



Adult Education Program Fiscal Management Guide

Allowable Uses of Adult Education Program Funds

Original funding source: 2014-15 AB104, Section 39, Article 9

Version 4.0

Release: July 1, 2025

Version history in [Appendix B](#)

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How to Use this Guide

The purpose of this guide is to specify the California Education Code (EC) and processes used to spend California Adult Education Program (CAEP) funding by regional consortia and their members. The outcomes from the expenditure process are student data reports for enrollment, demographics, and outcomes, as well as financial reports presenting allocation of funds to members, and tracking of expenses connected to the seven CAEP program areas. Additional outcomes include adherence to a consortium governance structure, the public meeting/input process, and a long-term planning cycle (Three-Year plan) along with an Annual Plan.

The CAEP Fiscal Management Guide contains the policies and procedures for the administration of the CAEP Program. These policies and procedures are based on the 2014-2015 AB104, Section 39, Article 9 legislation that created the CAEP Program (referred to hereafter in this document as “AB104 legislation”). However, the AB104 legislation does not supersede current K-12 adult education and community college education code and regulatory requirements. All current financial processes and systems in place at the various districts and county offices of education must comply with the variety of statutory and policy provisions already in place prior and subsequent to AB104 legislation, that includes the State of California Statutory Codes, California Code of Regulations, State Accounting Code Structure, the Budget and Accounting Manual, and any administrative or management policy memoranda or bulletins.

For CAEP program information, reporting system documentation, and additional resources, please refer to the [CAEP website](#).

1. Responsibility and Roles Overview

Overview

The California Community College Chancellor’s Office (CCCCO) and the California Department of Education (CDE) are working in partnership to implement the California Adult Education Program (CAEP). In 2015-16, the annual budget appropriation for the adult education program started at \$500 million. Annual Cost of Living Adjustments (COLAs) have increased that amount nearly each year.

There are 71 regional consortia across the state that include members from community colleges, K-12 adult schools, county offices of education and a variety of community partners including, but not limited to local workforce investment boards, libraries, and community-based organizations.

The California Community Colleges Chancellor’s Office and the California Department of Education appointed joint leadership for the Adult Education Program Office.

Role of the Board of Governors and the State Board of Education

The apportionment of CAEP funding is provided by an interagency agreement with the Board of Governors of the California Community Colleges and the budget act, in support of the Adult Education Program. Once approved by the Board of Governors of the California Community Colleges, CAEP funding for K-12 district and County Office of Education fiscal agents and direct funded K12/County Office members is transferred to the California Department of Education for disbursement. The remaining CAEP funding for community colleges fiscal agents and direct funded colleges is disbursed by the Chancellor's Office.

Per the original AB104 legislation, the State Board of Education works with the Chancellor of the California Community Colleges and the Superintendent of Public Instruction in the following areas:

- Dividing the state into adult education regions and determining the physical boundaries of each region.
- Approving one adult education consortium in each adult education region.
- Approving, for each consortium, the following:
 - Rules and procedures that adhere to conditions related to consortia membership
 - Member reporting of available funding
 - Official member representation requirements
 - Release of a preliminary allocation schedule and a final allocation schedule by the State
 - Consortia level decision making procedures
 - Public meeting requirements

Role of the CAEP Office

The CAEP Office plays a key role in this joint agency effort between the California Department of Education and the California Community Colleges Chancellor's Office. The focus of the CAEP Office is to provide policy guidance to the regional consortia and their members, maintain fiscal accountability, collect and report student data and outcomes, and provide technical assistance.

For program guidance, the CAEP Office (CDE and the Chancellor's Office) works to align CAEP education code within existing statutory requirements and regulations. This would include updating guidance, releasing policy memos, coordinating with CDE/Chancellor's Office staff, and providing technical assistance and training.

For fiscal accountability, the CAEP Office's main responsibility is to ensure that consortia and their members operate within budgeted levels, meet spending targets, and comply with any restrictions or limitations by the legislature. This would also include preparing and monitoring contracts, maintaining the state fiscal system for consortia and member reporting, and working with state level fiscal and accounting staff for appropriation of funds and payment.

For student data reporting, the CAEP Office must ensure that all members are reporting student enrollment data, demographics, and outcomes through the designated system. This also includes working with contractors, developing data policy, coordinating with other state agencies to share data, drafting legislative required reports, and providing technical assistance and training to local members.

2. CAEP Funding Process History

MOE and Consortia Formula Allocation

Each CAEP Regional Consortium receives the same allocation for the current year as they did in the prior year (unless a COLA is provided and then it would be more than the prior year). The majority (67%) of the CAEP allocation is made up of Maintenance of Effort (MOE) as certified by K-12 and County Offices of Education (COEs). The MOE certification process was based on 2012-13 adult education related expenses in the ten adult education program areas as submitted by K-12 districts and COEs. This 2012-13 certification was used to form the K-12/COE base for the MOE. The MOE funding amount does not change unless funding is reduced based on the criteria as specified in EC Section [84914](#) (b).

The remaining amount of CAEP funding (33%) was allocated based on a regional allocation formula. According to the original AB104 legislation language, the California Community College Chancellor and the State Superintendent of Public Instruction were charged with determining the statewide need for adult education and the funding allocation of each consortium. More specifically, EC Sections [84911](#) and [84908](#) (2) (A)(ii), respectively, address these obligations.

EC Section [84911](#) states, "To determine the need for adult education, the chancellor and the Superintendent shall consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy." Additionally, EC Section [84908](#) (2) (A)(ii) states that, "The chancellor and the Superintendent shall determine the amount to be allocated to each consortium pursuant to this paragraph based on that adult education region's share of the statewide need for adult education."

Given the above language, key state agencies (the California Department of Education,

the State Board of Education, the California Community College Chancellor's Office, and the Department of Finance) met to develop a funding formula for adult education regional consortia. They used various combinations of variables, including minimum funding levels. After thorough analysis of the permutations, it was determined that the variables correlated very closely. Consequently, all variables were equally weighted. In addition, it was determined that the minimum grant award amount was appropriate and reasonable, in that it allows the smaller consortia (which are primarily rural) to make a larger impact in their respective regions.

The list below depicts the variables used to determine adult education consortia funding amounts.

- Educational Attainment (No High School Diploma)
- Employment (Unemployed Adults)
- Adult Population - 18 years and older
- Poverty (Household)
- Adult Literacy (7th Grade Education Level)
- ESL (the ability to speak English)

As mentioned above, each factor was equally weighted. The regional consortia received a percentage of the statewide total that was then translated into a dollar amount. Regional consortia that did not meet the minimum funding level, based on the variable amounts, were provided additional funds to raise them to that level. (See the allocation tables under additional resources section for allocations by regional consortia, as well as the list of variables by region.)

Additionally, a variety of census data variables related to adult education students in each region are posted on the CAEP Website and are pre-populated into the Regional Consortia Member Allocation forms.

CAEP Allocation Process

The CAEP Fiscal Allocation process begins in January with the release of the proposed Governor's Budget. Based on the amount in the proposed budget, the CAEP Office is required by law to release a preliminary budget by February 28 (EC Section [84909](#) (b)). This January allocation schedule shows the apportioned funds that consortia can expect based upon the Governor's preliminary budget. These amounts may change when the State Budget is finalized in June/July, but are appropriate for estimation used in CAEP deliverables. Consortia then have until May 2 to submit the Consortium Fiscal Administrative Declaration (CFAD), which declares the annual allocation for each

member in their consortium based upon the preliminary budget in addition to any changes in disbursement methods

Typically, the State Budget is enacted on July 1 (but can be delayed if not passed by the legislature) and the final allocation schedule for that year is published within 15 days (EC Section [84909](#) (c): The chancellor and the Superintendent, with the advice of the executive director, shall approve, within 15 days of enactment of the annual Budget Act, a final schedule of allocations to each consortium of any funds appropriated by the Legislature for the program.)

The allocation schedule shows the amounts that each consortium will receive. The chancellor and the Superintendent shall determine the amount to be allocated to each consortium based on the following (EC Section [84909](#) (d)):

- (1) The amount of funds apportioned to the members of that consortium in the immediately preceding fiscal year.
- (2) That adult education region's share of the statewide need for adult education.
- (3) That consortium's effectiveness in meeting the educational needs of adults in the adult education region based on available data.

Soon after the enactment of the State Budget, the Board of Governors of the California Community Colleges must approve the annual CAEP apportionment at a public meeting. Then, "using the final schedule approved pursuant to subdivision (c), the chancellor and the Superintendent shall do one of the following for each consortium" (EC Section [84909](#) (e)):

- (1) Apportion funds to a fund administrator designated by the members of a consortium beginning no more than 30 days after approval of the final schedule of allocations.
- (2) Apportion funds to members of a consortium beginning no more than 30 days after receipt of a final distribution schedule from that consortium.

Per California EC Section [84912](#), funds are apportioned in twelve equal payments to consortium fiscal agents (or if direct funded to each member) on a monthly basis. The first payment consists of the July and August payments. Subsequently, payments are apportioned at the end of each month for September through June 2021 for this same purpose.

Funding Cycle Calendar

- January: Release of the proposed Governor's Budget
- February: Preliminary Allocation Schedule is released (by 2/28)
- May: CFAD is due from consortia to the CAEP Office (by 5/2)
- July: Budget Act enactment
- July: Release of a final schedule of allocations to each consortium (15 days after the budget enactment).
- July: Board of Governors of the California Community Colleges approve the annual CAEP apportionment at a public meeting.
- August: Apportion funds to members of a consortium (30 days after final schedule of allocations).
- September to June: Monthly payments are apportioned in 11 or 12 installments (the first payment usually covers 2 months).

3. Allowable Uses of California Adult Education Program Funds

CAEP apportionment is a restricted fund source. CAEP funds can only be used in the seven program areas as identified by the legislation. (Please note: The AB104 legislation specifically states that Adult Education Program funding is to serve adults, and an adult is defined as "a person 18 years of age or older." See EC Section [84901](#) (a).)

Per EC Section [84913](#), these funds may only be expended on the seven following areas:

1. Elementary and secondary basic skills, including classes required for 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 older adults, for entry or reentry into the workforce;
4. Programs for adults, including older adults, to develop knowledge and skills to assist elementary and secondary school children to succeed academically;
5. Programs for adults with disabilities;

6. Short term career technical educational programs with high employment potential;
7. Programs offering pre-apprenticeship training, in coordination with apprenticeship program(s), as specified.

Note: Consortia may choose which CAEP program areas to offer based on regional need, and local capacity.

In order to expend Adult Education Program funds, the following criteria must be followed:

- A community college district, county office, JPA or K-12 district must be a member of a regional consortium.
- The member district must be located within the regional boundaries of the consortia as determined by the Chancellor and the Superintendent, with the advice of the executive director.
- Each regional consortium must have an approved update to its Three-Year Plan (the Annual Plan) that addresses the fiscal year in which the funds will be expended.
- Funds may only be expended within the seven program areas as prescribed in EC Section [84913](#).

Reasonable and Justifiable

All CAEP expenditures must be reasonable and justifiable. “Reasonable” means that expenditures will be made prudently and with every effort to utilize funds efficiently. “Justifiable” means that expenditures are consistent with CAEP program goals and activities related to the seven program areas as identified in the CAEP Program budget language.

Ultimate Responsibility

Ultimately, CAEP regional consortia members (community college district, county office, JPAs and K-12 district) are responsible for allocation decisions. The responsibility cannot be delegated. Members may be audited by the California Department of Audits, the California Department of Education, the Chancellor’s Office, or other government agencies with a lawful interest in the expenditure of funds. Expenditures deemed unreasonable and/or unjustifiable will be withheld in future funding distributions or

allocations.

Primary Criteria

All allowable costs must meet three primary criteria:

1. Substantiate that the cost was necessary and reasonable for proper and effective administration of the allocations.
2. The cost must be allocable to the funding source activities.
3. The cost must not be a general expense required to carry out the consortia member's overall responsibilities (i.e. not supplanting).

However, even if the costs meet the three prior criteria, the costs must be consistent with the Three-Year Plan and the Annual Plan of the regional consortium as agreed upon by its membership. Otherwise, they are not allowable within that year. In addition, the State has the discretion to impose special conditions beyond the funding source that would also determine allowability of cost.

Questions and Answers

While the proposed cost is allowable under the funding source is it also reasonable?

Reasonable is defined by the dictionary as: agreeable to sound judgment, not exceeding the limit prescribed by reason (not excessive), moderate in price, and a rational decision. Systems that can guide this definition are necessary for the performance of the consortium; following sound business practices (procurement processes, follow state and local laws, follow the terms of the grant); use of fair market prices; acting with prudence under the circumstances; and having no significant deviation from established prices.

Note: "reasonable" means that expenditures will be made prudently and with every effort to utilize funds efficiently.

What are the guidelines of Allocable?

Allocable is defined by the dictionary as: capable of being allocated or assigned. A cost is considered allocable to a particular funding source/program to the extent it actually benefits the objectives of that program. You can only charge in proportion to the value received by the funding source/program. An example would be that a project director works 80% on the funded program (only 80% of the salary and benefits can be charged to CAEP funding). Above and beyond this definition, allocable also means that the cost must be consistent with the consortium's Three-Year and Annual Plans that have been

approved by the regional consortium. Agencies must be able to document prorated allocated costs against the California Adult Education Program.

Can funds be used as matching funds for other grants?

If the grant for which CAEP funds are being considered as matching funds is a continuing grant, (meaning it was a grant the district had in the prior year) then the CAEP funds must not replace any funds previously used to meet the match requirement. This would constitute supplanting and would not result in increased services. But if the CAEP funds are used to increase the matching funds, possibly resulting in more grant funds, then it is an appropriate use of CAEP funds. Keep in mind that CAEP funds are restricted funds and must be spent in the seven program areas as identified by the AB104 legislation budget language. Some matching grants prohibit the use of restricted funds.

4. Leveraging CAEP Funds

Not a Grant

In the original AB104 legislation establishing the program, CAEP is described as follows: “This program coordinates representatives from local educational agencies, community colleges, and other regional education, workforce, and industry partners to promote the educational opportunities offered to students and adult learners. Through this program, students and adult learners can access courses to complete their high school diplomas or general education equivalent, English as a Second Language courses, and pathways courses that lead to additional career opportunities. The Budget includes \$500 million ongoing Proposition 98 General Fund to support the Adult Education Block Grant Program”.

By referencing “ongoing Proposition 98 General Fund to support the CAEP Program”, it clarifies that CAEP is a permanent, ongoing fund source. CAEP funding constitutes state apportionment; it is ongoing and it can be used in future years to hire permanent staff, teachers, and faculty.

In the 2018-19 Budget Act, the Adult Education Block Grant Program was updated to reflect that these funds are now apportionment, and not a block grant. The program name was changed to the California Adult Education Program as of July 1, 2019.

Legislative Support

CAEP legislation encourages the leveraging and braiding of other state and federal funding sources as stated in EC Section [84905](#) (b).

84905. The chancellor and the Superintendent, with the advice of the executive director, shall approve, for each consortium, rules and procedures that adhere

to all of the following conditions: (b) As a condition of joining a consortium, a member shall commit to reporting any funds available to that member for the purposes of education and workforce services for adults and the uses of those funds.

CAEP legislation goes on further to list the state and federal fund sources that are required to being a member of a consortium in EC Section [84916](#).

84916. In order to maximize the benefits derived from public funds provided for the purpose of addressing the educational needs of adults and to ensure the efficient and coordinated use of resources, it is the intent and expectation of the Legislature that any community college district, school district, or county office of education, or any joint powers authority consisting of community college districts, school districts, county offices of education, or a combination of these, located within the boundaries of the adult education region shall be a member of a consortium pursuant to this article if it receives funds from any of the following programs or allocations:

- (a) The Adults in Correctional Facilities program.
- (b) The federal Adult Education and Family Literacy Act (Title II of the federal Workforce Innovation and Opportunity Act).
- (c) The federal Carl D. Perkins Career and Technical Education Act (Public Law 109-270).
- (d) Local Control Funding Formula apportionments received for students who are 19 years of age or older.
- (e) Community college apportionments received for providing instruction in courses in the areas listed in subdivision (a) of Section 84913.
- (f) State funds for remedial education and job training services for participants in the CalWORKs program

Note: CAEP Funds cannot be used to create a certificate program for 18-22 year old Special Education students to assist youth with disabilities. These programs are mandated under the Individuals with Disabilities Act (IDEA) and funded with Local Control Funding Formula (LCFF) funds.

Track Students by Program Area

For reporting purposes, CAEP is tracking students by program area, rather than fund source. The practice of tracking students that were impacted by CAEP funding was difficult to qualify. With new program definitions, students are now tracked by program area regardless of funding source, which encourages the leveraging and braiding of multiple funding sources. The new program definitions are as follows:

For reporting purposes, adult education includes all people receiving support services from CAEP consortium members or enrolled in K12 adult education or **noncredit community college coursework** in the program areas listed in EC Section [84913](#): elementary and secondary basic skills, English as a second language, short-term career and technical education, entry/re-entry into the workforce, pre-apprenticeship, adults with disabilities, and adults training to support child school success.

5. Program Fees

Current fee policy for CAEP is identified in CDE's Management Bulletin Management Bulletin AEFLA-02-2013 (for K-12 district and County Office of Education), and the Community College Student Fee Handbook (for community college districts). In addition, community college community education fee-based programs (community education and contract education) cannot be co-mingled, leveraged or braided with CAEP funds. Title V regulations and education code prevent community college fee-based programs from being combined with any state-apportioned program (like CAEP). However, these programs can work with regional consortia for student referrals to meet regional needs.

Effective July 1, 2018, please reference the [CAEP fees policy](#) on the CAEP website. The policy states that no tuition may be charged or collected in the following CAEP program areas by either community colleges or K12 adult schools (ABE, ASE, ESL, AWD, and K-12 Success). There is a K-12 Adult School exception for CTE; practitioners are however encouraged to visit the website and review the policy.

6. Travel

Only travel deemed necessary for the project is allowed. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees while in travel status on official business for the program. Such costs will be based on the fiscal agent's per diem rates. These costs shall be considered reasonable and allowable only to the extent that such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy.

Out-of-State Travel: Effective July 1, 2018, it is no longer necessary to obtain the State CAEP/CAEP Office approval for out-of-state travel. Consortia are required to approve their members out of state travel requests. This can be accomplished through the submission and certification of the annual program budget and work plan in NOVA or can be put on the agenda for approval at a public meeting. As a best practice for consortia,

members should explain how the approved travelers and the consortium would disseminate the information to other members' administrators, staff, faculty, and teachers when they return.

Out-of-Country Travel: The CAEP Office has determined that Out-of-Country travel will not be allowed via this funding source.

7. Consortia/Member Effectiveness

California Adult Education Program Measures of Effectiveness are in EC Section [84920](#). These measures shall include, but are not necessarily limited to:

- (1) The number of adults served by members of the consortium
- (2) The number of adults served by members of the consortium that have demonstrated the following:
 - (A) Improved literacy skills
 - (B) Immigrant integration in the areas consistent with, but not limited to, those already identified for English literacy and civics under Title II of the federal Workforce Innovation and Opportunity Act (Public Law 113-128), including increased participation in civic and community life
 - (C) Completion of high school diplomas or their recognized equivalents
 - (D) Completion of postsecondary certificates, degrees, or training programs
 - (E) Placement into jobs
 - (F) Improved wages
 - (G) Transition (added later by State CAEP Office)

Consortium Effectiveness

For the purposes of evaluating each consortium's effectiveness for the CAEP funding year, the CDE and CCCCO have established the following indicators:

Evaluation (EC [84906\(b\)](#), [84914](#))

- Consortium has evaluated members to identify that the services provided meet the needs identified in the adult education plan.
- Consortium submitted an Annual Plan that includes program strategies for the upcoming program year consistent with the Three-Year adult education plan.

Funding (EC [84913](#), [84914](#)):

- CAEP funds are planned to be, or have been, expended within the seven CAEP program areas and are consistent with each consortium's Three-Year Plan.
- Consortium allocations are consistent with the objectives of the consortium's Annual Plan as approved by the regional consortium board.

Governance and Collaboration (EC [84905](#)):

- Consortium has identified a governance structure for decision-making.
- Consortium has followed governance plans, by-laws, and CAEP requirements for decision making and public meetings.

Membership (EC [84905](#), [84916](#)):

- Consortium has permitted all eligible members in the region to participate in the CAEP initiative.
- All members are located within the regional boundaries of designated consortium.

Planning (EC [84906](#), [84914](#), [84916](#)):

- Consortium has submitted the required Annual Plan.
- Consortium has approved and submitted the Three-Year Plan
- Consortium members have shared information on related programs that are offered, and the resources being used to support these programs.
- Consortium has participated in statewide leadership activities (CAEP Summit, CAEP Director's Conference).

Reporting (EC [84916](#), [84920](#)):

- Consortium has reported student level enrollment data and outcomes for quarterly and final reporting.
- Consortium has submitted all requested financial expenditure and progress reports.

Carryover Funds (EC [84914](#)):

- Any consortium with carryover from one or more prior fiscal years exceeding 20 percent has submitted a written expenditure plan, including future corrective actions to reduce the consortium's carryover to below 20 percent, to the chancellor and the Superintendent.

- For each fiscal year that a consortium has carryover of more than 20 percent, the chancellor and the Superintendent have prescribed and assigned technical assistance to that consortium to ensure that adequate adult education services are provided to the region in proportion to the region's available funding.
- Consortium is participating (or has participated in) prescribed technical assistance activities.
- Member Reduction: For a consortium that made a finding by majority vote based on a member having excessive carryover for at least two consecutive fiscal years, the consortium has reduced the member's allocation for the current fiscal year by no more than the amount of the member's carryover. The consortium has determined the excessive member carryover percentage threshold as required.

Note: For more detailed guidance on the items above, please see the CAEP website:

- Planning and Evaluation: [Three-Year Plan \(Administrators > Planning\) - California Adult Education Program \(caladulthood.org\)](#)
- Funding: [Annual CAEP Allocation \(Administrators > Funding\) - California Adult Education Program \(caladulthood.org\)](#)
- Student Data Reporting: [Student Data Collection \(Administrators > Reporting\) - California Adult Education Program \(caladulthood.org\)](#)
- Fiscal Reporting: [Fiscal Reporting \(Administrators > Reporting\) - California Adult Education Program \(caladulthood.org\)](#)
- Carryover Guidance: [Guidance \(Administrators > Policy\) - California Adult Education Program \(caladulthood.org\)](#)

Member Effectiveness

In addition to consortium effectiveness, the CDE and CCCCO have identified the following to indicate member effectiveness:

- Each member has participated in completing and updating the Annual Plan.
- CAEP member funds have been expended within the seven program areas, and services provided must be consistent with the Annual Plan.
- Each member has participated in completing and updating the Three-Year Plan,
- Member allocations of CAEP funds are consistent with the objectives of the consortium's Annual Plan as approved by the regional consortium board.
- Members have participated in consortium/public meetings.

- Members have participated in consortium final decisions.
- Members have reported student level enrollment data and outcomes for quarterly and final reporting.
- Members have shared information on programs offered, and the resources being used to support the programs.
- Members have provided services that address the needs identified in the Three-Year Plan.
- Members have filed financial expenditure and progress reports with the regional consortium and input financial data in the state reporting system.
- Members have adhered to consortium determined carryover thresholds and may have their funding reduced based on a member having excessive carryover for at least two consecutive fiscal years.

In addition to the Consortium and Member Effectiveness guidelines above, please check Section 5 of the [CAEP Program Guidance](#) for all the CAEP member requirements. Member assurances can also be found in the NOVA fiscal planning and reporting system.

Consortium Responsibilities

- The consortium must monitor member performance related to the CAEP assurances and identify if members are consistently ineffective.
- The consortium must provide members with technical assistance and/or reach out to the CAEP Technical Assistance Project (TAP) as part of the reasonable intervention to help their members.
- Once a reasonable intervention has been attempted without success, the consortium may identify the member as ineffective and their funding may be reduced for that fiscal year through budget amendment in NOVA with a determination for permanency during the next year's CFAD process if the member is no longer going to operate, be funded, or otherwise be a CAEP participating consortium member. This funding reduction process shall be subject to local bylaws and governance.
- In addition, a consortium that makes a finding by majority vote based on a member having excessive carryover for at least two consecutive fiscal years may reduce the member's allocation by no more than the amount of the member's carryover for that fiscal year. The consortium must determine the excessive member carryover percentage threshold (occurs during the annual CFAD process).
- If a consortium chooses to decrease the member's funding, the consortium must document the reason(s), the technical assistance/reasonable intervention provided, and the public meeting minutes of how/when the decision was made.

This documentation must be posted to the consortium's Supporting Documentation section in NOVA.

Note: The consortium and its members will decide on the governance structure of the consortium, and whose responsibility it is to follow up on the items listed above.

Adding a New Member / Funding a New Member

- If a consortium chooses to add one or more new members, the member(s) must meet the State requirements for consortium membership as outlined in the [CAEP Program Guidance](#).
- If State requirements are met, the consortium will follow the processes identified in the consortium-level governance and/or bylaws to add a new member.
- New members must be added in NOVA during the Consortium Fiscal Administrative Declaration (CFAD) process.
- New consortium members are not required to be funded. Members that aren't funded may not vote on issues that impact the funding of funded members, except for instances where a vote is needed to break a tie or as noted in consortium by-laws. A consortium can choose to fund a new qualifying member by adhering to consortium governance processes. Ongoing and permanent funding is completed during the CFAD process and must be reviewed and approved by the CAEP Office for legislative compliance.

State CAEP Office Member Effectiveness Process and Monitoring

The State CAEP Office tracks the following CAEP requirements and deliverables and will notify CAEP TAP or CASAS to reach out to the consortium/member and provide technical assistance:

- Program Area Reporting of leveraged funds and instructional hours (consortium certification due 12/1).
- Quarterly expenditure reporting (Q1, Q2 (includes close out), Q3, and Q4).
- Plan Certification – Three-Year Plan, Annual Plan, and Member Budget and Workplan.
- CFAD and Governance Certification (due May 2).
- For K-12/COE – quarterly student data reporting into TOPSPRO Enterprise (Q1, Q2, Q3, and Q4), and for community college districts semester student data reporting into the Chancellor's Office Management Information System (COMIS).

CAEP regional consortia will be notified by the State CAEP Office through CAEP TAP or CASAS of members that have not met some or all of the assurances they certified in

order to receive CAEP funds.

If the member continues to not meet the assurance(s), then the member may be identified as ineffective, and the State CAEP Office will inform the consortium and the member of this status.

Annual Plan General Assurances

Consortia and their members must agree to adhere to the general assurances listed as part of the annual planning process in the CFAD. For the purposes of evaluating consortia and consortium member effectiveness, the California Department of Education and California Community College Chancellor's Office establish annual indicators of compliance. Failure to meet the requirements listed in the current CAEP General Assurances Document may result in the designation of a consortium or member as consistently ineffective and lead to partial or complete loss of consortium and/or member funding. (See annual plan general assurances.) Please note that all the items listed above for consortia and member effectiveness are also covered in the CAEP General Assurances Document.

Reduction of Member Funding

Member funding is addressed in EC Section [84914](#), which reads in part:

The amount of funds to be distributed to a member of that consortium shall be equal to or greater than the amount distributed in the prior fiscal year, unless the consortium makes at least one of the following findings related to the member for which the distribution would be reduced:

- (A) The member no longer wishes to provide services consistent with the adult education plan.
- (B) The member cannot provide services that address the needs identified in the adult education plan.
- (C) The member has been consistently ineffective in providing services that address the needs identified in the adult education plan, including having excessive carryover for at least two consecutive fiscal years beginning with the 2022–23 fiscal year, and evaluated in each fiscal year thereafter, and reasonable interventions have not resulted in improvements.

And:

- (d) (1) For purposes of this section, a finding made by a consortium shall require a majority vote of its membership.
- (2) A consortium that makes a finding by majority vote pursuant to

subparagraph (C) of paragraph (1) of subdivision (b) or subparagraph (C) of paragraph (2) of subdivision (b) based on a member having excessive carryover for at least two consecutive fiscal years may reduce the member's allocation by no more than the amount of the member's carryover.

If a member no longer wishes to provide services or cannot provide services, if possible, reallocate their funds to other members in the consortium. The consortium membership should amend planning documentation to ensure services are being provided in the region (as a result of a member that no longer wishes to provide services or cannot provide services). The consortium must also notify the CAEP Office and update the CFAD allocation schedule for the upcoming program year.

If a consortium determines that a member has been consistently ineffective in providing services that address the needs identified in the adult education plan, the consortium may take the following steps:

1. Monitor the member's performance related to the CAEP assurances and identify any members for non-compliance.
2. Document the member's ineffectiveness (what requirements are they not meeting, etc.).
3. Notify the member that they are being monitored for effectiveness and their funds could be reduced as a result.
4. Provide members with technical assistance and/or reach out to the CAEP Technical Assistance Project (TAP) as part of reasonable intervention to help their members.
5. Provide the information in steps 1-4 to the CAEP Office recommended within 30 days of making a determination by submitting a request to CAEP TAP via email to both: tap@caladulthood.org and CCtap@noce.edu.

If no improvement in performance is evident after steps 1-5, the consortium may proceed with the following steps to reduce the member's funding:

1. Document the reason, the technical assistance/reasonable intervention provided, and the public meeting minutes of how/when the decision was made.
2. Upload this documentation to the consortium's Supporting Documentation section in NOVA.
3. Copy the CAEP Office on all correspondence related to member funding reduction.

A consortium that makes a finding by majority vote based on a member having excessive carryover for at least two consecutive fiscal years may reduce the member's allocation by no more than the amount of the member's carryover. The consortium must have also determined an internal excessive member carryover percentage threshold and followed its by-laws.

8. Capital Outlay

Any capital outlay (including building improvements, construction, capitalized equipment, etc.) will be closely scrutinized. Plans for capital outlay require that the consortium notify the CAEP Office of its intent via information e-mail. The CAEP Office will make every attempt to evaluate and respond to these e-mails within 10 days and reserves the right to request additional information regarding any such expense and can prohibit any activity that it deems as not meeting the reasonable and justifiable criteria. Consortia and members must follow all state and local policies and procedures related to capital outlay. This includes district facilities approval, following procurement processes, and notification of state agency facility departments.

Procedure: Capital outlay expenditures must be submitted by the requesting member district to the consortium's governing board for review and approval. Once the consortium has reviewed, approved, and established that the expenditures are aligned with the consortium's Three-Year Plan, the consortium lead will need to submit an informational email or support request via the Support Ticket system to CAEP TAP. Please attach applicable quote(s), if available, and acknowledgement of item #4 (below).

All capital outlay requests require an informational email stating the following has occurred, or making an assurance that it will, occur:

1. Consortium has approved the capital outlay and expense (provide date item was approved)
2. The project aligns with the Three-Year/Annual Plan for the consortium
3. Provide the quote for work that will be done
4. The member must follow all state and local policies and procedures related to capital outlay. This includes district facilities approval, following procurement processes, and notification of state agency facility departments.

Ensure that all appropriate financial and accounting practices are followed with purchases documented as all expenditures may be subject to audit.

9. Consortium Administration Function

Fiscal Agent or Direct Funding

Consortia have multiple options (direct funding or fund administrator) when choosing who will be responsible for receiving CAEP funding from the State. If the consortium elects to utilize a fund administrator, the consortium will select a member to be the fund administrator. That member shall commit to developing a process to apportion funds to each member of the consortium pursuant to the consortium's CFAD, and within 45 days of receiving funds appropriated for the program. This process shall not require a consortium member to be funded on a reimbursement basis. The pass-through mandate follows the instructions from the State's Fiscal Services Division (CDE and CCCCO). See sections #11 and #12 of this guidance document for more detailed instructions on how the pass through is recorded, and not treated as revenue (EC [84909](#)).

Regardless of whether consortia choose a fiscal agent or a direct-funded structure, consortia must use their administrative funding to ensure that member fiscal information (budget, expenses, etc.) is valid and tied to the effectiveness of the consortium plans (Three-Year and Annual).

Consortium Administrative Oversight

Consortium oversight provides an evaluation of each member by:

1. Assessing the member's ability to meet the CAEP requirements.
2. Reviewing general assurances (basic member requirements) signed off by each member as part of the annual plan process.
3. Reviewing bylaws, charters, and governance for additional member requirements.
4. Using the Three-Year Plan, Annual Plan, CAEP student data, and other resources available, evaluate the following:
 - Program needs as identified to meet the needs of the community (needs based)
 - Current levels and types of services (enrollment, outcomes)
 - Funds provided to members (cost effective)
 - Member effectiveness (overall effectiveness)

Each consortium must determine what structure they will use to manage its CAEP funding and program activities. Using the State's program guidance, consortia can use multiple

leads (co-chairs), a coordinator, point person, lead, and/or director. This decision is made by the consortium membership.

Decisions about how to fund consortium-related activities are made by consortium members. This process may include consultation with consortium fund administrators, consultants, and/or district accounting representatives. Consortium-level budgets and expenses must be agreed to by the consortium membership.

EC Section [84913](#) limits a consortium on how much it can spend on the administration of the CAEP program.

Section 84913 (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.

The administrative limit of 5 percent is calculated on the consortium's total allocation for the program year. If agreed upon by members, this amount can be lower than 5 percent but may not be higher. Administrative activities are defined as fiscal in nature and should not include programmatic activities. In some cases, a consortium budget may contain funds for program-related activities, and funds for fiscal or administrative activities.

Note: Project leads' and co-chairs' voting privileges for consortium decisions are not guaranteed and are to be determined by consortium membership.

Examples of consortium project lead/co-chairs programmatic and fiscal-related activities (includes but is not limited to):

Programmatic Activities

- Provide coordination and leadership in consortium activities and deliverables.
- Formalize the open meeting requirement to make sure decisions are approved using the agreed-upon governance rules.
- Draft and merge planning narrative/information from members.
- Ensure members submit program participation data into relevant data systems (e.g., TOPSpro Enterprise; COMIS).
- Ensure program planning and student participation data deliverables are submitted into the NOVA system (or other relevant system as directed by the CAEP State

Office) demonstrating consortium agreement (member sign-off).

- Set up, organize, manage, and facilitate consortium related meetings (at various levels). Include travel, events, agendas, and preparation of reports/minutes (e.g., following Brown Act).
- Review and monitor carryover compliance performance of consortium and members.
- Provide professional development support to members (e.g., aligning curriculum, professional development day, etc.)
- Facilitate relationships with members and partners.
- Assist in the implementation of planning strategies.
- Develop milestones and timelines: track goals, outcomes, and other deliverables.
- Respond to State inquiries and requests (acting as the region's liaison to the State).
- Assist in course approval processes as needed.

Fiscal or Administrative Activities

- Coordinate the completion of CAEP deliverables by consortium staff and consortium members.
- Develop budget-related artifacts and document information during CAEP planning processes (e.g., CFAD, Allocation amendments, Three-year Plans, Annual Plans, by-laws, etc.)
- Work with members to submit budget and expenditures reports.
- Review member budget and workplan deliverables.
- Review each member's budget and expenditures in quarterly fiscal reports to the State.
- Prepare and set-up fiscal / administrative oversight-related meetings.
- Monitor consortium and member spending with particular attention to carryover compliance.
- Hire and manage staff and related activities for the consortium where applicable (e.g., through support contracts, via member HR processes, payroll, etc.).
- Purchase any consortium-level items following accounting guidelines for acceptable use of funds.

- Support expenditure review and local accounting processes as needed with consortium members, district administrators, accounting staff, or other relevant staff.

10. Indirect Rate for Members

Effective July 1, 2018, EC Section [84913](#) is amended to read:

(B) For purposes of this paragraph, "indirect costs" means either of the following:

(i) For consortium members that are school districts and county offices of education, the lesser of the member's prior year indirect cost rate, as approved by the department, or no more than five percent of the total funding received from the program.

(ii) For community college consortium members, the lesser of the member's prior year negotiated indirect cost rate or no more than five percent of the total funding received from the program.

Per the legislative trailer amended under EC Section [84913](#), K-12 districts and COEs may use their CDE-approved indirect cost rate for any CAEP/CAEP apportioned funding or 5%, whichever is less. The CDE-approved indirect cost rate varies by district and is not a set amount. Please check the CDE Indirect Rate website for each school year, at the link shown below.

[CDE Indirect Rate](#)

Community College Districts (CCDs) may use up to either their approved indirect cost rate as directed in Code of Federal Regulations (CFR) 200.414 up to the development *minimum* amount as allowed in the CFR or 5% whichever is less.

[CFR 200.414 \(Indirect Costs\)](#)

11. 2016-17 45 Day Trailer Bill Rule / Pass Through

The 45 Day Trailer Bill of 2016-17 outlined the funding distribution process

The members of each consortium may decide to designate a member to serve as the fund administrator to receive and distribute funds from the program. If a member is chosen to be the fund administrator, the member shall commit to developing a process to apportion funds to each member of the consortium pursuant to the consortium's plan within 45 days of receiving funds appropriated for the program. This process shall not require a consortium member to be funded on a reimbursement basis.

Passing Funds Through to Members

As consortia and their members have implemented the 45-day receipt of funds requirement, tracking the pass through of funds to members in the CAEP financial system has been difficult. Beginning in program year 2017-18, consortia no longer tracked the pass through of CAEP funds disbursed in 2016-17 and 2017-18 in the existing CAEP financial system. In the fall of 2017, a new CAEP fiscal reporting system was rolled out (NOVA) requiring all members to report their allocations, budgets, and expenditures.

The pass-through of funds, specifically, is not required to be reported in NOVA, although reporting of funding uses is required as part of standard quarterly fiscal reporting by members.

12. Recording of CAEP funds in financial systems

CAEP Funds must be separated in financial systems. EC Section [84914.1](#) states:

Program funds received by a participating school district shall be deposited in a separate fund of the school district to be known as the Adult Education Fund. Moneys in an Adult Education Fund shall be expended only for adult education purposes.

To record CAEP funds, please follow your state and local financial system guidelines, in addition to any local district policies and procedures that are in place.

K-12 and COEs must adhere to specific reporting requirements

- All Adult Education Program revenue should be recorded in Fund 11, Adult Education Fund, using Resource 6391, Adult Education Program. Fund 11 is the only fund valid in combination with Resource 6391.
- LEAs that continue to formally commit LCFF revenue to the purposes of adult education should use Object 8091, LCFF Revenue Transfers, to transfer the committed LCFF revenue from their general fund to Fund 11.

K-12 and COE Consortia Fund Administrators

LEAs who are the fund administrator for an adult education consortium and receive Adult Education Program revenue on behalf of their member LEAs should consult with the [California School Accounting Manual \(CSAM\)](#) (check with the [CDE website](#) to ensure you're referencing the most current version).

For further information on whether to use the pass-through grant model or the subagreement for services model when accounting for this grant, LEAs should consult the *California School Accounting Manual (CSAM)* Procedure 750. Additional guidance can be found in CSAM Procedure 330 under the definition for **Object Code 5100**, Subagreements for Services.

This includes (but is not limited to) the use of:

- **Resource 6391**, Adult Education Program and,
- Either **Object 8587**, Pass-Through Revenues from State Sources (for the pass-through grant model), or **Object 8590**, All Other State Revenue (for the sub agreement for services model), to account for the revenue that will be provided to their member LEAs.

K-12 and COE Consortia Members (Subrecipients)

LEAs who are the members in an adult education consortium and receive Adult Education Program revenue from their consortia’s fund administrator (not directly from the state) should use:

- **Resource 6391**, Adult Education Block Grant Program and,
- Either **Object 8590**, All Other State Revenue (for the pass-through grant model), or **Object 8677**, Interagency Services Between LEAs (for the subagreement for services model), to account for the CAEP revenue.

K-12 and COE (LEAs) that receive CAEP funding directly from the state:

Use Resource 6391, Adult Education Program, and Object 8590, All Other State Revenue.

Adult Education Program (CAEP) SACS Coding Examples

Pass-through grant model accounting examples:

Original Recipient
<i>Receipt of CAEP revenue to be passed through: 11-6391-0-0000-0000-8587</i>
<i>Pass-through of state revenue: 11-6391-0-0000-9200-7211, 2, 3</i>
N/A

Subrecipient
N/A
<i>Receipt of passed-through CAEP revenue:</i>
11-6391-0-0000-0000-8590
<i>Expenditure of CAEP funds:</i>
11-6391-0-XXXX-XXXX-XXXX

Sub agreements for services model accounting examples:

Original Recipient
<i>Receipt of CAEP revenue:</i>
11-6391-0-0000-0000-8590
<i>Payment to subrecipient for subagreement services:</i>
11-6391-0-4XXX-XXXX-5100
N/A

Subrecipient
N/A
<i>Receipt of payment for sub agreement services:</i>
11-6391-0-7110-0000-8677
<i>Expenditures for sub agreement services:</i>
11-6391-0-7110-XXXX-XXXX

Community College Districts must adhere to the following reporting requirements as noted in the [Budgeting and Accounting Manual](#):

The following requirements address the appropriate accounting for community college districts receiving CAEP funds either as a fiscal agent, as a participant/provider, or both. The treatment of funds received as the fiscal agent for disbursement to other participants is different than for funds received by the district for the direct costs of providing adult

education services.

Fiscal Agent

Fiscal Agent Funds received from the State under a fiscal agent agreement that are then disbursed **within 45 days** to other adult education providers should be recorded in the restricted General Fund as 8900 “Other Financing Sources” using revenue object code 8970 “Fiscal Agent Pass Through.” Disbursements should be coded to “Other Outgo-Other Transfers” using expenditure object code 7400 “Other Transfers,” excluding indirect cost recovery. Under CAEP, districts have no fiduciary requirement regarding the use of the funds by the other participants. **The only obligation of the fiscal agent is to disburse within 45 days.**

Participant/Provider

If a portion of the funds received as a fiscal agent are for the district’s own adult education program, then those funds should be recorded initially as described above. A transfer (other outgo) will be recorded to the fiscal agent funds for the district’s share. The district will recognize its share of the funds in the restricted General Fund using revenue object code 8620 “General Categorical Programs”. Expenditures should be recorded in expenditure object codes 1000-6000 as appropriate. Likewise, if the district is not the fiscal agent and is receiving CAEP funds, those funds should be recorded to the restricted General Fund using revenue object code 8620 “General Categorical Programs” and expenditure object codes 1000 - 6000 as appropriate.

13. Fiscal Reporting and Planning: Using NOVA

The purpose of NOVA

The CAEP has consolidated its fiscal reporting requirements, and planning templates, under the NOVA system. For CAEP, NOVA creates a fiscal structure for financial reporting. NOVA allows for real-time access for consortia members to update school information, contact information, and member representatives. Member budgets and expenses are available for state, consortia, and member level viewing. The system allows the CAEP program to operate with transparency so that all members can see what other members are doing. NOVA provides better financial data and accountability for the 71 regional CAEP consortia and more than 400 CAEP members.

In addition to fiscal- and program-level reporting, NOVA captures the data of CAEP consortium and member planning deliverables which are dependent upon, and aligned,

with one another. These deliverables follow the following calendar and are listed below:

Date	Deliverable / Influencing Activity
<i>January (mid)</i>	<i>Governor Preliminary Budget announced for next fiscal year</i>
<i>February</i>	<i>CAEP Preliminary Allocations Announced by CAEP Office</i>
May 2	CFAD due (Consortium-level)
June	Three-Year Plan due on/around the 20th (every three years: 2022, 2025, 2028, etc.) <i>Governor Final Budget announced for next fiscal year</i>
<i>July</i>	<i>CAEP Final Allocations Announced by CAEP Office</i>
August	Annual Plan due (Consortium-level)
September	Member Budget and Workplan due (Member-level)
October	Consortium certifies member budget and work plans

CFAD

The Consortium Fiscal Administrative Declaration (CFAD) is based on the CAEP preliminary allocations released by February 28 of each year. The preliminary allocations are derived from the Governor’s Budget, which is usually released during the first week of January. The CFAD captures member allocations for each consortium as well as the consortium’s chosen disbursement method. The consortium primary contact submits the CFAD into NOVA. Once the CFAD is submitted, the member representative for each member agency is required to review and approve, upon which the CFAD’s status is displayed as Consortium Approved. Once the CFAD is Consortium Approved, no changes be made. The CFAD must be Consortium Approved by May 2 of each year.

The CFAD consists of six components, which include the Fiscal Declaration, Agencies and Certifiers, Member Allocations, carryover threshold, Consortia Report on Governance, and certification and Assurances.

The Fiscal Declaration section requires that your consortium select a disbursement method for that year (e.g., direct funded or fiscal agent). In addition, this section includes a requirement to explain the rationale behind any changes that occurred such as disbursement method or allocation changes.

Three-Year Plan

Each consortium is required to submit a Three-Year Plan in NOVA that is approved by their consortium membership and is generally due in mid-June. For more details, please see the education code citations below:

EC Section [84906](#) (relevant excerpts):

- (a) (1) Commencing with the 2019–20 fiscal year, as a condition of receipt of an apportionment of funds from this program for a fiscal year, the members of a consortium shall have a consortium-approved three-year adult education plan that addresses a three-year fiscal planning cycle. The plan shall be updated at least once each year based on available data pertaining to the requirements of subdivision (b).
 - (2) 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 that satisfies 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.

Annual Plan

The Annual Plan, generally due mid-August, is considered the annual update of the Three-Year Plan. It highlights the objectives that members will be working on from July 1 to June 30 of the upcoming year and has some technical integrations with the Three-Year Plan in NOVA. All consortium members must approve the Annual Plan.

For more details, please see the education code citation below:

EC Section [84914](#):

- (a) As a condition of receipt of an apportionment from the program, a consortium shall approve a distribution schedule that includes both of the following:
 1. The amount of funds to be distributed to each member of the consortium for that fiscal year.

2. A narrative justifying how the planned allocations are consistent with the adult education plan.

CAEP Member Budget & Workplan

Each member creates a workplan and a budget for that workplan for the new fiscal/program year period (July 1 to June 30).

For the member workplan portion, members determine which strategies from the Annual Plan they expect to participate in during the new fiscal year. The member workplan aligns with the selected objectives, strategies, and activities of the corresponding year's Annual Plan. There are some technical integrations with the Annual Plan in NOVA to support this process.

Data for the member budget should be entered by object code and it should detail expenditures utilizing that member's available CAEP funding for the new fiscal year period. *Available funding includes prior year carry-over in addition to the new fiscal year's funding allocation.*

Once the member submits their Member Budget & Workplan, the members and/or consortium leads may review and certify the workplan for the upcoming year following a locally approved process. If the member has changes to their workplan and/or budget after the Member Budget & Workplan has been certified, the member and/or consortium lead will decertify the Member Budget and Workplan which can then be updated, resubmitted, and recertified following the locally approved process.

Allocation Amendment

The CAEP allocation amendment process allows consortia and members to change allocations outside of the CFAD process. Allocation amendments can occur throughout the year but should be recorded in NOVA prior to the submission of the following quarter's expenditure report. Allocation amendments must be approved by all member agencies listed in NOVA, even those agencies not directly affected by the changes.

Allocation amendments must be made in NOVA regardless of disbursement method (fiscal agent or direct-funded). This is for record-keeping purposes and to document approval of all the consortium's members in NOVA and does not actually move the funds. The approved amendment in NOVA should precede any movement of funds.

To move funds, consortia members follow established guidelines in their by-laws or local processes. For consortia with a fiscal agent, this typically involves moving funds between members through the fiscal agent, and for consortia whose members utilize the direct funded disbursement method, they work at the local level to transfer funds among themselves.

Budget Changes

If needed, budget modifications should be submitted in NOVA prior to the submission of each quarterly expenditure report. To modify a member's budget, follow instructions listed in the Member Budget & Workplan section above, which reference following locally determined actions from the consortium lead and/or member representatives.

Expense Reporting (Fiscal Reporting)

Every quarter, consortium members are required to input and submit their CAEP program expenses through expenditures reports in NOVA's Fiscal Reporting. These expenditure reports are year-to-date (cumulative). Once the member's quarterly fiscal expense report is submitted, the consortium must review, approve, and certify. Expenses cannot be less than what was reported in the previous quarter unless the consortium and members decertify the previous quarter, update it, and recertify it. NOVA will show an alert if this occurs. Should that happen, please reach out to CAEP TAP to resolve the issue.

Please see the schedule below showing due dates for current fiscal year quarter expenditure report submission and certification.

September

- **Sep 1:** Member Expense Report due in NOVA (Q4) – prior year
- **Sep 30:** Member Expense Report certified by Consortia in NOVA (Q4)/prior year
- **Sep 30:** NOVA Carryover Compliance Snapshot for prior year is taken

December

- **Dec 1:** Member Expense Report due in NOVA (Q1)
- **Dec 31:** Member Expense Report certified by Consortia in NOVA (Q1)
- **Dec 31:** Marks the completion of First-In First-Out (FIFO) 30-month fund cycle

March

- **Mar 1:** Member Expense Report due in NOVA (Q2)*
- **Mar 31:** Member Expense Report certified by Consortia by NOVA (Q2)*
**These dates also mark the final deadlines in which expenses may be reported for prior years within the FIFO 30-month fund timeline.*

June

- **Jun 1:** Member Expense Report due in NOVA (Q3)
- **Jun 30:** Member Expense Report certified by Consortia in NOVA (Q3)

- **Jun 30:** End of Q4

Note: Expenditures shall not be reported with a negative balance in any of the object codes.

Tips: In NOVA, on the Fiscal Reporting screen, see notations for each member regarding available funding and carryover funds to assist with allowable expenditure reporting amounts. Also, review the First-In First-Out (FIFO) report in NOVA to gain insights into available funds from the 30-month expenditure timeline.

Consortium Spending and Carryover

A consortium with carryover exceeding 20 percent shall be required to submit a written expenditure plan, including future corrective actions to reduce the consortium's carryover to below 20 percent, to the chancellor and the Superintendent.

For each fiscal year that a consortium has carryover of more than 20 percent, the chancellor and the Superintendent shall prescribe and assign technical assistance to that consortium to ensure that adequate adult education services are provided to the region in proportion to the region's available funding. This applies for each year in which there is carryover exceeding 20 percent.

Member Spending

A consortium that opts in to an internal carryover threshold, and that makes a finding by majority vote based on a member having excessive carryover for at least two consecutive fiscal years, may reduce the member's allocation by no more than the amount of the member's carryover that year. Depending on how each consortium decides on excessive carryover, this may impact targeted spending at the member level. See the [AB1491 \(Carryover Compliance\) guidance](#) for more information.

FIFO and Closing Out Funds

FIFO stands for First-In First-Out, meaning the oldest funds in NOVA are expended first. CAEP funds have a 30-month timeline in which to be expended (see chart below for fund year and end date). NOVA tracks funds by allocation year/amount using the FIFO method until all funds are spent. NOVA expenditure information may not match local district accounting ledgers as prior year NOVA expense reports cannot be reopened for adjustments. Using the FIFO method, the State encourages accounting offices to update expenses in the next quarter to reflect accurate expenses (provided this is within the 30-month fund timeline).

Closeout of funds begins after the 30-month timeline is over. Members will certify in NOVA

if they have expended all funds or if they will be remitting any funds to the State. The State recapture must be finalized by June 30 (or three years from the release of funds).

Reporting Deadlines

If the [CAEP reporting due date](#) falls on a weekend or a holiday, the report shall be due by close of business on the last working day *prior* to the reporting deadline.

Members or consortia that fail to meet due dates or submit incomplete reports will be scheduled for targeted technical assistance through CAEP TAP.

CAEP Quarterly Reporting Deadlines

Quarter Ending	Expense and Progress Report Due Dates
First Quarter September 30	Member Due Date: December 1 Consortia Due Date: December 31
Second Quarter December 31	Member Due Date: March 1 Consortium Due Date: March 31
Third Quarter March 31	Member Due Date: June 1 Consortium Due Date: June 30
Fourth Quarter June 30	Member Due Date: September 1 Consortium Due Date: September 30

CAEP Deliverable Schedule

The CAEP deliverable schedule can be found at [CAEP Due Dates - California Adult Education Program \(caladulted.org\)](#)

Governance and Bylaws and NOVA

All consortium decision making (through governance and by-laws) must adhere to EC Section [84905](#) (see below) and conform to Brown Act regulations regarding public meeting notice, and public comment. Please

note, “all members of the consortium shall participate in any decision made by the consortium.” This is true for public meeting decision making as well as approval and certification in NOVA.

The consortium governance and by-laws must match the approval and certification in NOVA. For example, if your governance and by-laws state that there are five members in the consortium making the decisions, then there should be five members in NOVA. It’s possible that local governance requires voting, which may not be unanimous, but for CAEP Deliverables in NOVA that require member approval/certification, all members must approve/certify signifying that they understand and will adhere to what has been selected by the consortium. This may not mean that they agree, but it means they approve.

Consortium governance is outlined in EC Section [84905](#).

EC Section 84905

The chancellor and the superintendent, with the advice of the executive director, shall approve, for each consortium, rules and procedures that adhere to all of the following conditions:

(b) Any community college district, school district, or county office of education, or any joint powers authority consisting of community college districts, school districts, county offices of education, or a combination of these, located within the boundaries of the adult education region shall be permitted to join the consortium as a member.

(c) As a condition of joining a consortium, a member shall commit to reporting any funds available to that member for the purposes of education and workforce services for adults and the uses of those funds.

(d) A member of the consortium shall be represented only by an official designated by the governing board of the member.

(e) (1) Decision-making procedures are specified that ensure that all of the following conditions are satisfied:

(A) All members of the consortium shall participate in any decision made by the consortium.

(B) A proposed decision is considered at an open, properly noticed public meeting of the consortium at which members of the public may comment.

(C) The consortium has provided the public with adequate notice of a proposed decision and considered any comments submitted by members of the public, and any comments submitted by members of the public have been distributed publicly.

(D) (i) The consortium has requested comments regarding a proposed decision from other entities located in the adult education region that provide education and workforce services for adults.

(ii) The consortium has considered and responded to any comments submitted by entities pursuant to clause (i).

(iii) For purposes of this subparagraph, entities that provide education and workforce services to adults include, but are not necessarily limited to, local public agencies, departments, and offices, particularly those with responsibility for local public safety and social services; workforce investment boards; libraries; and community-based organizations.

(E) The consortium has considered input provided by pupils, teachers employed by local educational agencies, community college faculty, principals, administrators, classified staff, and the local bargaining units of the school districts and community college districts before it makes a decision.

(F) A decision is final.

(2) For purposes of this subdivision, a decision includes approval of an adult education plan pursuant to Section 84906 and approval of a distribution schedule pursuant to Section 84913.

(f) The members of the consortium may decide to designate a member to serve as the fund administrator to receive and distribute funds from the program. If a member is chosen to be the fund administrator, the member shall commit to developing a process to apportion funds to each member of the consortium pursuant to the consortium's adult education plan within 45 days of receiving funds appropriated for the program. This process shall not require a consortium member to be funded on a reimbursement basis.

Reporting Program Area Hours and Expenses

CAEP members that were active during the prior program year must submit the required prior year program and expenditure data by program area. The CDE and CCCC require

all Adult Education Program organizations to use NOVA for data submission in the following areas:

- All CAEP members (K12 districts, county offices of education, joint powers authority, and community college districts) must submit in NOVA the total hours of instruction for prior program year provided to students in the seven CAEP program areas (adult education/noncredit).
- All CAEP members (K12 districts, county offices of education, joint powers authority, and community college districts) must submit in NOVA the total operational costs for the prior program year by fund source in the seven CAEP program areas (adult education/noncredit). Funds sources also include any fee revenue collected in the prior year.

All data must be submitted in NOVA as follows:

- Each consortia member will be asked to **submit actual amounts** in NOVA for the following **by December 1** (at the latest):
 - Prior Program Year, hours of instruction by program area
 - Prior Program Year, expenses by program area by fund source

14. Examples of Allowable Expenses

Examples of Allowable Expenditures by AB104 Legislation Objective of Expenditure (Reporting Categories):

1000, Instructional salaries: supervisor salaries, counselor salaries, and project coordinator / director salaries

Examples:

- Program director/coordinators
- Instructors, teachers, faculty, and staff
- CAEP director/coordinator who has direct responsibility for coordinating the program services, developing and monitoring the program plan and budget, reviewing data submissions to ensure accuracy and completing required program reports
- Staff who work directly in the program

All positions, classified, faculty or administrative, must directly support program services, as reflected in job descriptions and included in the CAEP Three-Year Plan and Annual Plan.

The member/consortium must be able to document staff time charged to the program. Costs may include salaries or wages and employee benefits. Costs must be prorated for employees who are assigned to CAEP on a part-time basis.

2000, Non-instructional salaries: classified staff salaries, and instructional aide salaries

Examples:

- Counseling
- Advising
- Orientation services
- Other student education planning services

CAEP members may use funds to pay for counseling, advising, and other education planning services provided to students. This may include salary and benefit costs of staff who provide these services, costs related to the provision of workshops, group counseling or advising sessions, online advising, etc.

Development and delivery of orientation services may include staff and materials costs to deliver group orientations, workshops, development of online orientation resources, etc.

3000, Employee Benefits: Standard employee benefits for both full- and part-time employees

Examples:

- Healthcare
- Retirement
- Worker's Comp.

4000, Supplies and materials: Books, supplies for the adult education program (office), outreach, non-capitalized equipment including computers, software, printers, etc., as well as recruitment materials.

Examples:

- Publications and outreach materials
- Materials to promote CAEP services and activities
- Materials for orientation and assessment workshops
- Guides for creating an education plan
- Brochures about supportive services

Food and beverages: funds can be used to provide food or non-alcoholic beverages for students or staff, provided that there is no local board policy prohibiting these costs. Food and beverage costs must be for activities or functions consistent with the objectives of the Three-Year Plan and the Annual Plan. Funds cannot be used to pay for general activities such as open houses or other events not directly related to CAEP.

5000, Other operating expenses and services:

Examples:

- CAEP-related conferences and travel expenses
- meeting supplies for CAEP-related activities,
- consultants,
- subcontractors,
- speaker fees at CAEP workshops
- Leases for CAEP-related space and equipment.

6000, Capital outlay and equipment: Capitalized equipment including industrial, complex, or customized computing and related devices, space-use agreements.

Examples:

- Computer hardware and software and equipment: Members may use program funds to purchase computer hardware, software, and equipment to assist in the delivery of CAEP services if the purchases are included in the CAEP Three-Year Plan or Annual Plan.

These could include education-planning software. Equipment purchased by the program that is no longer needed or is being replaced cannot be donated to another non-CAEP program. District policies regarding the use and disposal of surplus equipment must be followed.

- Follow-Up Services: CAEP members may use program funds to pay for communication or early alert systems designed to notify students of their academic standing or intervention services that may include related workshops targeting students on probation or facing dismissal.
- Assessment for placement services: Purchase of assessment tests and the implementation of multiple measures used for course placement, career assessments, assessment center staff, test proctors, communication to students, practice tests, etc. This may include evaluators or other staff who collect and review multiple measures data, such as transcripts from other schools, military service and work experience, and specialized certificates and licenses.

Examples of Allowable Expenses by CAEP Types of Activities

Program and curriculum planning and development:

- Development of a CAEP tutoring program.
- Development of a CAEP curriculum planning guide.
- Development of a CAEP drop-in peer help center.
- Development of online distance education courses for CAEP students.
- Curriculum development for CAEP courses, including new courses.

Student assessment:

- Purchase of computers and equipment (such as scanners) to assess CAEP student abilities
- Purchase of software and licenses for assessment
- Salary of non-instructional staff hired to administer CAEP assessment tests Development and implementation of assessment intervention programs
- Research and development methods for assessment preparation

Advisement and counseling services:

- Salary of CAEP advisor or counselor
- Salary of CAEP mentor
- Purchase of supplies to create CAEP announcements
- Creation and maintenance of a website devoted solely to CAEP

- Cost of a CAEP email list that delivers adult education information to adult education students
- Direct advising and counseling services for adult education students
- Embedded counseling in adult education courses
- Counseling and advising in support of adult education courses

Supplemental instruction and tutoring:

- Purchase of a web-based interactive program of supplemental instruction for CAEP
- Purchase of training videos, or online training videos, or similar that supplement CAEP instruction
- Direct tutoring to adult education students in CAEP areas
- Supplemental instruction for CAEP students
- Salary of teaching assistants assisting CAEP instructors

Articulation:

- Cost of studies that evaluate applicable English and mathematics courses, to identify important points of instruction to include in CAEP course curriculum.
- Support for CAEP faculty/teachers to attend or host meetings and discussions on course alignments and student preparation pertaining to CAEP courses
- Stipends for meetings, portfolio sharing, and discussions on course alignment and curriculum.

Instructional materials and equipment:

- Purchase of learning materials and equipment that support CAEP courses and students
- Costs for safe storage of CAEP supplies, equipment and instructional materials
- Purchase of textbooks and learning materials used in CAEP courses
- Purchase of CAEP instructional software
- Purchase of computers to assess CAEP student abilities.
- Purchase of supplies to create CAEP announcements
- Creation and maintenance of a website devoted solely to CAEP courses

- Cost of materials distribution across a variety of media, to CAEP students
- Purchase of a web-based interactive program of supplemental instruction for CAEP courses
- Purchase of training videos that supplement CAEP instruction

Coordination:

- Salary of CAEP coordinator, or assistants, or project leads for hours of service provided (not to supplant teaching salaries)
- Cost of seminars to raise CAEP awareness among faculty
- Cost of consultants providing services to create, coordinate and implement CAEP programs

Research:

- Purchase of electronic support equipment, hardware and/or software for in- class use by CAEP students, used to capture data
- Salary of qualified researcher hired to quantitatively assess CAEP student data against outcomes of success
- Cost of creating a safe storage process for CAEP research data
- Expanded bandwidth of research capabilities and services related to CAEP data systems and queries

Professional development:

- Travel to events whose training will directly benefit CAEP students, will enhance CAEP instructor capabilities, or both
- Replication of CAEP-related training, provided by attendees who return to their schools to share this knowledge with their peers
- Cost of seminars to raise CAEP awareness among faculty/teachers
- Cost of CAEP professionals/consultants providing services to create, coordinate, implement, and improve CAEP programs
- Travel and registration costs for workshops, conferences, and seminars attendance directly related to CAEP programs and students
- Support for learning communities for professional development for faculty/teachers to learn CAEP best practices

15. Examples of Unallowable Expenses

Examples of unallowable expenses or expenses that require prior approval (specific to CAEP) include, but are not limited to:

- Other staff salaries and benefits:
- Program funds cannot be used to pay for any staff that does not directly support the CAEP services described in the consortium's approved plan.
- Political or professional dues, memberships, or contributions
- Funds cannot be used for these activities, unless professional membership is an institutional requirement. Business, technical and professional organization or periodical memberships are allowed. Civic or community, or country club or social or dining club memberships are not allowed.
- Unrelated travel costs
- Program funds may not be used for the cost of travel not directly related to program activities or functions.
- Vehicles
- Any funds used to purchase vehicles require prior approval by the CAEP Office.
- Clothing
- Program funds may not be used to purchase clothing for individual students such as jackets, sweatshirts, or tee shirts (gift of funds). However, clothing for a classroom is permissible, i.e. aprons for a culinary class, welding helmets, etc.
- Entertainment costs
- Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.
- Fines and penalties
- Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing from the authorized official of the sponsoring agency authorizing such payments in advance.

Appendix A: Reference Links

- [CAEP Website](#)
- [CAEP Fees Policy](#)
- [Planning and Evaluation](#)
- [Funding](#)
- [Student Data Reporting](#)
- [Fiscal Reporting](#)
- [Carryover Guidance](#)
- [California Education Code Sections 84900 - 84920](#)
- [CDE Indirect Rate Website](#)
- [CFR 200.414 \(Indirect Costs\)](#)
- [California School Accounting Manual \(CSAM\)](#)
- [Budgeting and Accounting Manual](#)
- [AB1491 \(Carryover Compliance\) guidance](#)
- [CAEP Reporting Schedule](#)

Appendix B: Version History

The California Adult Education Program Fiscal Management Guide is reviewed annually to make any needed updates at the start of the fiscal year each year (July). In the event that updates are required outside of that cycle, they will be made as soon as possible in accordance with the cause of the updates.

- **Original Versions 1-3:** August 1, 2017
- **Indirect Cost Rate Section (10):** September 13, 2017
- **Allowable Uses Section (3):** September 18, 2017
- **Consortium Administrative Function (9):** November 29, 2017
- **NOVA Summary (13):** May 15, 2018
- **Out-of-State Travel (6):** November 5, 2018
- **Indirect Rate (10):** November 5, 2018
- **Capital Outlay (8):** August 30, 2019
- **Fiscal Reporting and Planning (13):** August 30, 2019
- **XX:** June 12, 2021
- **AB 1491 (7):** March 20, 2023
- **Comprehensive Edits/Updates:** March - June 2025