

RATIONALE: AMEND THE 2014-15 BUDGET IN SUPPORT OF APPRENTICESHIP

1. RESTORE FUNDING FOR APPRENTICESHIP

Augment Budget Act Item 6870-101-0001, Schedule (3) by \$7.47 million and Schedule (3.5) by \$3.9 million

The appropriation proposed in the Budget Act for 2014-15 in item 6870-101-0001, Schedule (3), for *community colleges* participating in apprenticeship is \$7.17 million. This amount has been static since FY 2009-10 when the appropriation for this Schedule was reduced by approximately 50%. Augmenting this appropriation Schedule by \$7.47 million restores the appropriation to apprenticeship programs operated by community colleges to its 2008-09 level of approximately \$14.6 million.

The appropriation proposed in the Budget Act for 2014-15 in item 6870-101-0001, Schedule (3.5), for *K-12 schools* participating in apprenticeship is \$15.7 million. Augmenting this appropriation Schedule by \$3.9 million restores the appropriation for these participating K-12 schools, such as Adult Schools, ROCPs, and county offices of education, to its 2007-08 level of approximately \$19.6 million (assuming the hourly reimbursement rate is restored to \$5.06 per hour).

Since 2007-08, the Apprenticeship programs under CDE were subjected to a deficit factor under Budget Act Section 12.42, amounting to approximately 20%. The reduced amount transferred to the Community College Chancellors Office effectively made the 20% reduction permanent.

Currently, there is insufficient funding to pay the full hourly RSI rate to local education agencies for all registered apprentices. This puts a burden on both the education agency and the program sponsor as expansion is prohibited. During the Great Recession, many skilled jobs were lost as the economy lost its way. Now the economy is growing, as are corresponding job opportunities for high-wage and high-skill occupations. We anticipate hiring to increase dramatically over the next couple of years, putting pressure on an already underfunded system. Increasing the appropriation for apprenticeship to the level that precedes the Great Recession will help mitigate these problems.

It is imperative that California maintains the integrity of its apprenticeship programs so that it may continue to successfully support California's economic growth. Restoring funding is a critical key to achieving this priority for California.

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2. INCREASE HOURLY RATE TO \$5.31 PER HOUR FOR APPRENTICESHIP RELATED AND SUPPLEMENTAL INSTRUCTION (RSI)

Amend Budget Act Item 6870-101-0001 Provisions 6 (b) and 29 (b) to reflect the increased hourly rate of \$5.31 per hour.

Augment Budget Act Item 6870-101-0001 schedule (3) and Schedule (3.5) to reflect the hourly rate increase.

The Governor's proposed budget continues to set the hourly reimbursement rate for RSI at \$5.04. The hourly rate was reduced in 2010-11 from \$5.06 to \$5.04 as a strategy to help offset the negative impacts of the Great Recession, in particular, to help fund additional hours. Our proposal (contained in this item 2) to increase the hourly rate includes an additional augmentation in the line item in order to ensure that the appropriation will fund the SAME NUMBER of training hours using the increased hourly reimbursement rate (\$5.31) as the amount in item 1 (of this document) proposes to fund under the restored reimbursement rate (\$5.06).

The existing hourly rate for reimbursing local education agencies for RSI is drastically inadequate compared to the funding methodology for traditional classroom instruction (e.g. FTEs and ADA). Apprenticeship is the lowest. Currently, the hourly rate for FTE Non Credit classes at community colleges is \$5.31 per hour and apprenticeship should be comparable. By comparison, the hourly rate equivalent for community college credit classes is currently \$8.83 per hour.

As the economy recovers the demand for a highly trained competent workforce is essential. One example of increasing demand is the need for a large number of qualified skilled workers to perform the green jobs called for with the passage of Proposition 39 – California Clean Energy Jobs Act. This Act requires school districts throughout the state to contract for workers to make their schools energy efficient. In the fire service, there is no such thing as a fire season anymore in California, given that our state's fire danger runs year-round. Consequently, we are now faced with unprecedented demands on California's emergency response system and the need to ensure that California's first responders receive the highest quality of education and training so that they may effectively answer the call in the event of a major disaster. As such, **we fervently believe this requested augmentation, comparable to other traditional classroom instruction, is not only fair, but an absolute necessity.**

In addition, the need to increase the hourly rate to \$5.31 anticipates improving salary and wages driven by the rate of recovery in California's economy. These cost pressures also

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directly impact the cost of supplies and equipment. Apprenticeship is one of the major engines in developing a highly-skilled workforce, both in terms of education and workforce preparation that both drive economic development. Augmenting the hourly reimbursement rate will help offset increasing costs to provide an effective apprenticeship education and training program at the local level. Furthermore, it is evident, now more than ever, that California’s fire protection and prevention is an urgent need -- one that cannot wait for the next catastrophic fire to be addressed. Apprenticeship training assists in achieving this important goal.

3. APPLY COLA TO APPRENTICESHIP PROGRAMS

Amend Budget Act Item 6870-101-0001 to add Provisions 6 (c) and 29 (c) to apply the 0.86% COLA.

The Governor has proposed a COLA of 0.86% for most education programs in 2014-15. Of note, the “Overview of the Governor’s 2014-15 Proposition 98 funding proposal” shows that the 0.86% COLA is applied to K-12 categorical programs, but on the CCCCCO side, the COLA is only applied to CCCCCO apportionments, which excludes apprenticeship and other CCC categorical programs. In order to ensure fairness and parity, the COLA should also be extended to apprenticeship. In fact, apprenticeship would have received this COLA had it remained under the CDE umbrella and not migrated to CCCCCO last year. Ultimately, apprenticeship is a proven and effective education and training delivery system. It is a key element, the kingpin, for developing a highly-skilled workforce which is critical to facilitating and sustaining economic growth. An apprenticeship COLA is just as important and just as needed as a COLA that is extended to sustain FTEs over time.

Budget Calculations

	A	B	C	D	E	
	Current Proposed Appropriation (@ \$5.04/hr)	Restored to 2007-08 amount (@ \$5.06/hr)	Total Hours (@ \$5.06/hr)	Appropriation required to fund @ \$5.31/hr	0.86% Cola	Revised Appropriation (@\$5.31/hr w/COLA)
CCCCO	\$7,174,000	\$14,641,000	2,893,478	\$15,364,368	\$132,134	\$15,496,502
K-12	\$15,694,000	\$19,577,000	3,868,972	\$20,544,241	\$176,680	\$20,720,921
			(A / \$5.06)	(B x \$5.31)	(C x 0.86%)	(C + D)