districts (such as student graduation requirements), maintaining a comprehensive educational and fiscal accountability system, and overseeing statewide programs. The board appoints a Chancellor to make recommendations on policy matters and run day-to-day operations at the systemwide headquarters in Sacramento. The system's 114 colleges are operated by 72 districts, each governed by a locally elected board.

***Roughly Three-Fourths of CCC Funding Is Unrestricted.*** The bulk of CCC's core operational funding comes from the state General Fund and local property tax revenue, with much smaller shares coming from student fees and state lottery revenue. In 2016-17, of CCC's \$8.9 billion in core operational funding,

73 percent was unrestricted. Unrestricted CCC funds—known as apportionments—are allocated to districts primarily based on enrollment. Other allocation factors include the number and types of colleges in a district and various measures of a district's need for community college access (such as its population growth, adult educational attainment, unemployment, and poverty level). The state provides each district with roughly the same apportionment amount per student. Under a statutory requirement known as the “50 percent law,” districts must spend at least one-half of their apportionments on salary and benefits for instructional faculty.

***About One-Quarter of CCC Funding Is Restricted.*** The remaining 27 percent of CCC's core operational funding in 2016-17 was restricted and allocated to districts through categorical programs. The largest categorical programs are the Adult Education Block Grant, Student Success and Support Program, and Strong Workforce Program. The state allocates funds for these programs based on various factors specific to each program. For example, Strong Workforce funding is allocated based primarily on districts' enrollment levels for occupational courses, student outcomes (such as job placement and wage gains), and regional unemployment rates and job openings. The bulk of CCC categorical funding is for student support services and financial aid. With recent growth in student support and aid programs, the share



of CCC funding allocated through categorical programs has increased by about 10 percentage points over the past five years.

***CCC Tracks Low-Income Students Served.***

CCC defines low-income students primarily as those who meet one of two criteria: (1) they receive a Pell Grant (federal need-based aid) or (2) they receive a fee waiver (state need-based aid). In 2014-15, 22 percent of CCC students systemwide received a Pell Grant. Among community colleges, this proportion ranged from 4 percent (Palo Verde) to 49 percent (Porterville). About one-half of all students received a fee waiver, with colleges ranging from 22 percent (West Valley) to 89 percent (Reedley). As federal and state aid recipients do not overlap entirely, somewhat more than one-half of all CCC students systemwide are identified as low income.

***Low-Income CCC Students Have Lower Completion Rates.*** In 2015-16, the six-year completion rate for degree or certificate seeking low-income students was 45 percent, compared with 57 percent for other students. Federal data, also from 2015-16, show three-year CCC completion rates for first time, full-time Pell Grant recipients and non-Pell Grant recipients of 26 percent and 34 percent, respectively.

***CCC Also Tracks First-Generation College Students Served.*** To identify the share of first-generation college students, CCC's application form asks for the highest level of schooling completed by an applicant's parents. If a student provides this information for two parents, CCC uses the highest education level of the two. CCC defines a first-generation college student as one for whom no parent or guardian has earned more than a high school diploma or ever attended college. Overall, CCC reports that 42 percent of students in the 2015-16 academic year were first-generation college students, with colleges ranging from 23 percent (Saddleback) to 74 percent (Los Angeles Trade-Tech). (CCC's data are unavailable or incomplete for many campuses. Data from a federal reporting system using the same definition for first-generation students puts the systemwide estimate for CCC somewhat higher, at 55 percent.)

***First-Generation Students Generally Have Lower Completion Rates.*** CCC does not report outcomes specifically for first-generation college

students. Other available data, however, consistently reflect poorer outcomes for these students. In a large, nationally representative sample, 36 percent of first-generation students at two- and four-year colleges earned an associate degree or higher within ten years of completing their high school sophomore year, 17 percent earned a certificate, and 47 percent earned no certificate or degree. Among students having at least one parent with a bachelor's degree, 63 percent earned an associate degree or higher, 7 percent earned a certificate, and 30 percent earned no certificate or degree in the same period. First-generation students also are far more likely to attend community colleges. In the same sample, 52 percent of first-generation students initially attended a two-year college, compared with 28 percent of students having a parent with a bachelor's degree.

***CCC Student Success Initiative Seeks to Improve Completion Rates.*** The Board of Governors has set specific goals for improving graduation rates and other student outcomes and eliminating achievement gaps among student subgroups over the next ten years. Under the umbrella of the CCC Student Success Initiative, the system has several statewide programs to help it meet these goals. The largest of these programs, the Student Success and Support program (\$306 million in 2017-18), provides student orientation, assessment, and counseling services to all students. In 2017-18, the state also provided \$150 million one time for the Guided Pathways Initiative, which is intended to develop better systems for helping all students choose, enter, and complete an academic program.

## **Systemwide Supplemental Programs**

***CCC Has Many Programs Designed to Support Low-Income and First Generation Students.*** In addition to broad-based support programs serving all students, CCC has several programs that specifically benefit low-income and first-generation CCC students. As **Figure 1** shows (see next page), some of these programs focus on student services and some provide direct student financial aid. Although Cal Grants and Pell Grants are not technically CCC categorical programs, we include them in the figure because they support many CCC low-income students.

***Total of \$500 Million Provided Annually for Ten CCC Student Services Programs.*** This funding supports a range of services that exclusively or primarily

**Figure 1****Systemwide Programs That Support Low-Income and First-Generation CCC Students**

2017-18

<b>Program</b>	<b>Description</b>	<b>Funding (In Millions)</b>
<b>Student Services</b>		
<b>Student equity</b>	Funds activities to identify and address disparities in access and outcomes for various subgroups of CCC students.	\$160
<b>Adult Education Block Grant</b>	Funds regional consortia of adult schools, community colleges, and other adult education providers to improve coordination and better serve the needs of adult learners.	133
<b>Extended Opportunity Programs and Services</b>	Provides various supplemental services (such as counseling, tutoring, and textbook purchase assistance) for low-income and academically underprepared students as well as welfare-dependent single parents.	125
<b>Basic Skills Initiative</b>	Funds counseling and tutoring for academically underprepared students as well as curriculum and professional development for basic skills faculty.	50
<b>CalWORKs student services</b>	Provides child care, career counseling, subsidized employment, and other supplemental services to CCC students receiving CalWORKs assistance. (These services are in addition to those provided to all CalWORKs recipients by county welfare departments.)	44
<b>Umoja</b>	Provides professional development for faculty, staff, and students and augments instruction and student services. Purpose is to improve student experiences by promoting awareness of African and African-American culture.	3
<b>Support for certain campus child care centers</b>	Funds child care centers (aimed primarily at low-income women studying at CCC) at 25 community college districts.	3
<b>Mathematics, Engineering, and Science Achievement (MESA) Program</b>	Provides academic counseling, workshops, and community-building activities for educationally disadvantaged students seeking careers in math, science, and engineering fields.	2
<b>Puente</b>	Provides faculty and staff professional development and student mentoring and counseling to increase academic achievement for underserved students. Program is a partnership with University of California and emphasizes successful transfer to universities.	2
<b>Middle College High School</b>	Provides high school and community college instruction to high-potential, at-risk high school students. Instruction is provided on community college campuses.	2
<b>Total</b>		<b>\$524</b>
<b>Student Financial Aid</b>		
<b>Pell Grants</b>	Federal need-based grants. Funds are for any cost of attendance. (Amount shown for 2014-15.)	\$1,750
<b>Promise Grants</b>	State-supported enrollment fee coverage for financially needy students. (Formerly called Board of Governors Fee Waivers.)	811
<b>Cal Grants</b>	State need-based financial aid grants. Includes tuition grants and cash stipends.	155
<b>Financial aid administration</b>	Funds staff to process federal and state financial aid forms and assist low-income students with applying for financial aid.	73
<b>Full-Time Student Success Grants</b>	Supplemental state grants for Cal Grant recipients enrolling in at least 12 units per term.	66
<b>Completion Grants</b>	Additional supplemental state financial aid for Cal Grant recipients enrolling in at least 15 units per term and maintaining progress to on-time graduation.	25
<b>Total</b>		<b>\$2,880</b>

benefit low-income and first-generation students. These services include various types of wraparound support, which is provided alongside core instructional programs. For example, the programs fund counseling, tutoring, subsidized employment, and child care. The programs also support outreach to high school students and professional development for faculty and staff.

**Nearly \$2.9 Billion in Financial Aid Benefiting CCC Students.** In addition to targeted student support programs, students access \$1.8 billion in federal financial aid and the state provides more than \$1.1 billion in aid. These programs help students afford books, supplies, and living expenses while they attend college, as well as fully cover enrollment fees for low-income students.

## Assessment

**Current CCC Approach Has One Notable Advantage . . .** By restricting a notable amount of funding, the current CCC approach ensures that low-income and first-generation students receive supplemental services. Colleges may not divert these funds for more general, less targeted purposes, such as general salary increases. As a result, more funding than otherwise tends to be available for enhanced or expanded supplemental services.

**. . . And Several Notable Drawbacks.** As we have discussed in many previous reports, the current system of more than a dozen CCC categorical programs is complicated and administratively burdensome. Each program has its own authorizing legislation, regulations, funding formulas, and reporting requirements. Such a system results in organizational silos and compartmentalized staff, making planning challenging and time consuming and often leading to duplication and poor coordination of services. Moreover, the state has no effective way of assessing program results or maintaining accountability for outcomes. Given overlap and differences among these programs, pinpointing which particular program or component might be producing a positive or negative outcome is virtually impossible. Also, because the programs are set in statute and regulations—and funding generally cannot be transferred across programs—the system is not nimble in responding to new information, including changing student needs.

## Restructuring Options

**Consolidate CCC Categorical Programs Into a Student Support Block Grant.** One option for improving the current system is to create a block grant that requires funding be used to support low-income and first-generation students. The state could allocate funds based on each district's share of these students, and colleges could determine how best to serve these students in their local context. As a condition of receiving block grant funding, districts would need to meet certain standards and report on students served, use of funds, and associated outcomes.

**Replace Categorical System With a Weighted Student Formula.** Another option is to combine funding for certain existing student support programs with apportionment funding and use a weighted student formula to allocate the resulting pot of funding. Such a formula might be designed similarly to the Local Control Funding Formula (LCFF) the state uses for K-12 education, described in the box on page 7. Under this approach, the weighted student formula would have a base rate for all students, a supplemental rate for low-income and first-generation students, and possibly a concentration rate for districts with especially high percentages of low-income and first-generation students. The purpose of this type of formula would be to direct relatively greater funding to districts with higher numbers and concentrations of low-income and first-generation students.

**Many Decisions Entailed in Implementing a Weighted Student Formula.** Were the Legislature to adopt a weighted student formula, it would need to make several key decisions (summarized in **Figure 2**, see next page). The extent of any redistribution of funding across districts would depend largely on which categorical funds were included, the current allocation of those funds, and the target funding rates. The pace of redistribution—and its impact on districts—would depend on the state's transition strategy. A gradual transition using only incremental funding would protect districts against year-over-year reductions, similar to how the state is handling the K-12 LCFF transition currently underway. A more immediate reallocation of current funding could reach funding targets faster but could result in some districts seeing year-over-year funding reductions.

**Figure 2**

## Developing a Weighted Student Formula for CCC— Key Decisions for Legislature to Consider

### Funding

- Districts currently receive about \$6.8 billion in apportionment funding. In addition to this unrestricted funding, the state provides \$524 million for ten supplemental student services. Which of these 11 programs should the state fold into a weighted student formula?
- The 2017-18 per-student apportionment funding rate is \$5,310. Should the state set a higher target base rate?
- Should all students generate the same base rate, or should base rates be higher for certain higher-cost students, such as those in career technical education or science and engineering courses?
- Although most apportionment funding currently is based on enrollment, 8 percent is based on the size, number, and types of campuses in a district. Should this practice continue? Should districts receive different base rates to adjust for these characteristics?
- How much funding per low-income and first-generation student do the consolidated categorical programs represent? Is this an appropriate supplemental rate for low-income or first-generation students? Should the state set a different rate?
- Should the formula have a concentration grant? If so, what should be the concentration threshold? How much additional funding should districts receive for each student above the threshold?

### Transition

- Should the state phase in the new formula? How quickly should the new formula be implemented?
- Should the formula include a hold-harmless provision?

### Accountability

- How should the state define low income and first generation? How should the state verify which students are low income and first generation?
- What planning requirements should be placed on districts?
- What spending restrictions, if any, should be placed on districts?
- How should the state hold districts accountable for student performance?
- Should the state or districts set student performance goals?

**Consider the Trade-Offs Between Block Grant and Weighted Student Formula.** A block grant typically requires a specified amount be spent on specified services. In doing so, it tends to prevent funding from going to general salary increases or other purposes that do not necessarily benefit low-income and first-generation students directly. By comparison, a weighted student formula typically is less prescriptive and can provide even more flexibility for educators to design their own local programs. A weighted student formula also could have the benefit of linking more closely the supplemental funding rate for low-income and first-generation students with the costs of providing these services. Funding for a block grant, on the other hand, likely would be negotiated each year, weakening the relationship with costs. With a weighted student formula approach, however, the state might want to reconsider the 50 percent law. This is because one-half of monies generated by a weighted student formula

would have to be spent on direct classroom instruction and salary increases—rather than on supplemental services.

### **Consolidate and Simplify Financial Aid Programs.**

Regardless of what the Legislature chooses to do with funding for supplemental services, we recommend revisiting the state's complex and somewhat irrational financial aid system. The existing financial aid system could be particularly difficult for first-generation students to navigate because their parents—having had no postsecondary experience—typically are less prepared to guide them through the application process. The Legislature has requested a report from the California Student Aid Commission by February 1, 2018 regarding options to consolidate existing Cal Grant programs. The forthcoming report could provide a starting point for replacing the current assortment of aid programs with a system that is more transparent, rational, simpler, and easier to navigate.

## UNIVERSITIES

CSU provides instruction and grants degrees generally through the master's degree whereas UC serves as the state's primary public research university and provides instruction and grants degrees through the doctorate. Both CSU and UC require students to meet certain admissions requirements, including completing certain courses with a minimum grade point average and/or standardized test scores. In 2016-17, CSU served 400,000 FTE students at 23 campuses and UC served 264,000 FTE students at 10 campuses (1 of which serves only graduate students). Below, we provide background on the governance and funding of CSU and UC. We then provide an inventory of

systemwide programs, an associated assessment, and restructuring options.

### BACKGROUND

***Each University System Governed by a State Board.*** CSU and UC each have a governing board to oversee their respective systems—the Board of Trustees at CSU and the Board of Regents at UC. Existing law grants substantial authority to each board to manage student enrollment, allocate funding among campuses, determine overall staffing levels, enact compensation policies, and set tuition and fee policies. To manage the respective systems, each board hires

### Components of K-12 Local Control Funding Formula (LCFF)

***Funding to School Districts Set by Three Rates.*** We describe the three rates below:

- ***Base Rates.*** Each school district receives a base amount per student. In 2017-18, the base rate generated by a high school student is \$8,938. The high school base rate is higher than the rate for the other grade spans (K-3, 4-6, and 7-8) in recognition of the higher associated costs.
- ***Supplemental Funding.*** In addition to the base amount, districts receive supplemental funding equal to 20 percent of the base rate for each student who is an English learner, low income (that is, qualifying for free or reduced price lunch), or a foster youth.
- ***Concentration Funding.*** For districts whose English learners and low-income students together exceed 55 percent of total enrollment, the state provides concentration funding. Specifically, these districts receive an additional 50 percent of the base rate for each English learner or low-income student above the 55 percent threshold.

***State Has Been Phasing in Formula Over Multiple Years.*** In developing LCFF, the state created per-student funding targets that were significantly higher than the going rates. Starting in 2013-14, the state began providing augmentations to LCFF to close the difference (or gap) between their prior-year funding level and their LCFF target level. In 2017-18, school districts are receiving 97 percent of their target funding levels.

***In Conjunction With LCFF, State Also Developed Spending Regulations and Planning Requirements.*** Districts can use most LCFF funds for any educational expense, but they must use some funding specifically for the benefit of students who are English learners, low income, or foster youth. Specifically, districts must demonstrate they are “increasing or improving” services for these students in proportion to the funding increases generated by these students. In addition, districts are required to adopt plans, known as Local Control Accountability Plans, that set performance goals and describe actions districts will take to achieve those goals. Districts must set goals in eight priority areas, including student achievement and student engagement. They must set goals for all students as well as all numerically significant student subgroups.

a systemwide chief executive officer as well as the heads of each campus (called presidents at CSU and chancellors at UC).

**Universities Have Greater Control Over Budgets Than CCC.** The universities’ core funding comes from the state General Fund and student tuition revenue. In 2016-17, CSU received core funding of \$6.6 billion and UC received \$7.9 billion. Compared to CCC, more CSU and UC core funding (virtually all of it) is unrestricted. Additionally, state law sets forth no policy for how CSU and UC are to allocate core funding to their respective campuses. Instead, the Legislature has delegated that responsibility to each of the systems’ governing board. Both governing boards provide campuses monies to cover costs associated with enrolling more students, though the systems have some notable differences in how they allocate funding among campuses. In particular, CSU uses a flat per-FTE student funding rate whereas UC uses a weighted student formula that allocates more to campuses with larger numbers of graduate students and students in health science programs.

**Sizeable Portions of CSU and UC Students Are Considered Low Income.** Both CSU and UC define students as “low income” if they receive a federal Pell Grant. At CSU and UC, 50 percent and 44 percent of resident undergraduate students, respectively, received a Pell Grant in fall 2016. The rate of Pell Grant recipients differs by campus. The range at CSU is from 19 percent (San Luis Obispo) to 68 percent (Los Angeles). The range at UC is from 34 percent (Berkeley) to 61 percent (Merced).

**Many CSU and UC Students Are First-Generation College-Goers.** Whereas CCC defines students as first generation if neither parent has ever attended college, the CSU and UC definition is that neither parent has earned a bachelor’s degree. Students report their parents’ education level on their admission applications. In fall 2016, 54 percent of entering CSU freshmen identified themselves as first generation. At UC, 46 percent of all resident undergraduate students identified themselves as first generation. As with Pell Grant status, the percentage of first-generation

students varies by campus. At CSU, the percentage of first-generation freshmen ranges from 17 percent (San Luis Obispo) to 74 percent (Dominguez Hills and Stanislaus). The percentage of resident undergraduate students at UC identified as first generation ranges from 32 percent (Berkeley) to 70 percent (Merced).

**Graduation Rates for Low-Income and First-Generation Students Are Lower Than Other Students.** Figure 3 shows that achievement gaps exist at CSU and UC for both Pell Grant students and first-generation students. The gaps are not notably different for the two student groups. At CSU and UC, the four-year graduation rate gaps are more notable than the six-year gaps. At UC, however, the gap narrows substantially at the six-year mark, with the six-year graduation rate gap at 3 percentage points for Pell Grant recipients and 6 percentage points for first-generation students.

**CSU Has Goals to Eliminate Achievement Gaps Among Students.** To address its low graduation rates, CSU launched a Graduation Initiative in 2009. The Graduation Initiative seeks to achieve two goals by 2025: (1) increase graduation rates for all undergraduates and (2) eliminate differences in graduation rates for several groups of students, including those who are low income and first generation. To reach these goals, CSU has granted its campuses discretion to develop their own implementation strategies. In contrast to CSU, UC has not established systemwide student completion

**Figure 3**  
**Student Achievement Gaps Exist at CSU and UC**  
*Graduation Rates for Freshmen Entering as Full-Time Students*

	CSU		UC	
	Four Year <sup>a</sup>	Six Year <sup>b</sup>	Four Year <sup>a</sup>	Six Year <sup>b</sup>
<b>All Students</b>	20.7%	59.1%	64.0%	85.0%
<b>Financial Status</b>				
Not a Pell Grant recipient	27.1%	63.5%	69.0%	86.0%
Pell Grant recipient	13.7	53.5	58.0	83.0
<b>Achievement Gap</b>	<b>13.4%</b>	<b>10.0%</b>	<b>11.0%</b>	<b>3.0%</b>
<b>Parental Education</b>				
Not first generation	28.5%	65.6%	69.0%	87.0%
First generation	15.4	54.4	57.0	81.0
<b>Achievement Gap</b>	<b>13.1%</b>	<b>11.2%</b>	<b>12.0%</b>	<b>6.0%</b>

<sup>a</sup> Freshmen entering fall 2012.  
<sup>b</sup> Freshmen entering fall 2010.

goals. In a November 2016 report to the Legislature, UC anticipated graduation rate gaps for low-income students to remain constant over the next few years.

**Systemwide Supplemental Programs**

**Educational Opportunity Program (EOP) Is CSU's Sole Systemwide Program for Low-Income and First-Generation Students.** EOP provides a variety of supplemental support services to students considered to be educationally disadvantaged, including students who are low income and first generation. Supplemental support services offered by EOP include academic advising, peer mentoring, tutoring, and student financial aid. CSU gives each campus discretion to determine the specific mix of EOP services offered to students, though it requires campuses to spend a minimum amount on financial aid. In 2016-17, 32,000 undergraduate students (8 percent of all undergraduate students) participated in EOP. Though the Chancellor's Office does not regularly track spending on EOP, CSU staff estimates that campuses spent between \$37 million to \$39 million on EOP in 2016-17. Slightly more than one-half of this amount was spent on student support programs, with the remainder spent on financial aid grants. In addition to EOP, campuses operate a variety of campus-specific programs designed to address specific student subgroups (such as Dominguez Hills' Male Success Alliance, which serves primarily male African-American and Latino students). The Chancellor's Office does not collect comprehensive information about these campus programs.

**UC Also Operates EOP Programs.** UC does not operate a systemwide student support program or require campuses to spend certain funding each year on supplemental services. Though no systemwide UC program exists, four UC campuses (Berkeley, Davis, Santa Barbara, and Santa Cruz) currently operate an EOP program. The remaining five undergraduate-serving campuses operate a program UC indicates is comparable to EOP. The programs generally provide a similar set of services as CSU's EOP program, including academic advising, peer mentoring, and student financial aid. UC does not track enrollment and funding for these programs. In a recent report to the Legislature,

though, UC reported spending \$86 million on all supplemental student support programs (both systemwide and campus-specific programs) in 2014-15. Additionally, UC indicates that some of its outreach programs designed primarily for high schools students might be providing supplemental services to students once they enroll at a UC campus.

**CSU and UC Offer Significant Financial Aid to Low-Income Students.** In addition to financial aid offered through EOP programs, CSU and UC students have access to numerous need-based financial aid programs to cover the cost of tuition and attending college. Major programs include federal Pell Grants, Cal Grants, and institutional aid offered by each system. CSU's institutional aid program, known as the State University Grant, provides eligible students a tuition waiver. UC's institutional aid program provides eligible students funding to cover tuition and, in some cases, other costs of attendance (such as books and housing costs). **Figure 4** summarizes spending on these programs at each segment.

**Both University Systems Allocate Funding to Campuses to Boost Graduation Rates.** CSU currently is designating \$123 million in ongoing funding to implement its Graduation Initiative. The Chancellor's Office distributes most of this funding through a formula allocation based on (1) each campus' share of students receiving Pell Grants or institutional financial aid and (2) the number of first-year students on each campus identified as needing remediation in English or math. While CSU gives campuses flexibility on how to spend this funding, the main purpose of the funding has been to expand course offerings and support services. UC also directs some of its unrestricted funding to campuses with low completion rates. Since 2014-15, UC has provided four campuses with the lowest graduation rates (Merced, Riverside, Santa Barbara, and Santa Cruz) \$6.4 million each in addition to their

**Figure 4**

**Numerous Need-Based Aid Programs at CSU and UC 2015-16 (In Millions)**

	CSU	UC	Totals
Federal Pell Grant	\$950	\$376	\$1,326
State Cal Grant	636	843	1,478
Institutional grants	566	725	1,291
<b>Totals</b>	<b>\$2,152</b>	<b>\$1,944</b>	<b>\$4,096</b>

regular per-student allocations. The four UC campuses have wide discretion in how to spend their allocations.

## Assessment

**No Notable Concern With Overall Approach at Universities.** Compared to CCC's complex and overlapping approach to serving low-income and first-generation students, CSU and UC have a much simpler, streamlined approach. The segments generally operate one primary systemwide supplemental program. We believe having one umbrella program but giving campuses flexibility to design student support services is a reasonable approach given each campus's different student population.

**Programs Lack Transparency.** Although CSU's and UC's overall approach to providing support services for low-income and first-generation students seems reasonable, the state budget does not contain clear fiscal information about these services. Moreover, neither segment regularly tracks funding and spending for supplemental support programs. Furthermore, only some enrollment and outcome data are available for certain programs. For example, in most years, CSU reports the number of students who participate in EOP and their graduation rates. These outcome data, however, do not compare EOP students with students of similar academic standing who do not participate in the program. As a result, the Legislature lacks sufficient data to evaluate the effectiveness of the EOP program in boosting student outcomes. For UC, outcome data is even more limited, with no regular UC or state monitoring and evaluating of these services.

## Restructuring Options

**Three Restructuring Options.** One option is to continue providing flexible funding to CSU and UC but track key outcomes of interest through periodic reporting requirements. A second option is for the Legislature to exert more control over CSU and UC budget practices by restricting funding for specified programs in the budget. Third, the Legislature could adopt a weighted student formula that provides supplemental funding to these students. We describe each approach in greater detail below.

**Require Goal Setting, Performance Tracking, and Annual Reporting.** Under the state's recent budgetary approach for the universities, the state has provided CSU and UC with unrestricted funding and elected

to track the segments' performance through annual reporting on key measures. The Legislature could build off this approach by expanding these reporting requirements. For example, current law requires CSU and UC to set and report performance goals annually for Pell Grant student enrollment and graduation rates. Were the Legislature also interested in first-generation students, it could require the segments to provide enrollment and outcome data on those students. The Legislature also could require periodic reports and evaluations of supplemental support service programs operated at each segment.

**Directly Fund University Programs.** To the extent the Legislature is concerned that the segments are not prioritizing support services and providing sufficient funding for them, it could exert greater control and oversight over these programs through the budget process. Under this approach, the Legislature would enact legislation authorizing supplemental services and appropriate a certain amount of state funding each year for those services.

**Develop a Weighted Student Formula.** A weighted student formula that provides additional funding for low-income and first-generation students could contain many of the same elements as the K-12 formula described in the CCC section. That is, such a formula could include a base per-student funding amount, supplemental rates for each low-income and first-generation student, and a reporting mechanism to hold campuses accountable. Developing a weighted student formula, however, would require the Legislature to consider a number of added issues given the numerous significant differences between the universities and community college districts. **Figure 5** highlights these key considerations.

**Many Factors to Consider When Weighing the Three Options.** Each option presents different roles for the Legislature in supporting students at CSU and UC. The first approach of expanding reporting requirements entails the least amount of change and would provide the segments significant flexibility to allocate funding to campuses and design their own programs. The second approach of creating systemwide categorical programs would give the Legislature direct control over how much is spent on low-income and first-generation students and which services are provided to students. Absent systematic evaluations on the effectiveness of existing statewide programs at CSU and UC,



however, choosing which programs and services to fund (and the total amount to provide) is problematic. The third approach of creating a weighted student formula would be the most significant departure from historical practice and very likely would have significant ramifications for CSU's and UC's governance, planning, budgeting, and systems of accountability.

***Financial Aid Restructuring Could Benefit University Students Too.*** As for CCC students,

consolidating existing financial programs would help CSU and UC low-income and first-generation students and their parents navigate a system that currently is overly complex and difficult to understand. Much of the program consolidation that could be done for state and institutional aid programs would benefit all financially needy students across the higher education segments.

**Figure 5**

### **Developing a Weighted Student Formula for CSU and UC— Key Decisions for Legislature to Consider**

#### **Funding**

- Should a formula determine how much the state provides CSU and UC systemwide or be used as a campus allocation method?
- In 2016-17, CSU's and UC's core funding equated to about \$13,600 per student at CSU and about \$28,200 per student at UC. Should a formula apply to all CSU and UC core funding or only new funding?
- Should base rates be higher for certain higher-cost students, such as those in upper-division courses (which tend to have smaller class sizes) or science and engineering courses? Should separate rates be established for undergraduate, graduate, and professional school students?
- After calculating base rates, should the Legislature set higher target rates?
- Currently, CSU and UC allocate funding to campuses based in part on their size. Should this practice continue?
- Is the amount CSU and UC currently spend on supplemental services an appropriate supplemental rate for low-income or first-generation students? Should the state set a higher rate? Should the rates for CSU and UC be different? Should they differ from the K-12 and CCC supplemental rates? What would be the rationale for such differences?
- Should the formula have a concentration grant? If so, what should be the concentration threshold? How much additional funding should the universities receive for each student above the threshold?

#### **Transition**

- Should the state phase in the new formula? How quickly should the new formula be implemented?
- Should the formula include a hold-harmless provision?

#### **Accountability**

- How should the state define low income and first generation? How should the state verify which students are low income and first generation?
- What planning requirements should be linked to the formula funding? Should the requirements be placed on the system offices or on each campus? What state agency would be tasked with ensuring the planning requirements are being fulfilled?
- Currently, the universities set their own performance goals. Under a new funding system, should the Legislature set these goals? Should it set goals systemwide or for each campus?
- What spending restrictions, if any, should be placed on the formula funding? Should the restrictions be placed on the systemwide appropriation or on each campus's allotment? What state agency would be tasked with ensuring that the spending requirements are being fulfilled?
- Should the state hold the segments and individual campuses accountable for student performance? What should be the repercussions for poor performance?

## CONCLUSION

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California's public higher education segments each serve a large number of low-income and first-generation students. Our review identifies opportunities for improving the way supplemental services designed for these students are funded and overseen. For CCC, we find that the state's current approach of funding numerous categorical programs is complicated, overly rigid, and administratively burdensome. Community colleges, in our view, would benefit from a streamlined approach that provided more flexibility and local control. Such approaches include consolidating programs into a student support block grant or creating a weighted student formula. For CSU and UC, we find the current approach to providing supplemental

services is reasonable, but both segments lack clear information on program spending and results. For CSU and UC, the Legislature could consider enhancing oversight, creating a new categorical program that provides funding for supplemental services, or more fundamentally transforming the segments' governance and funding. Each option entails trade-offs, with shifting to a weighted student formula a significantly more daunting task than the other options. Regardless of what the Legislature chooses to do about funding supplemental services at CCC, CSU, and UC, we believe financially needy students at all three segments would benefit notably from a more seamless, transparent, and rational financial aid system.

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This report was prepared by Jason Constantouros, Judy Heiman, and Paul Steenhausen, and reviewed by Jennifer Kuhn. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature. To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.



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