

Date of Hearing: April 22, 2014

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 1910 (Gray) – As Amended: March 28, 2014

SUBJECT: San Joaquin Valley Workforce Investment

SUMMARY: Establishes the San Joaquin Valley Regional Economic Planning and Preparedness Council (SJVREPPC) in order to perform specified tasks related to addressing the workforce needs of the San Joaquin Valley's emerging technology and energy economy. Specifically, this bill:

- 1) Makes findings and declarations including, but not limited to, that the San Joaquin Valley has experienced extremely high unemployment during the past two decades, ranging from 62% to 152% above the statewide average and that 50% of the population is living on poverty-level incomes including both unemployed and underemployed individuals.
- 2) Requires the California Workforce Investment Board (CWIB) to establish a special committee, known as the SJVREPPC.
- 3) Specifies that the membership of the SJVREPPC includes representatives from the CWIB including, but not limited to representatives from the following categories: K-12 education, the California Community College system, the Employment Development Department, the Department of Food and Agriculture, the Governor's Office of Business and Economic Development, and the California Transportation Commission.
- 4) Authorizes the CWIB to call on other state agencies, higher education institutions, and industry representatives, as well as philanthropic and nongovernmental groups to serve as consultants to the SJVREPPC.
- 5) Requires the SJVREPPC to develop the framework, funding strategies, and programs, to address the growing need for a highly skilled and well-trained workforce to meet the needs of the San Joaquin Valley's emerging technology and energy economy. More specifically, the bill requires the SJVREPPC to:
  - a) Assist in identifying and linking emerging technology and energy job opportunities with workforce development training opportunities.
  - b) Encourage regional collaboration among local workforce investment areas to meet regional economic demands.
  - c) Develop public, private, philanthropic, and nongovernmental partnerships to build and expand the state's workforce development programs, network, and infrastructure.
  - d) Provide policy guidance for job training programs in the emerging technology and energy sector, to assist and prepare specific populations, such as at-risk youth, displaced workers, veterans, formerly incarcerated individuals, and others facing barriers, for employment.

- e) Develop, collect, interpret, and distribute statewide and regional labor market data on California's new and emerging technology and energy workforce needs, trends, and job growth.
  - f) Identify funding resources and make recommendations on how to expand and leverage these funds.
  - g) Foster regional collaboration in the emerging technology and energy economic sector.
- 6) Requires the SJVREPPC to report annually on the status of the council activities and its development of an oil and natural gas workforce strategic initiative.

EXISTING LAW:

- 1) Establishes the CWIB, comprised of members appointed by the Governor and the appropriate presiding officer(s) of each house of the Legislature, and specifies that the executive director of the CWIB report to the Secretary of the California Labor and Workforce Development Agency. The CWIB is responsible for assisting the state in meeting the requirements of the federal Workforce Investment Act of 1998 (WIA), as well as assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.
- 2) Requires the CWIB to establish a special committee known as the Green Collar Jobs Council (GCJC) to develop a strategic initiative in the green workforce development area. The GCJC is directed to develop the framework, funding strategies, programs, partnerships, and opportunities necessary to address the growing need for a highly skilled and well-trained workforce to meet the state's growing green economy.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Author's Purpose: According to the author, "The San Joaquin Valley has maintained historically higher unemployment and poverty than the rest of the state for over 20 years. The economic stagnation of the Valley is a systematic issue that results from the fluctuating employment opportunities throughout the agricultural cycle as well as inadequate diversity in other sectors of the economy.

Developing the San Joaquin Valley's workforce skills and aligning public and private workforce development resources with industry growth opportunities in the region to meet current and future business workforce requirements and close the business-workforce skills gap will cultivate higher paying jobs and will allow the Valley's economy to flourish. With the establishment of a research university at UC Merced, and the exciting development of the Valleys emerging technology and energy economy the California Work Force Development Board can ensure the San Joaquin Valley is prepared to take advantage of these economic opportunities by providing the resources necessary to develop a ready and able workforce."

- 2) Framing the Policy Issue: This bill calls for the establishment of a council within the California Workforce Investment Board with a similar structure to that of the GCJC, which was established in 2009 to help guide state policy on green jobs.

In deliberating the merits of the measure, Members may wish to consider the current economic conditions within the San Joaquin Valley, the opportunities that energy related jobs provide the region, and whether the region is ready to engage with a major state policy board. The analysis includes information on these issues including related legislation. Comment 7 includes amendment recommendations.

- 3) The San Joaquin Valley Partnership: The San Joaquin Valley Partnership (Partnership) was established in June of 2005 through a gubernatorial executive order, with its board members being appointed by September of the same year. At the Partnership's first meeting, board members adopted a work plan and established 10 working groups. Ultimately, the recommendations from these working groups were combined with testimony offered at almost a dozen public meetings to comprise the basis of a comprehensive regional strategic action plan (Strategic Plan), "The San Joaquin Valley: California's 21<sup>st</sup> Century Opportunity" (October 2006).

In 2006, the Partnership awarded \$2.5 million in seed grants to jumpstart the implementation of their strategic action plan. These moneys served as a catalyst for advancing the locally defined priority projects identified in the strategic plan. By 2008, the region, by acting collaboratively on priorities identified in the strategic plan, had attracted an additional \$6 million in state program dollars, including funding for a regional nursing education consortium, Highway 99 improvements, and job training for high-wage occupations, such as manufacturing, logistics, and construction.

One of the strengths of the Partnership's continually updated strategic plan is its baseline indicators and metrics for measuring success. The following are a few examples of baseline indicators:

- a) Approximately 22% of the San Joaquin Valley population lives in poverty. This compares with a 13% poverty rate for the rest of California and 12% for the rest of the nation.
- b) Average per capita income in the San Joaquin Valley is 32.2% lower than the rest of California. Whereas average income in the state is approximately \$32,500, average income in the Valley is approximately \$21,300.
- c) Unemployment rates in the San Joaquin Valley are among the highest in the state and in the nation.
- d) Access to healthcare is 31% lower than other regions, and more than 20% of San Joaquin Valley households do not have health insurance, compared to about 15% in the nation.
- e) College attendance is 50% below statewide averages. In the San Joaquin Valley, about 33% of the adult population has less than a high school education, compared to 24% statewide and 20% nationwide.

Today, almost a decade out, the Partnership exists as a public-private partnership focused on achieving "a prosperous economy, quality environment, and social equality throughout California's great San Joaquin Valley." The Partnership includes representatives from state, county, and local governments; business; industry; agriculture; academia; and the nonprofit community. At its most recent meeting in March 2014, the Partnership heard presentations from the Governor's Drought Task Force (Secretary Karen Ross); the California Department of Health and Human Services (Secretary Diana Dooley); the State Water Resources Control Board (Board Member DeeDee D'Adamo); the

California Department of Public Health (Dr. Mark Starr); and Rural Development, U.S. Department of Agriculture (Director Dr. Glenda Humiston).

- 4) **Snapshot of the San Joaquin Valley Today:** The 2013 Economic Summit Briefing Book for the San Joaquin Valley reports that the per capita income for the region is \$31,533 as compared to \$44,550 for all of California. Approximately 50% of the population lives in poverty in the San Joaquin Valley as compared to 35% for the statewide average.

<b>Educational Attainment by Race and Ethnicity</b>				
	Less than High School	High School, GED, or Alternative Certificate	Some College or Associates Degree	Bachelor's Degree or Higher
Hispanic and Latino	48%	24%	22%	6%
Multiple and Other	43%	24%	24%	8%
Black or African American	19%	27%	41%	13%
White	12%	28 %	38%	23%
Asian	25%	19%	26%	30%
Regional Total	30%	25%	30%	15%

Source: 2013 Economic Summit Briefing Book for the San Joaquin Valley

The region's top economic priorities include infrastructure development, sustainable planning, and job creation. The core of the workforce development work is organized around regional industry clusters, expanding higher education opportunities, and developing the workforce preparation infrastructure to support sustained, long term, economic vitality.

Key challenges in reaching these goals were identified as a growing shortage of skilled workers for major regional industry sectors; thousands of unemployed and underemployed people; growing competition from other states and regions in the world; and a fragmented and under-resourced approach to workforce development. AB 1910 would assist the San Joaquin Valley in addressing address these challenges and meeting their economic objectives.

- 5) **Energy Industry Studies:** The petroleum industry has played a significant role in the San Joaquin Valley for more than a century. Although energy production has lessened in the past several decades since its peak in 1985, the exploration and extraction opportunities of the Monterey Shale Formation creates new opportunities. In order to maximize these opportunities, however, the industry requires a consistent pipeline of qualified workers. The Western State Petroleum Association had a report prepared in 2013 to help identify (1) what the economic impact of the industry was on the region, and (2) to assess the potential economic future of the oil industry in the San Joaquin Valley from the Monterey Shale Formation. A selection of key findings from the report include:
- Oil produced in the San Joaquin Valley accounts for 74% of all oil and 65% of all gas production in California.
  - Over 95% of the oil produced in the San Joaquin Valley comes from Kern County. It accounts for 20% of the county's GDP and 5% of employment.
  - The petroleum industry, with its related industries, supports 52,271 jobs (3.1% of all jobs) in the San Joaquin Valley, and has an annual payroll of \$4.08 billion.
  - The petroleum industry generates \$23.6 billion in sales for businesses located in the San Joaquin Valley, representing 10% total sales.

- The petroleum industry generates \$364,480 annually in sales tax and \$3.8 million in property taxes.
- Job gains for the future range between 2,151 and 34,485 under the high resource scenario and between 2,151 and 195,683 under the high resource – oil boom scenario.
- Personal income growth ranges from \$201 million to \$4 billion under the high resource scenario and \$201 million to \$22 billion under the high resource – oil boom scenario.

The Los Angeles Economic Development Corporation has been commissioned to prepare a follow-up study which will cover the eight San Joaquin Valley counties and assess their current workforce capabilities. More specifically, the second study will examine existing conditions in the labor market while considering demographic and labor force characteristics, industry employment, wage data, and an inventory of existing training and education programs for workforce development. They will also use information from a Fresno State study to project workforce needs, using metrics such as detailed knowledge, skills, and abilities. And finally, the study will look at projected workforce needs to see if there are any cross occupational training or education programs that can help new entrants in the labor market or those that have been unemployed.

- 6) WIA and the California Workforce Investment Board: Enacted in 1998, WIA provides states with federal funding for job training and employment investment activities and programs, including work incentive and employment training outreach programs. Distribution of the funds is based on a set formula which includes specified economic and demographic data and flows to the state through three primary programs: Adult, Youth, and Dislocated Workers.

California's WIA allocation from the U.S. Department of Labor has declined over the years from a high of \$630 million in 2000-01 to \$411 million in 2012-13. Federal law dictates that 85% of Adult and Youth formula funds, and 60% of Dislocated Worker formula funds, are distributed to local WIBs (LWIBs). Funding for the state's activities is derived from the 15% WIA discretionary funds. In 2012-13 LWIBs received \$348 million, while the state received about \$20 million in discretionary moneys.

California's WIA dollars are overseen by the 56-member CWIB, of which 61% of the members represent the private sector, as required by federal law. Among its primary duties, the CWIB provides guidance to local LWIBs and is responsible for the development of a unified, strategic plan to coordinate various education, training, and employment programs that result in an integrated workforce development system that supports economic development. The plan is required to be updated at least every 5 years in order to address the state's changing economic, demographic, and workplace needs. The most recent plan was submitted to the federal Department of Labor in April 2013 and approved after consultation and modest revisions in June 2013. Based on the framework of the state plan, in July 2013, the LWIBs submitted local workforce investment plans for the CWIB's review. Key among the policy enhancements in the current state and local plans are strengthened performance indicators to allow for ongoing monitoring of the plan's success.

The CWIB has a staff of 17 authorized positions and is currently led by Executive Director Tim Rainey. There are 49 LWIBs that plan for and oversee the workforce investment system at the local level. Each LWIB also has one or more One-Stop Centers, which provide access to career information, counseling, and funding for education, training and supportive services.

In 2008, CWIB established the GCJC to address the workforce development needs of the emerging clean and green economy. AB 1910 is molded after this council. [AB 3018 (Nunez) Chapter 312, Statutes of 2008]

- 7) Technical Amendments: The committee staff has been working with the author on amendments to make clarifying changes to effectuate the purpose of the SJVREPPC including, but not limited to, defining the Council's role as a facilitator to help connect federal and state public agencies and the private non-profit sector with workforce related stakeholders in the San Joaquin Valley.
- 8) Related Legislation: Legislation related to this measure includes the following:
  - a) *AB 8 (V. Manuel Pérez) Renewable Energy Workforce Readiness Initiative*: This bill would have required the California Workforce Investment Board, in consultation with the Green Collar Jobs Council, to establish a Renewable Energy Workforce Readiness Initiative, as specified. As part of these activities, the California Workforce Investment Board would have provided guidance to local workforce investment boards on how to establish comprehensive green collar job assessment, training, and placement programs that reflect the local and regional economies. Status: Vetoed by the Governor, 2011
  - b) *AB 285 (Brown) Scope of Practice for the California Workforce Investment Board*: This bill would have required the California Workforce Investment Board to make recommendations and provide technical assistance on entrepreneurial training opportunities that could be made available through local workforce investment boards. The bill would have also deleted certain required duties of the California Workforce Investment Board and made changes to the definition of microenterprise. Status: Vetoed by the Governor, 2013.
  - c) *AB 1315 (John A. Pérez) California Green Collar Jobs Act*: This bill adds the Speaker of the Assembly and the President Pro Tempore of the Senate as members of the California Workforce Investment Board and the Green Collar Jobs Council. This bill also authorizes the Green Collar Jobs Council to include representatives from other states agencies and other interested parties as appropriate, and requires the development of a common framework to address workforce needs arising from changes in industries impacted by state policies to reduce greenhouse gas emissions. Status: Pending on the Assembly Inactive File.
  - d) *AB 3018 (Nunez) Green Collar Jobs Council*: This bill enacted the California Green Collar Jobs Act of 2008, which created the Green Collar Jobs Council within the California Workforce Investment Board to perform specified tasks related to addressing the green economy workforce needs of the state. Specifically, the bill required the Council to develop a comprehensive array of programs, strategies, and resources to address the state's growing green economy. Status: Signed by the Governor, Chapter 312, Statutes of 2008.
  - e) *SB 73 (Senate Budget and Fiscal Review Committee) Proposition 39 Budget Trailer Bill*: This bill specified that the allocation of Prop 39 revenues available for K-12 local educational agencies and California Community College districts. This bill also appropriated \$3 million in Prop 39 revenues to the California Workforce Investment Board to develop and implement a grant program for community-based organizations and other training workforce organizations preparing disadvantaged youth or veterans for employment. Status: Signed by the Governor, Chapter 357, Statutes of 2013.

- f) *SB 118 (Lieu) Education and Workforce Investment Systems*: This bill required the California Workforce Investment Board to incorporate specific principles into the state's strategic plan to align the education and workforce investment systems of the state to the needs of the 21st century economy and promotes a well-educated and highly skilled workforce to meet the state's future workforce needs. Status: Signed by the Governor, Chapter 562, Statutes of 2013.
- g) *SB 698 (Lieu) High Performance Boards*: This bill required the Governor to establish, through the California Workforce Investment Board, standards for certification of high-performance LWIBs, in accordance with specified criteria. The bill also required the Governor and the Legislature, in consultation with the California WIB, to reserve specified federal discretionary funds for high-performing LWIBs. Status: Signed by the Governor, Chapter 497, Statutes of 2011.
- h) *SB 1402 (Lieu) California Workforce and Economic Development Program*: This bill recast and revised the California Community Colleges Economic and Workforce Development Program to more closely align with economic and workforce best practices and extends the program's sunset date from January 1, 2013 to January 1, 2018. Status: Signed by the Governor, Chapter 361, Statutes of 2012.

REGISTERED SUPPORT / OPPOSITION:

Support

Kaiser Permanente

Opposition

None received

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