

Date of Hearing: April 25, 2017

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sharon Quirk-Silva, Chair

AB 957 (Levine) – As Amended April 20, 2017

**SUBJECT:** Public postsecondary education: higher education regional workforce coordination: California Workforce Development Board

**SUMMARY:** Requires the California State University (CSU), and requests the University of California (UC), to engage in the development of regional workforce development plans, organized under the auspices of the state's implementation of the federal Workforce Innovation and Opportunity Act of 2014 (WIOA). Specifically, **this bill:**

- 1) Makes the following findings and declarations:
  - a) In order to meet the demands of today's regionally based economy, all of California's institutions of higher education must be involved in geographic workforce development initiatives that seek to align our education system with regional workforce needs.
  - b) It is the intent of the Legislature for the UC to continue its mission in educating our state's top students and offering the highest quality of professional degrees, and for the CSU to continue its mission in educating the greater part of our state's undergraduate students.
- 2) Expands the illustrative list of higher education partners that the Governor may consider when making appointment to the California Workforce Development Board (CWDB).
- 3) Requires the CSU and requests the UC to participate in regional conversations pursuant to WIOA.
- 4) Requires the CSU and requests the UC to submit a report to the Legislature on or before January 1, 2019, on both of the following:
  - a) Efforts they have made to increase the number of degrees in order to meet regional labor demands.
  - b) Barriers to addressing regional workforce demands and the needed actions to overcome those barriers.

**EXISTING LAW:**

- 1) Establishes the CWDB, comprised of a nonspecific number of members appointed by the Governor, as well as two Members of each House of the Legislature, who have been appointed by the appropriate presiding officer in each House. Members of the CWDB are required to represent diverse geographic areas of the state, including urban, rural, and suburban areas.
- 2) Designates the CWDB as the state entity responsible for assisting the state in meeting the requirements of the federal WIOA, as well as assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.
- 3) Requires the CWDB to assist the Governor in the development of strategies to support the use of career pathways for the purpose of providing individuals, including low-skilled adults, youth, and individuals with barriers to employment, and including individuals with disabilities, disabilities and out-of-school

youth, with workforce investment activities, education, and supportive services to enter or retain employment. To the extent permissible under state and federal laws, these policies and strategies should support linkages between kindergarten and grades 1 to 12, inclusive, and community college educational systems in order to help secure educational and career advancement.

- 4) Requires that the membership of the CWDB be comprised of:
  - a) A majority of board members who:
    - i) Are owners of businesses, chief executives or operating officers of businesses, and other business executives or employers with optimum policymaking or hiring authority. These individuals may also be members of a local board;
    - ii) Represent businesses, including small businesses, or organizations representing businesses that include high-quality, work-relevant training and development in in-demand industry sectors or occupations in the state; and
    - iii) Are appointed from a group of individuals nominated by state business organizations and business trade associations.
  - b) Not less than 20% of board members can be representatives of the workforce within the state, including representatives of labor organizations nominated by state labor federations, as specified. These individuals may include:
    - i) Representatives of community-based organizations that have demonstrated experience and expertise in addressing the employment, training, or education needs of individuals with barriers to employment, including organizations that serve veterans or that provide or support competitive, integrated employment for individuals with disabilities.
    - ii) Representatives of organizations that have demonstrated experience and expertise in addressing the employment, training, or education needs of eligible youth, including representatives of organizations that serve out-of-school youth.
  - c) Individuals, comprising the balance of board members, who:
    - i) Represent government and who are lead state officials with primary responsibility for the core programs; and
    - ii) Chief elected officials, collectively representing cities, counties, and cities and counties, where appropriate.
- 5) Authorizes the Governor to appoint, as part of the non-business majority – after meeting the other appointment representation requirements - other representatives and officials, including any of the following:
  - a) State agency officials from agencies that are one-stop partners, but do not have primary responsibility for any of the core WIOA programs;
  - b) State agency officials responsible for economic development or juvenile justice programs;
  - c) Individuals who represent an Indian tribe or tribal organization, as specified; and
  - d) State agency officials responsible for education programs in the state, including chief executive officers of community colleges and other institutions of higher education.

- 6) Requires workforce development boards to develop local plans that include the following:
  - a) An analysis of the regional economic conditions, including, existing and emerging in-demand industry sectors and occupations and the employment needs of employers;
  - b) An analysis of the knowledge and skills needed to meet the employment needs, as specified;
  - c) An analysis of the workforce in the region, including individuals with barriers to employment;
  - d) An analysis of the workforce development activities and an analysis of the strengths and weaknesses of such services to address the identified education and skill needs of the workforce and the employment needs of employers in the region;
  - e) A description of the local board's strategic vision and goals; and
  - f) Provide a strategy to achieve the strategic vision and goals.
- 7) Requires an annual status report on credential attainment, including training completion, degree attainment, and participant earnings from workforce education and training programs.
- 8) Requires the CWDB to establish an evaluation process for the purpose of designating high performing workforce development boards, which includes, but is not limited to, meeting and exceeding performance goals, demonstration of an inclusive local planning processes, and demonstration of training programs that promote skills development and career ladders relevant to the needs of each workforce investment area's regional labor market and high-wage industry sectors.

**FISCAL EFFECT:** Unknown

**POLICY FRAMEWORK:**

As California continues to transition from the recession, businesses and workers face an economy comprised of highly integrated industry sectors that are also more geographically dispersed. Advances in technology and processes are occurring more rapidly, resulting in competitiveness being increasingly defined in terms of speed, flexibility, specialization, and innovation.

Achieving job growth within globally competitive industries and addressing the state's growing income disparities is triggering changes in how the state deploys community, economic, and workforce development programs and services. Policies and programs are being better coordinated and funding is being blended with other efforts by industry, labor, nonprofits, and governments.

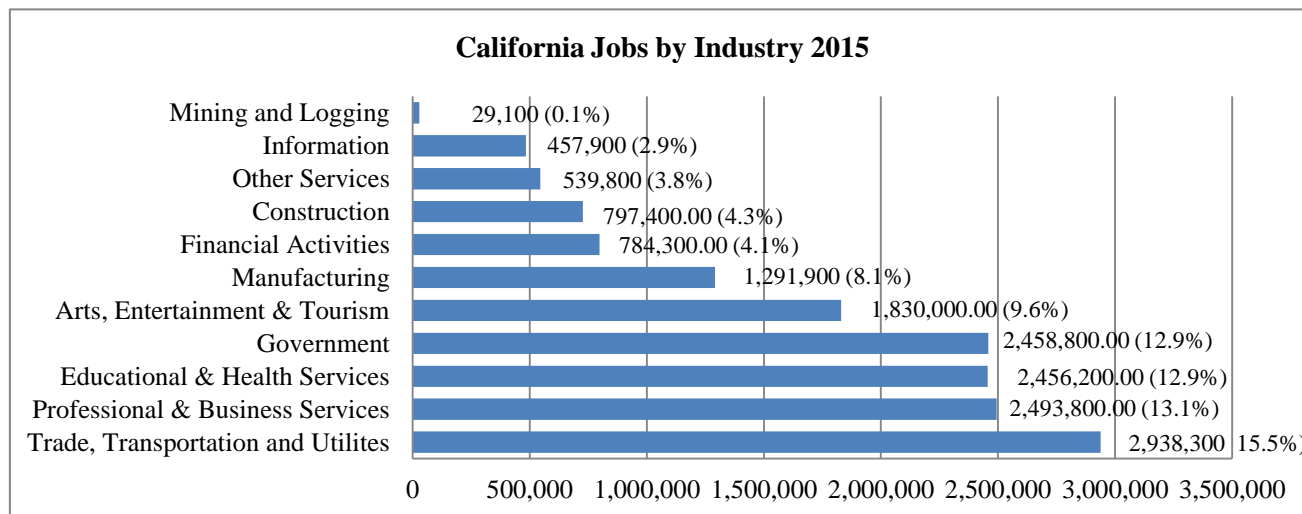
AB 957 proposes a closer alignment between the activities of the CSU and UC system in order to develop stronger articulation of career pathways that lead to middle- and senior-management positions, research and development specialists, teachers, and other professionals in areas of law, business, science, and medicine. The analysis includes information on the California economy, the CSU and UC systems, the state's workforce system, and related legislation. Amendments are discussed in Comment 6.

**COMMENTS:**

- 1) **California Economy:** California is home to over 39 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2015, this diverse group of business owners and workers produced \$2.45 trillion in goods and services, ranking the size of the state economy as sixth largest in the world.

The state's significance in the global marketplace results from a variety of factors: including its strategic west coast location; its economically diverse regional economies; its skilled workforce; its broad base of small- and medium-sized businesses; and its culture of innovation and entrepreneurship, particularly in the area of high technology. California has the largest workforce in the nation, comprised of 19.3 million people who are comparatively younger and more educated than the national average. As an example, over 30% of the working age population in California holds at least a bachelor's degree.

Many policy makers and economists describe California as having not a single economy, but having a highly integrated network of regional industry clusters that provide access points to other areas of the U.S. and across the world. While biotech has a comparative advantage in some regions, information technology drives growth in others. Driving this economic vitality are both global fortune 250 companies with California headquarters and other facilities, as well as the state's robust small business sector, which employees half of all workers and comprises more than 98% of all businesses in the state. California's well diversified small business base also provides an economic advantage by meeting the niche needs of the state's dominant and emerging innovation-based industry sectors.



California's largest industry sector, based on employment, is the Trade, Transportation, and Utilities sector, employing 2.9 million people and representing 15.5% of all California jobs. Jobs in this sector also support employment in other industry sectors including Manufacturing (8.1% of state employment), Professional Services (13.1% of state employment), and Financial Activities (4.1%).

Supporting California's continued economic growth and competitiveness relative to other states and innovation-developed regions around the world requires an honest assessment of the state's business climate. In recent years, the Legislature and Administration have adopted and funded new initiatives to lower costs for development and expansions of manufacturing and R&D facilities, increased economic analysis of major regulations, and funded technical assistance to help small businesses navigate the state regulatory and permitting environment. With the state's implementation of WIOA, among other policy work, there is a broad, bipartisan movement to add workforce development to the list of aggressive new initiative's California is employing to maintain and expand the state's economic competitiveness.

AB 957 proposes a closer alignment between the activities of the CSU and UC system in order to support the alignment of higher education programs, resulting in better articulated career pathways that lead to middle- and senior-management positions, research and development specialists, teachers, and other professionals in areas of law, business, science, and medicine.

- 2) **The California State University System:** Created in 1960 under the California Master Plan for Higher Education, the CSU mission has been to draw its students from the top third of the state's high school graduates and to serve as the state's primary undergraduate teaching institution.

The CSU also educates many students who go on to become skilled professionals in areas such as engineering, law, and science related fields, including health care. More recently, the CSU began offering doctorate degrees at several of its campuses, including a doctor of education, doctor of nursing practice, and doctor of physical therapy programs.

<b>2016 Enrollment</b>	
(Total: 474,571)	
• Freshman:	95,243 (20.1%)
• Sophomore:	57,535 (12.1%)
• Junior:	112,131 (23.6%)
• Senior:	153,334 (32.3%)
• Post-Baccalaureate:	11,687 (2.5%)
• Graduate:	44,641 (9.4%)

The CSU is the nation's largest four-year public university system, with 23 campuses and eight off-campus centers. The system educates approximately 474,600 students and employs more than 49,000 faculty and staff. The CSU serves as a key component to the state's overall workforce preparation system. *"With more than 100,000 annual graduates, the CSU is the state's greatest producer of bachelor's degrees and drives California's economy in agriculture, information technology, business, hospitality, life sciences, healthcare, public administration, education, media and entertainment . . . In short the CSU educates the most ethnically, economically and academically diverse student body in the nation."* according to the CSU 2016 summary of activities.

Other key facts about the CSU include:

- For every \$1 the state invests in the CSU, the CSU returns \$5.43.
- The CSU sustains more than 150,000 jobs in the state.
- CSU-related expenditures create more than \$17 billion in annual economic activity.
- One in ten employees in California is a CSU graduate.
- More than a third of CSU students are first generation college students.
- The CSU awards nearly half of the state's bachelor's degrees.

The CSU states that it is committed to serving California's underserved communities by providing an affordable college option. More than one-third of CSU students are first-generation college students. The CSU grants more than half of all undergraduate degrees earned by California's Latino, African American, and Native American students. Eighteen of 23 CSUs are currently recognized by the Department of Education as Hispanic Serving Institutions (HSIs), colleges and universities with a Latino student enrollment of at least 25%.

The CSU believes that its high-quality academic programs reflect California's current and future workforce demands in emerging fields such as cybersecurity, software engineering, sustainable business and environmental technology. AB 957 highlights the importance of including a CSU representative on the CWDB and to encourage CSU participation within regional workforce development discussion.

- 3) **University of California System:** The UC system is designated by the 1960 Master Plan for Higher Education to admit the top 9% of high school graduates and to serve as the primary state-supported academic agency for research. The University of California is a system of 10 campuses, five medical

centers and three affiliated national laboratories. The system is considered a premiere world class research institution.

In 2000, Governor Gray Davis and the Legislature committed to the development to three new world class research institutions to support California's growing economic position in the 21<sup>st</sup> Century. The institutions would be collectively referred to as the California Institutes for Science and Innovation, with each one combining technological and scientific research with the training and education of future scientists and technology leaders.

The institutions were to be chosen on a competitive basis. Each institute was envisioned to develop programs in cooperation with the private sector and in collaboration with the California's other public and private colleges and universities. The Legislature passed and the Governor signed legislation to provide a framework for the development of the institutions and included \$75 million in the 2000-2001 Budget Bill, *AB 2883 (Villaraigosa) Chapter 79, Statutes of 2000*, and *AB 1740 (Assembly Budget Committee) Chapter 52, Statutes of 2000*.

One of the statutory requirements for the development of the institutes was that state funding for the construction of the facilities would be matched on a two-to-one basis with federal and private funds. A commitment was also made to provide up to \$300 million over four years to complete the project. Operating costs for the institutes was to be annually appropriated through the regular budget review and adoption process.

Six applications were submitted, from which four centers were selected including:

- ***California Institute for Bioengineering, Biotechnology, and Quantitative Biosciences:*** This institute, also referred to as a QB3, applies quantitative sciences, including mathematics, physics, chemistry and engineering, to biomedical research that promises to improve human health and create dynamic new technologies. Among its many advantages, the institute maintains state of the art research equipment, such as genome sequencers and super computers, that would be too expensive for a single lab to acquire and maintain. The QB3 is jointly hosted by UC San Francisco, Berkeley, and Santa Cruz.
- ***California Institute for Telecommunications and Information Technology:*** This institute, also referred to as Calit2, links UC faculty, researchers, and students with California companies to develop scientific and technological components to create a "new Internet" that can support innovations in transportation, health care, e-commerce, and education. Calit2 is jointly hosted by UC San Diego and Irvine.
- ***California NanoSystems Institute:*** This institute, also referred to as CNSI, serves as a catalyst for the development of techniques to manipulate structures atom-by-atom for the purpose of engineering new materials, devices, and systems that can revolutionize the delivery of health care and information technology. CNSI is jointly hosted by UCLA and UC Santa Barbara.
- ***Center for Information Technology Research in the Interest of Society:*** This institute, also referred to as CITRIS, examines new ways to use information technology to solve complex issues, including transportation, education, emergency preparedness, and the environment. This fourth institute was not initially funded and Governor Davis had to identify supplemental funding for it to be established. CITRIS is jointly hosted by UC Berkeley, Santa Cruz, Davis, and Merced.

Today, each of these institutes facilitates and encourages the development of new products and processes, as well as providing a focus for deeper primary and applied research. Their initial

development, however, was not without its challenges. The Legislative Analyst, in particular, expressed concerns over the cost of the institutes and in 2007 opposed a \$20 million appropriation to expand the California Institutes for Science and Innovation and build a petascale supercomputer.

- 4) **Workforce Innovation Opportunity Act and California Workforce Board:** Enacted in 2014, WIOA 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 Worker.

California's workforce development funding 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 workforce development boards. Funding for the state's discretionary activities is derived from the 15% discretionary funds.

California received approximately \$421.6 million for program year 2016-17, with \$358.4 million being allocated to local workforce development boards to provide services for adults, laid-off workers, and youth, and \$63.2 million remaining at the state-level for program oversight and discretionary programs.

California's WIOA dollars are overseen by the 49-member CWDB, of which 51% of the members represent the private sector, as required by federal law. The CWDB has 22.9 authorized positions and is currently led by Executive Director Tim Rainey. In 2008, a Green Collar Jobs Council was established to address the workforce development needs of the emerging clean and green economy.

Among its primary duties, the CWDB provides guidance to local workforce boards 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 2 years in order to address the state's changing economic, demographic, and workplace needs.

The CWDB submitted its first plan under WIOA to the U.S. Labor Department in 2016, which set three policy objectives: Fostering "demand-driven skills attainment"; enabling upward mobility for all Californians; and aligning, coordinating, and integrating programs and services. These objectives support the accomplishment of the state goals (2017 to 2027) of producing a million "middle-skill" industry-valued and recognized postsecondary credentials, while also doubling the number of people enrolled in apprenticeship programs.

There are 49 local workforce development boards that plan for and oversee the workforce system at the local and regional levels. Local workforce boards are comprised of a range of workforce stakeholders, a majority of which are required to be representatives from business. Each local workforce development board has one or more One-Stop Career Centers, called American Job Centers under WIOA, which provide access to career information, counseling, and funding for education, training, and supportive services.

On March 15, 2017, the local workforce boards submitted regional plans that brought together local and regional level data on the workforce needs, skills gaps, and initiatives that are designed to address those needs, including benchmarks. A priority for the state, regional, and local plans is serving individuals

who face employment barriers. In the following years, state funding through WIOA will be modified by the U.S. Department of Labor, based on the ability of the state to meet these goals.

- 5) **The Future of California's Workforce Development System:** The federal Workforce Innovation and Opportunity Act of 2014 represents the most significant shift in federal workforce policy in several decades. Among other requirements, the act mandates that the state develop a plan for making workforce investments, set goals, and report on their progress. Future federal funding will be dependent on the state meeting established milestones leading to these goals.

California's Unified Strategic Workforce Development Plan (State Plan) outlines a comprehensive four-year strategy for investing federal workforce training and employment service dollars in a manner that aligns and coordinates six core Workforce Innovation and Opportunity Act funded programs. The state goal (2017 through 2027) is to produce one million "middle-skill" industry valued and recognized postsecondary credentials. In meeting this goal, the State Plan anticipates doubling the number of people enrolled in apprenticeship programs.

The state policy framework includes three policy objectives that are intended to not only guide the specific use of the federal WIOA funds, but also assist in aligning other workforce development strategies and programs. These objectives include: (1) demand driven skills attainment; (2) enabling upward mobility; and (3) aligning, coordinating and integrating programs and services.

The State Plan also identifies seven strategies to help the state meet its WIOA goals, as well as guide and focus workforce and education investments on meeting the future needs of businesses and workers. These strategies include:

1. Sector strategies
2. Career pathways
3. Organizing regionally
4. Earn and learn models
5. Supportive services
6. Building cross-system data capacity
7. Integrating services and braiding resources

In putting forth his proposed budget for 2017-18, the Governor made a number of recommendations about how the state university systems could support the advancement of state workforce goals, especially in high skill areas. More specifically he identified the importance of the Extension and Continuing Education programs, the \$22 million in Innovation and Entrepreneurship funding, and the Online Master's Program. All of these programs have the ability of advancing career pathways to high-demand industry sectors. AB 957 is in alignment with the Governor's recommendations and could assist in operationalizing his vision of a more fully integrated workforce development system that includes education.

- 6) **Proposed Amendments:** Below is a list of amendments the Committee may wish to consider in advancing this legislation.
- a. Add legislative intent to clarify the connection between the CSU and UC and the objectives and strategies in the State Plan.
  - b. Clarify that the purpose of the report is to identify first year activities related to the first-year regional workforce development collaborations.



- c. Refine the elements of the report to include: Recommendations made, partnerships developed, and activities undertaken by individual campuses, programs, or the system, which substantively included local and regional workforce partners and that were designed to increase the number of degrees in high-demand occupations and industry sectors.
- d. Narrow the barrier assessment to require recommendations for removing barriers.
- e. Rephrase the provisions relating to the state institutions of higher education to clarify that the reference to chief executive officers refers to both the head of the system and the head of an individual campus.

7) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) **AB 1270 (E. Garcia) California Workforce Innovation and Opportunity Act:** This bill aligns California statute with the new requirements of the federal Workforce Innovation and Opportunity Act of 2014. The bill sets the foundation for policy changes in 2016 through SB 45 (Mendoza). Status: Signed by the Governor, Chapter 94, Statutes of 2015.
- b) **AB 2156 (Levine) Higher Education Regional Workforce Engagement:** This bill would have required the California State University, and requested the University of California, to participate in regional conversations pursuant to the federal Workforce Innovation and Opportunity Act. Status: Held under submission in the Assembly Appropriations Committee, 2016.
- c) **AB 2664 (Irwin) Entrepreneurship at the University of California:** This bill requires the University of California to make one-time expenditures on activities, using the \$22 million General Fund provided in the Budget Act of 2016, to expand or accelerate economic development in the state in ways that support innovation and entrepreneurship. Status: Signed by the Governor, Chapter 862, Statutes of 2016.
- d) **SB 66 (Leyva, McGuire) Career Technical Education Metrics:** This bill specifies that the performance accountability outcome measures implemented by the Chancellor of the California Community Colleges for the Economic and Workforce Development program should align with the outcome measures for the federal Workforce Innovation and Opportunity Act and authorizes the Department of Consumer Affairs to make specified licensure information available to the chancellor for purposes of evaluating outcomes for students who participate in CCC career technical education programs. Status: Signed by the Governor, Chapter 770, Statutes of 2016.
- e) **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.

- 8) **Double Referral:** The Assembly Rules Committee has referred this measure to the Assembly Committee on Higher Education (HE) and the Assembly Committee on Jobs, Economic Development and the Economy. This measure passed HE on a 13 to 0 vote.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

North Bay Leadership Council

**Opposition**

None on File

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