

High-Quality System Sensitive to Workforce Needs Critical to Keep State Competitive in Global Economy

In order to compete in the global economy, California must stay competitive by ensuring that the state has an educated and skilled workforce. However, this alone is not enough. Although California has great educational institutions and opportunities for individuals to obtain educational degrees and certificates, there seems to be a disconnect between the education offered and received by potential workers and the needs and demands of the business community. The skills and degrees being obtained are not necessarily the ones that will be needed in the future, and completion rates for California community colleges and universities are not keeping up with the growing demand for degrees and skills of future jobs.

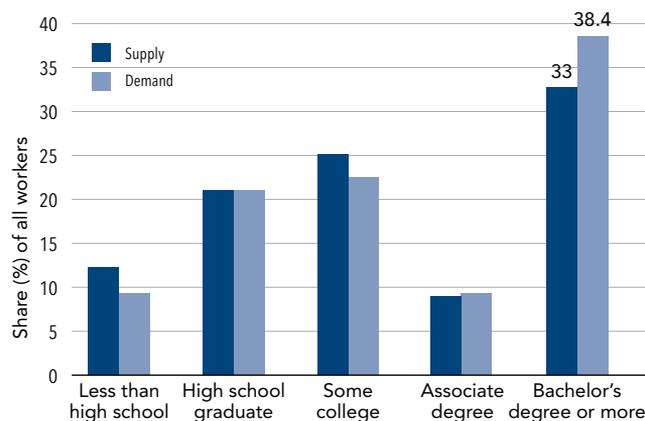
Skills Gap

According to the California Employment Development Department, California is expected to add about 2.5 million new jobs, reaching a total of about 18.7 million jobs by 2022. A report by the Public Policy Institute of California (PPIC) from April 2016 concluded that California's higher education system is not keeping up with the economy's changing needs. The skills and education attained by students continues to not fully meet the skills needs and demands of the California business community. If this trend continues, California will face a large skills gap. Specifically, California will be short 1.1 million workers with bachelor's degrees and 2.3 million community college certificates and degrees to fill the economic demand.

When jobs go unfilled because employers cannot find enough qualified workers, businesses are less productive and the state loses out on corporate tax revenue that could be used to support critical government programs and services, including education. At the same time, individuals who cannot find jobs that match their skills, content knowledge or level of educational attainment pay less to the state in taxes. If those individuals end up unemployed or incarcerated, they increase what the state must spend on its social programs and correctional justice system.

Given these realities, improving educational attainment rates is arguably one of the most important things policymakers can do to ensure the long-term health of the economy, and to improve the lives of future generations of Californians. Although the percentage of Californians who have attended at least some college has grown in recent years, student attainment rates are increasing far too slowly to keep pace with the growing needs of California's economy.

Demand for Highly Educated Workers Will Exceed Supply in 2030



Source: Public Policy Institute of California, "Will California Run Out of College Graduates?" (October 2015).

This potential mismatch between the preparation of California's workforce and the level of training needed by employers has serious long-term implications for the state's budget, employers, and families. The recent effort to reinvest in California schools and postsecondary institutions is a good start, but closing this gap will require more than simply sending more money to the schools.

The challenges that contribute to California's college attainment rates are complex, and success will require changes in many areas. It is critical that the educated and skilled workforce which California strives to maintain and grow has the areas of expertise and degrees needed for the jobs being created and needing to be filled. Otherwise, California could end up with an educated-yet-unemployed workforce and a business community without skilled employees.

Career Technical Education

Of critical importance in 2018 is Career Technical Education (CTE) funding. CTE is the key to closing the skills gap and ensuring the availability of a skilled workforce ready to meet industry needs. Of new jobs in California between 2010 and 2020, 23% will require less than an associate of arts (AA) degree. Many of the fastest-growing occupational fields—such

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as health care, construction and information technology—require a vocational education certificate rather than a bachelor of arts or science (BA or BS). Industry-relevant CTE is necessary for California’s constantly changing business environment.

For the last several decades, the focus has been on four-year degree programs to the detriment of career paths that did not require a degree but required trained skills that could be acquired either in high school or through certification thereafter. In fact, compared to other developed nations, the United States is an outlier when it comes to career technical education.

A 2013 Department of Education report revealed that only 6% of U.S. high school students were enrolled in a vocational course of study while 67% of Netherlands students, 59% of German students, 42% of United Kingdom students and 25% of Japanese students were on the vocational track. This is of great concern for both students and employers, because national data shows that among students who do not attend college, those who take the CTE path are more likely to find skilled jobs than are students who earn few or no occupational credits, an advantage for CTE students that has increased since the 1980s.

Before 2008, California’s investment in CTE was far more significant with approximately \$500 million in annual categorical support for CTE. Once that funding ended, it wasn’t until 2015 when CTE once again garnered the attention it needed and deserved. The Career Technical Education Incentive Grant was funded through the Budget Act of 2015. The purpose of the grant was to ensure that California students have access to high quality CTE in the K–12 system and postsecondary training and education opportunities.

The Incentive Grant is a three-year program. The 2015–2016 budget provided \$400 million for CTE funding. The 2016–2017 budget provided \$300 million in Proposition 98 funding to continue the Incentive Grant program and continue the competitive matching of grants under the program. An additional \$200 million is being provided in 2017–2018. There is no additional funding for career technical education beyond 2018, however, as the state grant funding concludes on June 30, 2018.

In addition to the lack of CTE funding, there is little investment by California into the oversight and growth of CTE programs or courses in the state. Currently approximately 20 employees at the California Department of Education work on CTE; this is down from 180 employees. All the current CTE employees are funded by federal dollars under the Carl D. Perkins Career and Technical Education Act of 2006. This means no state dollars are spent to fund designated CTE employees at the Department of Education in California.

Also of concern to the future of CTE in California is the shortage of CTE courses in community colleges. The community colleges continue to play a critical role in CTE and vocational degrees. Even though vocational programs and courses cost more than other community college programs or courses, California funds all of them using the same per pupil formula. So a vocational Emergency Room Technician course, which would be

more costly due to equipment needed and a simulated emergency room, would be funded the same as an English literature course that doesn’t require any equipment. The formula creates a disincentive for community colleges to offer more expensive courses if they do not receive any increased funding for such courses.

In a study comparing 20 states’ CTE funding, researchers found that, unlike California, 13 of the 20 states have some sort of differential funding whereby the state funding formulas take different program costs into account when funding institutions. Community colleges can’t develop and offer course work to meet industry workforce needs if the state funding does not properly reimburse the colleges for the high cost of CTE programs.

This lack of state funding and investment in CTE is problematic as the need for vocational training and certification is critical for future new jobs, almost a quarter of which will require a technical certificate rather than a two- or four-year degree. In fact, by 2025, PPIC has estimated that California will likely face a shortage of 1.5 million workers with some postsecondary education short of a bachelor’s degree. This means the future shortage of workers with vocational certificates and AA degrees will likely be greater than the 1 million worker shortage of college graduates.

California must address the needs of its students and the workforce needs of California employers if it is to continue to thrive. Extending the Career Technical Education Incentive Grant before it expires in June 2018 is a start; otherwise all state funding for CTE will end. If the state does not find a way to fund CTE in some other way or in addition to the Incentive Grant program, the loss of funding will be to the detriment of both students and businesses in California.

The Achievement Gap

One pervasive problem that must be addressed in order to meet California’s future workforce needs is the achievement gap between white and Asian/Pacific Islander (API) students and those of other racial and ethnic backgrounds. African Americans and Latinos, in particular, are significantly underrepresented in college classrooms and are less likely to finish college when they do enroll. These two groups together account for approximately 45% of the state’s total population, which means that policies designed to help more African Americans and Latinos go to college and complete their degree and certificate programs will make a sizable dent in the state’s overall shortage of qualified workers.

According to a 2012 report by California Competes setting forth a framework for how policymakers can improve the state’s higher education system: “If the gaps in enrollment and achievement were to be entirely closed [for African Americans, Latinos and Native Americans], an additional 790,000 four-year degrees would be produced in California, bringing us more than two-thirds of the way to the 2030 attainment goal.”

According to two reports by the Campaign for College Opportunity, there are 2.1 million African Americans living in

California, representing 5.7% of the state's population, while Latinos represent 38% of all Californians, with an estimated population of 14.5 million. At the same time, only 23% of African Americans age 25 or older have a bachelor's degree, as opposed to 39.3% of white adults, and 47.9% of API adults. For Latinos, the number is even lower, with only 10.7% of adults over age 25 having a bachelor's degree. When foreign-born Latinos are excluded from the total, only 16.2% of native-born Latinos have a bachelor's degree.

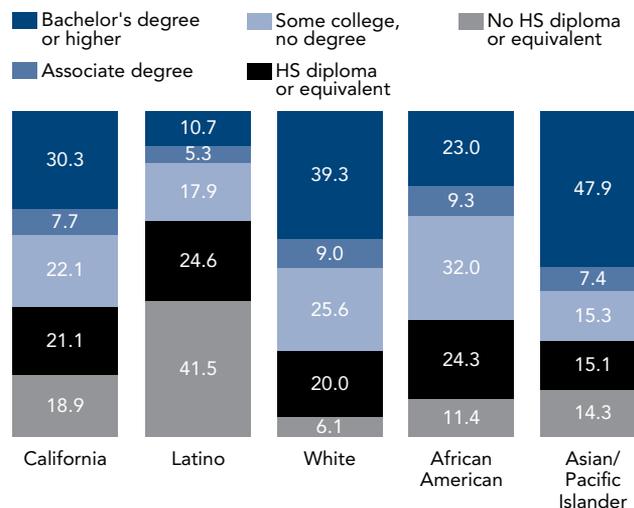
The achievement gap is even wider when attainment rates for different ethnic and racial groups are compared by looking at those with a high school diploma or less versus those with at least some college. In 2011, for example, 35.7% of African Americans and 66.1% of Latinos age 25 or older had earned a high school diploma or less, compared to 26.1% of white adults and 29.4% of API adults. When foreign-born Latino adults are excluded from the calculation, only 47.2% of native-born Latino adults have a high school diploma or less, but Latinos still have, far and away, the lowest college attainment rate of any ethnic group. Furthermore, while the percentage of individuals with a bachelor's degree has risen for all ethnic and racial groups since 2000, as of 2011, the achievement gap had decreased by only 1 percentage point for African Americans and 1.8 percentage points for Latinos compared to their white peers.

One factor contributing to this gap in college attainment is that only 68% of African Americans graduate from high school—the lowest percentage of any of the ethnic/racial populations measured, meaning that fewer are eligible to pursue college degrees to begin with. In addition, among both African American and Latino high school graduates, only 3 in 10 complete the A–G curriculum, a prerequisite for admission by the California State University (CSU) and University of California (UC), compared to 50% of white students and two-thirds of API students.

African American and Latino students who do graduate from high school and are accepted to one of California's three public higher educational institutions also tend to be less prepared for college-level work when they start, and as a result they are more likely to be assigned to pre-college level or remedial courses. This is troubling because, according to a recent report by the California Budget Project, only 20% of students enrolled in remedial courses at the community college level earn a certificate, an AA degree, or transfer to a four-year degree program within six years of their enrollment. The Campaign for College Opportunity reports reveal that African Americans and Latinos also struggle disproportionately at the CSU level. Only 8% of African Americans entering the system in 2008 graduated within four years, and only 35% graduated within six years. Similarly, only 10% of Latinos entering the system in 2008 graduated within four years, and less than 50% did so within six years.

These achievement and attainment gaps do not start in high school, though. They are visible at all levels of the education system and have remained relatively stable over the last 15 years despite overall increases in high school graduation rates and college attainment rates.

Educational Attainment of California Adults 25 Years and Older, 2011



Source: U.S. Census Bureau, 2011 American Community Survey 1-Year Estimates, Public Use Microdata Sample, in *The Campaign for College Opportunity, The State of Latinos in Higher Education* (November 2013).

Ongoing Changes in K–12 Education

Early childhood education has a huge impact on long-term educational attainment. Students who fall behind in the first few years of school often never catch up to their peers, and are more likely to drop out of school. According to a 2010 report by the Annie E. Casey Foundation (AECF Report), “the process of dropping out begins long before the child gets to high school. It stems from loss of interest and motivation in middle school, often triggered by retention in grade and the struggle to keep up academically.”

The AECF Report cites the inability to read proficiently by the end of third grade as one of the main contributors to this cycle, in large part because starting in fourth grade, the curriculum switches focus from teaching students to read, to having students read to learn. As a result, students who are not proficient at this point are likely to fall behind in every area of the curriculum. At the same time, their teachers will have much less time during the school day to help them catch up.

The AECF Report examined scores in reading proficiency for 4th graders on the 2009 National Assessment of Educational Progress (NAEP) and found that low-income children are much less likely to achieve reading proficiency by 4th grade than their higher-income peers. Eighty-three percent of low-income fourth graders scored “below proficient,” while only 55% of moderate-income and high-income students scored at the low level. The data also revealed that the achievement gap for African American, Latino and Native American children was already present by the fourth grade, and these ethnic and racial subpopulations scored substantially lower on reading proficiency than their

white and API peers, regardless of their income level. Based on the scores on the 2015 NAEP exam, it appears that little changed in the intervening five years.

The results of AECF Report suggest that making sure every student can read proficiently by the 4th grade could, by itself, lead to significantly improved high school graduation rates and better college readiness among graduates. Improving educational attainment in preparation for the state's 2030 workforce needs also will require policy changes that support early childhood development and improve individual skill development and academic performance at all ages and grade levels. Two key policy changes at the K–12 level are already in the early stages of implementation and have the potential to improve education outcomes for California students dramatically over time.

Local Control Funding Formula

In 2013, California overhauled its school funding system and implemented the Local Control Funding Formula (LCFF). The old school funding system was based on per-student funding with supplements from more than 55 categorical funds, and greatly limited the ability of school districts to allocate resources based on the unique needs of their student populations. The new law eliminated three-fourths of these categorical funds and established a flat, base level of per-student funding for each of four grade spans.

The base rate for each grade span varies based on the needs of students at different grade levels. For example, the base rate for students in grades K–3 includes extra funding to support class-size reduction, while the base rate for high school age students includes funds to support career technical education (CTE) courses. School districts also receive supplemental funds for each of their English-language learners and low-income (EL/LI) students. In addition, the law will gradually increase the annual level of funding flowing to K–12 schools by \$18 billion above 2013–14 funding levels. As of the 2016–17 Budget Act, school districts and charter schools are receiving, on average, 96% of their LCFF targets.

The LCFF also established a new system of transparency and accountability to ensure that this additional funding and spending flexibility leads to higher student achievement and the closing of achievement gaps for key subpopulations of students. It directs school districts to adopt and periodically update Local Control and Accountability Plans (LCAPs) that lay out how they will allocate their resources to provide high-quality education programs to all their students.

Districts must set annual goals in eight specified areas, including student achievement, student engagement, school climate, basic services, implementation of Common Core state standards, course access, parent involvement, and other student outcomes. The LCAPs also must include district-wide goals, and goals for each numerically significant student subpopulation in the district, and each LCAP must specify what actions the district plans to take to achieve these goals. Updated LCAPs must review the district's progress toward meeting the goals

it has set for itself, assess the effectiveness of the actions it has taken, and describe any changes it plans to make as a result of the review. Finally, districts must submit their LCAPs to their local county offices of education for approval.

The LCFF also envisions a system of interventions for schools and districts that are struggling to meet the objectives they established in their LCAPs. For example, if a district fails to improve outcomes in at least two priority areas for at least one subgroup, it will receive support from the county office of education, and if a school district is deemed to persistently underperform, the new law authorizes the state Superintendent of Public Instruction to intervene and change the district's LCAP, impose conforming budget revisions, and stay or rescind actions by the district governing board to improve student outcomes.

New Multiple-Measure Accountability System

On September 8, 2016, the California State Board of Education approved key elements of the new accountability system that evaluates school and district performance in 10 areas, including graduation rates, readiness for college and careers, test scores and progress of English learners. This new evaluation rubric will allow members of the public, including parents, to see how their local schools are performing. It replaces the prior Academic Performance Index (API), which relied mostly on test scores to measure progress. The API was a one-number rating for every school; the evaluation rubric will be a multicolored report with multiple measures for each school. It is critical that the rubric provide meaningful, easily understandable information to the public so that schools can be held accountable for ensuring all students succeed. Although most are in favor of a multiple measures approach, there is much criticism from parents and education leaders that the new system is confusing and makes it very difficult to compare schools.

One of the leading criticisms of the evaluation rubric is that academic achievement should be the priority and may get lost in this new system, which has many indicators. Another concern with the evaluation rubric is that it might violate federal law by failing to identify the lower-performing schools.

In December 2015, the federal government adopted the Every Student Succeeds Act (ESSA—discussed in further detail below), which replaced the No Child Left Behind Act. The California State Board of Education and California Department of Education were entrusted under the law to create the state accountability plan that includes the evaluation rubric. ESSA requires California and all other states to meaningfully differentiate school performance based on multiple measures and also identify, for support and intervention by the 2017–2018 school year, the lowest-performing 5% of the Title I schools and all high schools graduating fewer than two-third of students.

The criticism with the evaluation rubric is that it does not provide a mechanism to identify the lower-performing 5% of schools and does not communicate overall how a school is performing. Although the state accountability plan was supposed to be submitted to the U.S. Department of Education in early

2017, California was one of 34 states that was granted extra time to work on the ESSA plan. California ultimately submitted its plan in September 2017, yet failed to strengthen the evaluation rubric in a way to address the criticisms that have plagued it since its approval.

Common Core

Another policy change affecting K–12 education was the adoption of the Common Core State Standards in 2010. The standards provide a framework for what all students should know and be able to do at the end of each grade level in English and mathematics. Forty-two states and Washington D.C. are working to implement the standards. The Common Core was developed at the request of state school chiefs and governors from across the country, and designed by teachers, school chiefs, administrators and other experts. The overarching goals of the Common Core are to increase uniformity among districts, regions, and states, so that all graduates are equally prepared, and to emphasize important skills like analytical thinking over memorization of dates and facts.

In general, the standards require less content to be covered each year than California’s previous standards did, but students are expected to develop a deeper understanding of what they study. The standards also emphasize reading from expository materials and a more conceptual approach so that students learn to apply general concepts to real-world problems, similar to the types of problems they will face once they leave school and enter the workforce.

California belongs to the Smarter Balanced Assessment Consortium, one of two groups of states that developed new student assessments tied to the Common Core standards. The new Smarter Balance assessments are administered electronically and are adaptive, meaning the test questions change based on whether students correctly answer earlier questions. In this way, the program slowly builds a picture of what each student does and does not know. Unlike prior statewide tests, Smarter Balance assessments provide diagnostic information about each student’s skills and will serve as a useful tool for educators by helping them focus remediation efforts on each student’s specific needs.

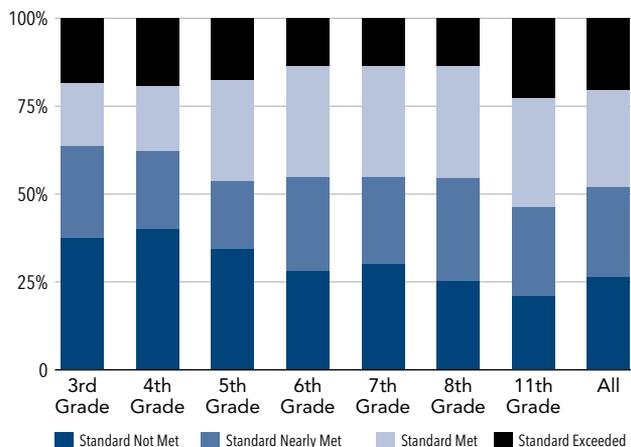
The first official administration of the Smarter Balance assessments took place in spring 2015, and they were given to all public school students in grades 3–8 and 11. Although students’ scores on this first round of testing cannot be compared to scores from prior tests, it was widely expected that, on average, scores for the Smarter Balance assessments would be lower because students, teachers and parents were still adjusting to the new standards and testing format.

In fact, on this baseline round of testing, only 44% of students statewide met or exceeded the standard for English/ language arts and literacy, and only 33% of students met or exceeded the standard for mathematics. Students in 11th grade and nearing graduation scored slightly better on the English/ language arts and literacy portion, with 54% of them meeting or

First Round Test Results: Smarter Balanced Assessment Consortium

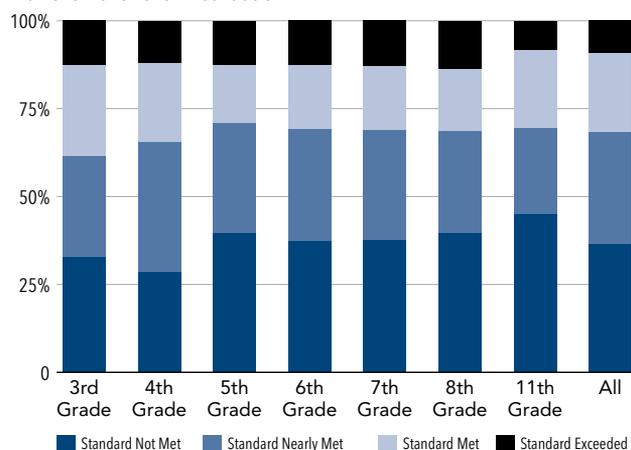
English Language Arts/Literacy

Achievement Level Distribution



Mathematics

Achievement Level Distribution



Source: California Department of Education

exceeding the standards, but only 29% of them met or exceeded the standards in mathematics. These initial results would appear to confirm what employers and postsecondary educators have been saying about the lack of college and career readiness among California’s high school graduates. The good news, though, is that the shift to the LCFF and Common Core should start to increase the students’ level of preparedness in the years to come if these policies are implemented and overseen properly.

Every Student Succeeds Act (ESSA)

On December 10, 2015, President Barack Obama signed into law the Every Student Succeeds Act (ESSA), the newest iteration of the Elementary and Secondary Education Act (ESEA), replacing the 2002 version, which usually is referred to as the No Child Left Behind (NCLB) law. The new law overhauls

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the federal government's role in K–12 education and will likely influence California's own education reform efforts. ESSA, similar to the LCFF at the state level, seeks to shrink the federal government's role in the day-to-day decision-making about how states should educate students but maintain a strong framework of federal accountability.

ESSA collapses nearly 50 federal categorical funds into a single block grant program, and places new limits on the power of the U.S. Secretary of Education. The law still requires states to administer statewide assessments in grades 3–8 and once during high school, but it allows states to consider multiple measures of student achievement when holding schools accountable, unlike NCLB, which looked solely at standardized test scores. Going forward, states also will be free to stop implementing the Common Core without fear of losing federal funding or their waiver from NCLB requirements and penalties, and states will no longer be required to use measures of student achievement in their teacher evaluations.

The law also substantially redefines the federal government's role in holding states accountable for student performance. ESSA requires that states set ambitious goals for student achievement and ensure that key student subgroups make meaningful progress toward college- and career-readiness. States also will have to develop tailored interventions and support strategies to help schools that are failing to meet these goals, and use evidence-based approaches to turn around the lowest-performing 5% of schools. If school districts are unable to turn struggling schools around, the law requires states to step in to help. Finally, the law also seeks to increase the types of opportunities students have throughout the country by encouraging states to:

- Establish or expand access to high-quality, state-funded preschool for low-income children.

- Develop innovative and effective reforms to close achievement gaps in key student subgroups.
- Expand incentives to recruit, develop and retain effective teachers and principals.
- Leverage resources to help students living in high-poverty communities and support a full continuum of services from early childhood through college.
- Expand support for high-performing public charter schools.

Many of the law's changes are consistent with changes California embraced when it adopted the LCFF, but also require that an entirely new system of federal accountability be developed just as California is working to develop its own new system of state accountability. On December 21, 2017, the U.S. Department of Education responded by providing a lengthy list of concerns and requested revisions by January 2018 in order to grant approval of California's state plan. Several states that submitted their plans in spring 2017 had them approved even without making the changes the department requested. It's unclear at this time whether California will comply and make the changes requested or if it will ignore the department's request but still gain approval of its plan.

CalChamber Position

The California Chamber of Commerce seeks to ensure that all students graduate from high school adequately prepared to enter the workforce or continue their education without the need for remediation. All students should be exposed to high-quality courses related to science, technology, engineering, and mathematics throughout their education, and be taught to develop critical thinking and analytical skills. More high school graduates should be prepared to continue their education by earning a certificate, associate or bachelor's degree, and postsecondary education should be affordable and attainable within a reasonable period of time.



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