

Date of Hearing: April 21, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE  
ECONOMY

V. Manuel Pérez, Chair

AB 165 (Carter) – As Introduced: January 28, 2009

SUBJECT: Microenterprise and Workforce Investment Boards

SUMMARY: Requires the California Workforce Investment Board (CWIB) to make recommendations and provide technical assistance on entrepreneurial training opportunities that could be made available through local workforce investment boards. The bill makes other related changes to the definition of microenterprise, as well as deleting requirements from the duties of the CWIB. Specifically, this bill:

- 1) Updates the definition of microenterprise to more accurately reflect industry practices.
- 2) Adds legislative intent relative to the importance of entrepreneurs and home-based businesses.
- 3) States that it is state policy, to the extent feasible, individuals be provided with the opportunity to learn skills needed to pursue self-employment as it is one means for providing a stable income for themselves and their families.
- 4) Deletes the requirement that the CWIB develop guidelines for targeting resources to high-wage industry sectors. Further, the bill deletes the requirement that the CWIB provide guidance on how to ensure services at the One-Stop career centers reflect the needs of the high-wage industry sectors.
- 5) Requires the CWIB to recommend policy and provide technical assistance related to entrepreneurial training opportunities that could be provided through local workforce investment board programs.

EXISTING LAW:

- 1) States that every city, county, and city and county, is encouraged to access microenterprise development in order to create new jobs and income opportunities for individuals of low and moderate income. Further, existing law states that public agencies, such as local workforce investment boards, community colleges, and local economic development agencies, are encouraged to promote local partnerships that invest in microenterprise development.
- 2) Defines "microenterprise" as a sole proprietorship, partnership, or corporation with fewer than five employees, including the owner, and generally lacking access to conventional loans, equity, or other banking services.
- 3) Defines legislative intent that in order for California to remain prosperous and globally competitive, it needs to have a highly skilled workforce. And, that the state must transform its current job training, job placement, and vocational education programs into an integrated,

accessible, and accountable workforce investment system that can effectively serve job seekers, students, and employers.

- 4) Establishes the CWIB, comprised of members appointed by the Governor and the appropriate presiding officers 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.
- 5) Requires each local workforce investment board to establish at least one full service one-stop career center in the local workforce investment area. One-Stop career centers are required to include a specified group of job search related entities and provide jobseekers with integrated employment, education, training, and job search services. Employers can also be provided with access to career and labor market information, job placement assistance, and other such services as the businesses in the community may require.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Purpose: AB 165 is a re-introduction of AB 2998 (Carter) from the 2007-08 legislative session where it was held in the Senate Appropriations Committee on its Suspense File. The author has reintroduced the measure to provide a better balance to policy and technical assistance activities of the CWIB by requiring that these services include training related to entrepreneurship.
- 2) The role of microenterprise within the California economy: Microenterprises are an important component of California's dynamic economy representing approximately 88% of all businesses in the state, or approximately 2.6 million of all businesses. Microenterprises create jobs, generate taxes, and revitalize communities. In 2003, these businesses employed nearly 19% of all workers in California and generated \$238 billion in taxable revenues. Common types of microenterprises include engineering, computer system design, housekeeping, construction, landscaping, and personnel services.

Smaller size businesses function as economic engines, especially in challenging economic times. During the nation's economic downturn from 1999 to 2003, microenterprises created 318,183 new jobs or 77% of all employment growth, while larger businesses with more than 50 employees lost over 444,000 jobs. From 2000 to 2001, microenterprises created 62,731 jobs in the state, accounting for nearly 64% of all new employment growth.

However, their small size also results in certain market challenges, including, but not limited to, having difficulty in meeting the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to microloans, and collaborative marketing opportunities can help many microenterprises overcome or at least minimize these difficulties. AB 165 proposes that the CWIB assist local workforce investment boards better understand how to meet the sometimes unique needs of microenterprises and other small size businesses.

- 3) Local workforce investment board and microenterprise development: The role of the local workforce investment board is not necessarily to provide training; rather the local board is statutorily directed to assist in planning, oversight, and evaluation of local workforce investment activities. In carrying out the purposes of this measure, a local workforce investment board, based on guidance provided by the CWIB, could enter into partnerships with local microenterprise development organizations (MDOs) for offering entrepreneurial and microenterprise development programs.

These types of services are usually provided by community-based, non-profit organizations or local agencies, and are funded through partnerships with government agencies, foundations, private industry, and individuals. While many of microenterprise development programs were initially established as programs to bring people out of poverty, today's programs are increasingly focused on entrepreneurship as a goal unto itself.

Based on a sampling of state microenterprise programs by the California Association for Microenterprise Development these programs, on average, serve approximately 165 clients a year, 76% of which are women, 45% of which are of ethnic minorities, and 61% are from low-income households.

- 4) CWIB: Implementation of the federal WIA required significant reforms to California's job training system. These reforms emphasized private sector involvement, improved customer service, better alignment of public sector resources, and the integration of education, workforce, and economic development programs in order to help both workers and employers compete and succeed in the global economy. In 1998, the CWIB was established to meet the new WIA requirements and provide guidance and support to local workforce development boards to meet the new program priorities of WIA.

Along with the reforms came funding targeted to serve three categories of workers: adult, youth, and dislocated workers. WIA funding is distributed to states based on a set formula which includes specified economic and demographic data. California's share has declined over the years from a high of \$630 million in 2000-01 to an estimated \$427 million 2009-10.

Pursuant to federal WIA requirements, 85% of moneys flowing to the states are reallocated to the local workforce investment boards. Resources used to carry out CWIB activities are derived from the Governor's 15% WIA Discretionary funds. The 2009-10 estimated WIA allocation to local workforce investment boards is \$363 million, while the state will receive about \$63 million in discretionary moneys. Recent budget actions redirected portions of state discretionary moneys to offset General Fund employment and training costs at the California Department of Corrections and Rehabilitation or the California Conservation Corp.

The CWIB has a staff of 22 authorized positions, including an executive director who is an integral part of the CWIB. The staff, assist various committees; administration, high-wage/high growth jobs, advancing workers, and statewide worker shortages. Legislation passed in 2008 established the Green Jobs Council, which is facilitated by the CWIB.

- 5) Federal Stimulus Funding: Under the \$787 billion federal stimulus package, California is expected to receive \$480 million in supplemental funding through three WIA funding streams: Youth formula grants, dislocated worker funding, and adult services grants. The chart below outlines the expected WIA funding for California.

<b>WIA Funding in the 2009 Federal Stimulus Package</b>		
	<b>Funding Available Nationally</b>	<b>Funding Available in California</b>
<b>Youth Activities</b>	\$1,188,000,000	\$186,622,034
<b>Adult Activities</b>	\$495,000,000	\$80,117,954
<b>Dislocated Worker</b>	\$1,435,500,000	\$221,906,888

Of the \$480 million in WIA moneys targeted for California, the CWIB is expected to receive approximately \$70 million to carry out supplemental activities related to the federal stimulus programs. These moneys are required to fully expended in 24 months.

The LAO, however, is recommending the Legislature take a similar action to the one approved in the recent budget act. The LAO recommends the redirection of these additional \$70 million in discretionary moneys to offset General Fund employment and training costs at the California Department of Corrections and Rehabilitation or the California Conservation Corp.

In the absence of a unified vision for the state's economic and workforce development needs, these types of new training dollars remain unprotected and ripe for redirection to achieve short-term budget relief. Given the magnitude the state's unemployment and miss-match between jobs and skills in the workforce, the state investment of these resources in workers may more effectively provide for the state's short- and longer-term growth and recovery.

- 6) Technical amendments: Staff understands that the author did not intend to delete the requirements related to high-wage jobs, rather it was the author's intent to provide technical cleanup. Amendments will be provided in committee.
- 7) Related legislation from previous sessions: Below is a list of bills from the 2004-05 and 2006-07 sessions relating to microenterprises development.
  - a) AB 816 (Carter): This bill would have established a \$5 million grant program to assist microenterprises development organizations offer capacity building services to microentrepreneurs. The bill was held in the Senate Appropriations Committee in 2007.
  - b) AB 1209 (Yee): This bill would have established a \$5 million grant program to assist microenterprise development organizations offer capacity building services to microentrepreneurs. The bill was held in the Senate Appropriations Committee in 2006.
  - a) AB 2998 (Carter): This bill required the California Workforce Investment Board to develop guidelines for entrepreneurial training by January 1, 2010. The bill also adds legislative intent on the importance of all Californians having access to training related to self employment and entrepreneurship. The bill was held in the Senate Appropriations Committee in 2008.
  - c) SB 446 (Yee): This bill would have established a \$500,000 grant program to assist microenterprise development organization offer capacity building services to microentrepreneurs. The bill was held in the Senate in 2008.

- d) SB 293 (Ducheny): This bill replaces the Family Economic Security Act in the California Unemployment Insurance Code with provisions that generally implement the Workforce Investment Act (WIA) of 1998 in California. Even though a majority of the provisions in the bill are taken from the federal WIA, there are new California provisions which will require substantive changes in the workforce system.

There is also language to conform some of the federal requirements that will require interpretation and guidance to Local WIB's, as well as minor adjustments in the way that the state and Local WIB's conduct business. The first is the requirement that the California WIB create a strategic workforce plan for the State. The Plan is intended to serve as a framework for the Strategic Two-Year Plan for the WIA. It will also serve as a framework for the development of workforce policy and fiscal investment, and for the operation of California's labor exchange, workforce education, and training programs. Signed by the Governor on September 29, 2006, Chapter 630, statutes of 2006.

REGISTERED SUPPORT / OPPOSITION:

Support

California Immigrant Policy Center

Opposition

None known

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