

Date of Hearing: July 3, 2012

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Pérez, Chair

SB 1402 (Lieu) – As Amended: June 26, 2012

SENATE VOTE: 38-0

SUBJECT: California Community Colleges Economic and Workforce Development Program

SUMMARY: Recasts and revises the California Community Colleges Economic and Workforce Development Program (EWD 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. Specifically, this bill:

- 1) Requires the EWD Program to operate according to a new set of principles:
 - a) Be responsive to the needs of employers, workers, and students;
 - b) Collaborate with other public institutions, aligning resources to foster cooperation across workforce education and service delivery systems, and building well-articulated career pathways;
 - c) Make data driven and evidence based decisions, investing resources and adopting practices on the basis of what works;
 - d) Develop strong partnerships with the private sector, ensuring industry involvement in needs assessment, planning, and program evaluation;
 - e) Be outcome oriented and accountable, measuring results for program participants, including students, employers, and workers; and
 - f) Be accessible to employers, workers, and students who may benefit from its operation.

- 2) Revises the mission of the EWD Program to:
 - a) Advance California's economic growth and global competitiveness;
 - b) Advance California's economic and jobs recovery and sustain economic growth through labor market-aligned education workforce training services, and sector strategies;
 - c) Use labor market information to advise on the workforce needs of the state's competitive and emerging industry sectors and industry clusters;
 - d) Provide technical assistance and logistical, technical, and communications infrastructure support that results in alignment between the career technical education programs of the California Community College (CCC) system and the needs of California's competitive and emerging industry sectors and industry clusters;
 - e) Collaborate and coordinate investment with other state, regional, or local agencies involved in education and workforce training;
 - f) Identify, acquire, and leverage community college and other financial and in-kind public and private resources to support economic and workforce development and career technical education programs; and
 - g) Work with representatives of business, labor, and professional trade associations on how to assist incumbent workers in the state's competitive and emerging industry sectors.

This proposed mission removes the more prescribed set of strategic priority areas (advanced transportation, biotechnology, small business, etc.) and, instead directs the program to remain

more current and base its priorities on current labor market analysis and appropriate sector strategies for dominant and emerging industries.

- 3) Continues to authorize the CCC Board of Governors to award project funds and competitive grants to districts for leadership in accomplishing the mission and goals of the program, provided that funds are appropriated for this purpose in the annual Budget Act. The advisory committee is also retained as a key advisor with an expanded program assessment role. Funding under AB 1402, however, is required to be more specifically aligned to the ever changing market conditions.
- 4) Maintains a similar grant evaluation process, with additional requirements for ensuring that the grant is relevant to the current market needs, relevant to a region's competitive and emerging industry sectors, industry clusters or skills shortages in the state or regional economies. The bill provides for additional assessment of projected outcomes including the following:
 - a) For grants providing direct services to an employer, a group of employers, or an industry sector or industry cluster, an assessment of the purported beneficial impacts of the grant on the relevant businesses, measuring such things as, increased profitability, increased labor productivity, reductions in worker injuries, and employer cost savings resulting from improved business processes.
 - b) For grants involving direct education and training services provided to workers and students, an assessment of the educational and training goals of the grant, the projected numbers of students and workers served and the projected rates of course and program completion or transfer-readiness, the projected rate of skills attainment for certificates and degrees, and the projected wages and rate of employment placement for those entering the labor market.
 - c) For technical assistance and logistical support projects, a concrete enumeration of the ways the project will collaborate with the Chancellor's Office to advance sector strategies, regional development, accountability based on performance data, and the adoption of effective workforce and economic development practices.
- 5) Maintains the requirement for the Chancellor's Office to provide system-wide oversight and evaluation of the grants and adds a requirement to evaluate whether grantees achieved their stated objectives. Unsuccessful grantees may be terminated by the Chancellor, pursuant to new direct authority in SB 1402.
- 6) Updates and adds definitions to reflect current practices including, but not limited to:
 - a) Adding the definition of "career pathways" and "career ladders" or "career lattices" to mean an identified series of positions, work experiences, or educational benchmarks or credentials that offer occupational and financial advancement within a specific career field or related field over time;
 - b) Updating the definition of "industry cluster" to mean a group of employers closely linked by a common product or services, workforce needs, similar technologies, and supply chains in a given regional economy or labor market;

- c) Removing the definition of "living wage" and adding a definition of "economic security" to mean that a worker earns a wage sufficient to adequately support a family and to, over time, save money for emergency expenses and adequate retirement income;
- d) Defining sector strategies to mean prioritizing investments in competitive and emerging industry sectors and industry clusters on the basis of labor market and other economic data that indicate strategic growth potential. Sector strategies focus workforce investments toward programs that are likely to lead to high-wage jobs or to entry-level jobs with well-articulated career pathways into high-wage jobs.

Sector strategies may be implemented using articulated career pathways and a system of stackable credentials. Sector strategies often target underserved communities, disconnected youth, incumbent workers, and recently separated military veterans.

- 7) Retains the California Community Colleges Business Resource Assistance and Innovation Network Trust Fund in the State Treasury.
- 8) Updates the role of the Economic and Workforce Development Program Centers to focus on activities that contribute to workforce skill development common to competitive and emerging industry sectors and clusters within a region.
- 9) Adds specificity to the CCC's annual reporting requirements on the EWD Program including, but not limited to, measuring (a) program completion, including certification, degree and program study rates; (b) employment placement or measurable educational progression; and (c) a quantitative assessment of impacts on business receiving services under the program.
- 10) Re-establishes the requirement to have an independent evaluation on the effectiveness of the EWD Program. The new date of the report is set at January 1, 2015 with findings to the Legislature by no later than March 1, 2016.
- 11) Repeals the provisions of the bill on January 1, 2018.

EXISTING LAW:

- 1) Establishes the EWD Program within the CCC System, for the purpose of advancing California's economic growth and global competitiveness through high quality education and services focusing on continuous workforce improvement, technology deployment, and business development, consistent with the current needs of the state's regional economies.
- 2) Establishes the Governor's Office of Business and Economic Development (GO-Biz), which serves as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. In this capacity, GO-Biz recommends to the Governor and the Legislature: (a) new state policies, programs, and actions to advance statewide economic goals and respond to emerging economic problems and opportunities, and (b) ensures that all state policies and programs conform to the adopted state economic and business development goals.

FISCAL EFFECT: According to the Senate Appropriations Committee analysis, implementation of the measure would result in annual expenditures of \$22.9 to \$46.7 million.

The bill language specifies that funding is subject to appropriation in the Budget Act, which is consistent with the terms of the current EWD Program.

COMMENTS:

- 1) Purpose of the Bill: According to the author's office, the revised program would improve the functions of the EWD Program in three primary ways: (a) Making the program more nimble and better able to respond to changing economic conditions; (b) Making the program more accountable for investments and performance by strengthening the evaluation framework for EWD grants and programs; and (c) Encouraging better integration and communication of EWD programs with CTE programs.
- 2) The EWD Program: The purpose of the EWD Program is to advance California's economic growth and global competitiveness through education and services that contribute to continuous workforce improvement, technology deployment, and business development and are consistent with the current needs of the state's regional economies. Local colleges and business partners form consortia to identify regional workforce needs and priorities, providing assistance to small businesses in the region through local Economic and Workforce Development Centers and train workers. The partnerships enable colleges to develop curricula that address the training needs of local industry.

Codified in 1991, the EWD Program formalized earlier efforts to coordinate statewide technical training and programs for small businesses and economic development. SB 1809 (Polanco, Chapter 1057, Statutes of 1996) further clarified the legislative intent of the EWD Program, defined regional planning, priority setting and coordination and added accountability and audit requirements. The 1996 legislation also made economic development and continuous workforce improvement a primary mission of the CCC.

The 2010-11 EWD Annual Report shows that community colleges play an integral role in helping California build its workforce despite budget cuts and stagnant economic growth. The report noted that during the reporting period, 929 people received a job through an EWD program, while an additional 9,475 people were able to retain their jobs through EWD services. A one-time return-on-investment report conducted by Time Structures, Inc. found that from 2002-2009 the EWD Program assisted an average of 41,000 businesses, 107,000 students and trainees, and placed 4,300 individuals in jobs. The report revealed that it cost the state of California an average of \$589 to train each worker in a highly concentrated one-time course. Each newly trained worker earned a higher wage, subsequently paying an additional \$450 in state and local taxes over the next three years. The report indicated that the workers' higher tax payments returned almost 80% of the state's costs for the training.

- 3) Regional Economies and Sector Strategies: California's \$1.9 trillion economy is not only one of the largest in the world, but it is also one of the most economically diverse. The state's economy is comprised of a variety of industry clusters. While many of these clusters are linked through extended economic value chains across the state and world, in general, industry clusters operate within their own regional micro-economies.

Economic developers like to use sector strategies to better understand the interconnections between related businesses, workforce capabilities, and available infrastructure. When done successfully, sector strategies at the regional level provide mutually beneficial outcomes for

business, labor, and the state by increasing competitiveness and growth, improving worker employability and income, and reducing the need for social services while also bolstering government revenues generated by both business and workers. According to a 2010 study of three sector focused training programs in Wisconsin, Massachusetts, and New York, it was found that participants in the relevant training programs earned more and were employed at higher rates than were members of the study's control group (*Tuning Into Local Labor Markets: Findings from the Sectoral Employment Impact Study, Public/Private Ventures, 2010*).

SB 1402 and its companion measure, SB 1401 (Lieu), are proposing a significant statutory shift in state workforce and economic development policy by broadly applying a mandate to assess, prioritize and allocate funding based on sector strategies in competitive and emerging industry sectors. While regional and local workforce practices have been transitioning at an uneven pace, these measures, if enacted, could be the catalyst for bringing into alignment federal workforce training dollars, state education funding, and regional economic and workforce development activities.

- 4) Strengthening Workforce Linkages: As California slowly moves out of the recession, it is clear that the next economy will require new and more agile thinking about resources and deployment of human, physical, and financial capital. Economic researchers have identified several key emerging trends, including that nations and states will become less significant and that regions will be the more dominant drivers of economic growth.

Job growth will be driven by smaller size companies that are able to connect and access expanding global markets through the deployment of new technologies that can cost effectively increase productivity and meet changing market demands. Due to scarcity and rising prices, the emerging economy will also need to be powered by lower carbon fuels. All these new market realities will need to be accomplished with a workforce that is substantially smaller, more diverse, and historically underinvested.

This new workplace environment will require integrated, data-driven strategies within well-articulated career pathways between K-12 and the state's higher education systems. SB 1402 currently specifies several specific operational tools for codifying these linkages including the use of stackable certificate programs within industry sector strategies. The Committee may wish to add the use of articulation agreements between K-12 and the EWD Program.

From the state's perspective, articulation agreements would support many dominant and emerging industry sectors by providing a dependable and qualified workforce pipeline. High school students also benefit from articulation agreements by ensuring they are receiving relevant and transferable educational experiences. Further, articulation agreements could possibly increase the number of students who choose to go on to higher education as the next step in their personal career path.

- 5) GO-Biz and EWD Program: Existing law specifies GO-Biz as the lead state government entity relative to state policy and actions related to economic development [AB 29 (John A. Pérez) Chapter 475, Statutes of 2011]. The decision to make GO-Biz lead was based on the assessment and recommendations from the Little Hoover Commission and Legislative hearings and discussions with stakeholder groups since the previous lead entity, the Technology, Trade and Commerce Agency, was eliminated in 2003.

Among its key duties, GO-Biz is tasked with making recommendations to the Governor and the Legislature on state policies, programs, and actions for the purpose of progressing statewide economic goals and responding to emerging economic problems and opportunities. GO-Biz is also responsible for coordinating the development of federal grants administered or directly expended by state government to ensure that statewide economic goals and objectives are advanced.

In approving the reauthorization of the EWD Program, the Committee may want clarify the role of the EWD Program, relative to GO-Biz. During the current authorization period, there were several situations where the EDW Program appeared to be exerting "independent" authority relative to the state's overall economic development framework. In one instance, the EWD Program requested the federal Small Business Administration transfer administrative authority for California's portion of the federal Small Business Development Center Program. In another example, EWD requested an amendment to AB 1137 (V. Manuel Pérez), relating to an international trade marketing and finance program, that would codify EWDs authority to independently apply for California's share of federal trade funds.

Language to address this potential issue should clarify that in re-authorizing the EWD Program that the Legislature is not approving a restructuring of the state's economic development hierarchy. GO-Biz is the state's lead economic development entity and seeking federal funding in instances where there can only be one state applicant, should only be done with the specific approval of the Governor.

- 6) Related Legislation: Below is a list of related legislation.
- a) SB 1070 (Steinberg) Career Technical Education Pathways: This bill extends the sunset date for the Career Technical Education Pathways Initiative component of the current EWD Program. Status: The bill is pending in Assembly Higher Education Committee.
 - b) SB 1401 (Lieu) Workforce Investment Boards and Sector Strategies: This bill establishes additional requirements of the California Workforce Investment Board (CWIB) by emphasizing the use of sector strategies. Status: This bill is pending in the Assembly Committee on Jobs, Economic Development and the Economy.
 - c) SB 1550 (Wright) Career Technical Education: This bill requires the CCC Chancellor's office to establish a voluntary pilot program involving up to five CCC districts for the purposes of authorizing a district to establish and maintain an extension program offering career and workforce training credit courses, as defined, at fee levels that cover the actual cost of maintaining those courses, and requires the Legislative Analyst's Office (LAO) to report to the Legislature on this pilot program by June 30, 2016. Status: The bill is pending in Assembly Committee on Higher Education.
- 7) Double Referral: This bill is double referred to the Assembly Committee on Higher Education (HE) and the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE). The order of the hearings has been switched to accommodate legislative deadlines. Should SB 1402 pass JEDE, it will be referred to HE for further policy consideration.

REGISTERED SUPPORT / OPPOSITION:Support

Aerospace Dynamics International, Inc.	Los Angeles/Orange County Biotechnology Center
Barstow Community College	Los Rios Community College District
Bayless Engineering & Manufacturing	Mendocino College Nursing Program
Biotechnology Initiative of the California Community Colleges	Montclair Hospital Medical Center
Board of Governors of the California Community Colleges	Mt. San Antonio College Center for Excellence
Boston Scientific	National Electrical Contractors Association – California Chapters
Butte-Glenn Community College District	North Orange County Community College District
California Asian Pacific Chamber of Commerce	Ohlone Community College District
California Association for Local Economic Development	Palomar Pomerado Health
California Chamber of Commerce	Powder Coating Plus
California Community College Association of Occupational Education	Prosperity Research Institute
California Hospital Association	Saddleback College
California Manufacturers & Technology Association	San Bernardino Community College District
California State Association of Electrical Workers	Santa Clarita Community College District
California Workforce Association	Santa Clarita Valley Economic Development Corporation
Cerritos Community College District	Shasta-Tehama-Trinity Joint Community College District
Chaffey College Community College District	Sierra College
City of Santa Clarita	Silicon Valley Leadership Group
Coachella Valley Economic Partnership	South Orange County Community College District
Coast Community College District	Southern California Biotechnology Center at San Diego Miramar College
College of the Canyons	Southern California Regional Transit Training Consortium
College of the Desert	State Building and Construction Trades Council of California
Community College League of California	State Center Community College District
Council of Goodwill Industries	Valley Industry Association of Santa Clarita
Cuesta College-Business & Entrepreneurship Center	Ventura County Community College District
Envision Education	Wright Engineering, Inc.
Faculty Association of California Community Colleges	Yosemite Community College District
John A. Cascamo	

Opposition

None received