

April 24, 2018

# Apprenticeship Programs

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Budget Subcommittee No. 2 on Education Finance  
Hon. Kevin McCarty, Chair





## Background: Apprenticeships

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### **Apprenticeships Provide Paid On-the-Job Training to Workers in Various Trades**

- Pairs adult students with skilled workers for supervised, hands-on learning.
- In 2016-17, nearly 80,000 registered apprentices in more than 50 trades, with the most common in the construction trades and public safety.
- Sponsored by businesses or labor unions that help design and support the programs and recruit apprentices.



### **Apprenticeships Also Have a Classroom Component**

- Apprentices take classes relevant to their trade, known as related supplemental instruction (RSI).



### **State Workforce Plan Has Goal of Significantly Increasing Apprenticeships Over Next Decade**

- California has set a goal of doubling apprenticeships in the state by 2027—from about 80,000 apprentices to 160,000.
- Research shows that the apprenticeship model is an effective way to train workers for jobs with relatively high earnings potential.



## Background: Apprenticeship Funding

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### **State Funds a Portion of Apprenticeship Instruction**

- State funding helps support some of sponsors' RSI costs.
- In 2017-18, the state provided \$40 million to fund RSI for the Apprenticeship Program, which focuses on apprenticeship trades such as carpentry, plumbing, and firefighting. (Beginning in 2015-16, the state has provided \$15 million annually to fund the California Apprenticeship Initiative. The intent of these funds is to provide seed monies to develop apprenticeship programs in nontraditional apprenticeship fields—such as health care and information technology—and pre-apprenticeship programs that prepare students for an apprenticeship.)
- To qualify for state RSI funding, sponsors must partner with a school district or California Community College (CCC) district and be approved by the state's Division of Apprenticeship Standards.
- Statewide, 55 percent of RSI funding is associated with school districts and the remaining 45 percent with CCC.
- Typically, apprenticeship programs have stand-alone training centers in which sponsors hire their own instructors to teach RSI classes.
- Typically, school districts and CCCs take a portion of apprenticeship funding off the top before passing through the rest to the sponsor as RSI reimbursement.



## Background: Apprenticeship Coursework

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### **Apprenticeship Coursework Offered for Credit and Noncredit**

- About 90 percent of apprenticeship courses affiliated with CCCs are offered for credit, which means that course units may apply toward an associate degree (typically as elective credit).
- The remaining 10 percent of CCC-affiliated courses are offered as noncredit, which means they are not degree applicable.
- All apprenticeship courses affiliated with school districts are offered as noncredit.
- Actual content in CCC credit, CCC noncredit, and school district noncredit apprenticeship courses typically is comparable.
- All apprenticeship programs culminate in industry certifications.

## Background: RSI Rate

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### **State Provides RSI Funding at the “Regular” Noncredit Rate**

- Regardless of whether RSI is offered on a credit or noncredit basis or by a school district or community college, the state funds RSI based on the CCC regular hourly noncredit rate. In 2017-18, the statutory hourly rate was \$5.90, which equates to \$3,097 for a full-time equivalent (FTE) student.



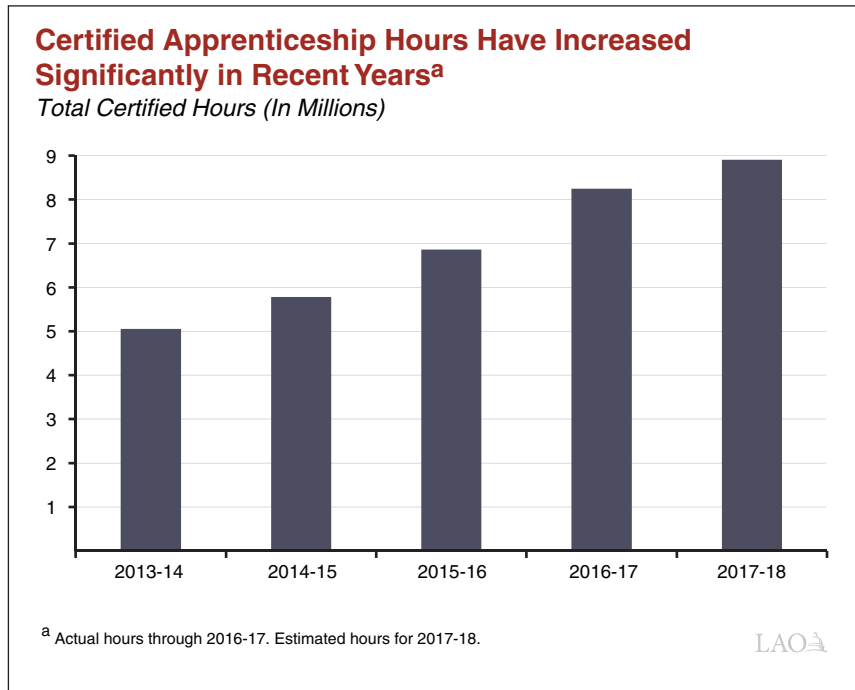
### **If Funding for RSI Falls Short, RSI Is Prorated Down**

- In recent years, the amount of RSI hours sponsors have provided to apprentices has been greater than the amount of funds budgeted by the state for that purpose.
- When funding is not sufficient to reimburse all hours at the statutory RSI rate, the rate is adjusted downward.
- In each of the last five years, the state has made pro-rata reductions, ranging from a 1 percent pro-rata reduction in 2015-16 to an estimated 24 percent pro-rata reduction in 2017-18.
- In recent years, the pro-rata reductions for apprenticeship programs affiliated with school districts have been greater, largely because they have grown more rapidly than CCC-affiliated apprenticeships. (Funding for school districts and CCC-affiliated apprenticeships is budgeted separately.)



### **Number of Approved Apprenticeship Hours Has Increased in Recent Years**

- Despite recent pro-rata reductions, the number of RSI hours has increased significantly in recent years (see figure on next page).
- This increase is likely due to the state’s economic recovery and the value sponsors place on apprenticeship programs.



## **Governor's Proposal**

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### **Proposes \$31 Million One Time to Make Up for Pro-Rata Reductions in Prior Years**

- \$10 million associated with 2017-18; remaining \$21 million attributable to multiple years (2013-14 and 2016-17).
- \$25 million of the \$31 million for programs associated with school districts.



### **Provides \$17.8 Million Ongoing Augmentation for RSI**

- \$13.8 million associated with funding more RSI hours.
  - Would bring hours up to actual level in 2017-18. Holds level flat for 2018-19.
- \$3.9 million associated with increasing RSI rate to new hourly rate of \$6.49.



### **Proposes to Provide Higher Funding Rate for Certain CCC Credit Apprenticeship Courses**

- Would allow some community college apprenticeship courses to generate funding at a \$10.38 hourly rate, which equates to \$5,453 per FTE student—60 percent higher than the proposed RSI rate.
- Funding would be paid out of CCC apportionments rather than apprenticeship categorical program.
- To earn higher funding rate, apprenticeship course would have to be taught by CCC instructors (as opposed to employees of the sponsor).
- Governor indicates this proposal could incentivize more colleges to offer credit apprenticeships.
- Administration has not provided data on projected number of courses that likely would start to earn this higher rate in budget year, nor estimated the additional apportionment cost.



### **No Compelling Reason for Retroactive Reimbursements**

- State law makes clear that if state funding is insufficient to cover all certified hours, sponsors are to make adjustments to stay within the annual budget allocation.
- Despite knowing that state reimbursement was very likely to be prorated downward, sponsors continued to cover these costs over a five-year period and the program continued to grow rapidly.



### **Proposed Ongoing Augmentation Covers a Portion of Apprenticeship Hours Projected for 2018-19**

- Given the recent growth trend in RSI hours, sponsors likely will exceed the 2017-18 level in the budget year.
- As a result, the RSI rate likely would end up being prorated down in 2018-19.



### **No Evidence That Significantly Increasing Funding Rate for Certain CCC Credit Apprenticeship Courses Is Warranted**

- Virtually all CCC-affiliated apprenticeship programs already are offered for credit.
- Given how quickly apprenticeships have been growing in recent years, the state already is on track to meet its goal of 160,000 registered apprentices by 2027.



### **Proposal Would Result in Even Greater Inconsistency in Rules for Similar Apprenticeship Program Providers**

- Would further complicate apprenticeship by providing a higher funding rate for certain CCC apprenticeship programs and not for other CCC and school district-affiliated programs.





## Recommendation

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- Reject Retroactive Reimbursements**
- Approve \$23.6 Million Ongoing Augmentation (\$5.8 More Than Governor's Budget) to Fund All Anticipated RSI Hours in 2018-19**
  - Would fund 10 percent growth in RSI hours in 2018-19 (the average level of growth over the past five years).
  - Moving forward, recommend Legislature adjust the amount of RSI hours it funds annually so the RSI rate keeps pace with the demand for apprentices.
- Reject Governor's Proposal to Allow CCC to Earn Significantly Higher Rate for Certain Credit Apprenticeship Courses**