

Date of Hearing: January 13, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Perez, Chair

AB 35 (Furutani) – As Amended: January 4, 2009

SUBJECT: Education: workforce preparation

SUMMARY: Expands the scope of the functions and responsibilities of the California Postsecondary Education Commission (CPEC) to include the development of a strategic plan for the purpose of connecting education and workforce development programs in the state. Specifically this bill:

- 1) Specifies that it is the intent of the Legislature to enact legislation to develop a strategic plan in the education system for workforce preparation and career technical education.
- 2) Requires CPEC to develop recommendations for the strategic plan by connecting education and workforce development programs in the state. Working with representatives from the California Department of Education (CDE) the California Workforce Investment Board (CWIB), business and labor organizations, to make recommendations in the strategic plan that address the contribution of academic and career technical education to workforce development.
- 3) Requires that the strategic plan include, at a minimum, the following provisions:
 - a) How the state determines appropriate measures for evaluating and collecting data for future workforce needs;
 - b) Alignment of workforce needs with future postsecondary education programs and capacity at both the state and regional levels;
 - c) Strategies for fostering long-term improvements in workers' skills and knowledge;
 - d) Methods for closing the skills gap and strengthening the nexus between education and the workforce; and
 - e) Appropriate measures for improving data collection on future workforce needs.
- 4) Specifies that it is the intent of the legislature that CPEC solicit input from K-12, postsecondary education institutions, local workforce investment boards and other appropriate governmental entities in developing recommendations for the strategic plan.
- 5) Requires CPEC to report its recommendations for the strategic plan to the Governor and the Legislature no later than July 1, 2011.

EXISTING LAW:

- 1) Establishes CPEC as the statewide postsecondary education coordinating and planning agency and advisor to the Legislature and the Governor.
- 2) Requires CPEC to prepare a state plan for postsecondary education that integrates the planning efforts of the public segments with other pertinent plans. In undertaking this task, CPEC is directed to resolve any inconsistencies among the segment plans and report to the Legislature any unresolved issues, including recommendations on how to resolve the differences.
- 3) Establishes the CWIB for the purpose of 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.

FISCAL EFFECT: Unknown

- 1) Purpose: According to the author, California has a startling high unemployment rate of over 12%. The state needs a comprehensive strategy to get people back into jobs that will reenergize our economy. In many cases, entire industries have left regions requiring displaced workers to retrain into other professions.

The author further states, the current method of workforce preparation has great potential to address the individual needs of a diverse population. However, more can be done to strengthen the coordination between California Community Colleges, adult education, high school career technical programs, and California Workforce Investment Boards (WIBs).

Many agencies are involved in workforce development planning, but these agencies fail to work cohesively, resulting in a lack of statewide direction and coordination on workforce development. By requiring lead agencies involved in education to work together on a strategic plan for workforce development, this bill will begin the conversation and reevaluation of the state's method of educating and training the majority of the workforce.

- 2) No state current plan: Existing law provides that one of the primary roles and responsibilities of CPEC is to prepare a state plan for postsecondary education that integrates the planning efforts of the various public segments. According to CPEC staff, this plan has never been prepared. CPEC has instead produced a number of topic-specific reports, such as the workforce preparation reports detailed below.

In 2007, CPEC issued a series of 4 reports on workforce development. The first three reports provided an assessment, including a review of employers concerns that California's postsecondary education system was not producing enough graduates with the skills needed to competitive in today's workplace. The final report included a set of recommendations for strengthening the nexus between education and career preparation. Among other recommendations, the report includes the following:

- a) CPEC should compile and disseminate "Best Practices" for partnerships;
- b) There should be an increased focus on workforce and career development in both K-12 and postsecondary education systems;

- c) The alignment between K-12 and postsecondary education should be improved to better prepare students for success in both their careers and higher education;
- d) Data linkages between Employment Development Department (EDD), K-12, and postsecondary education should be improved, i.e. students success in obtaining jobs, including pay levels, should be tracked; and
- e) Regional workforce strategies should be encouraged that include K-12 and postsecondary education.

CPEC, who is in support of this measure, has indicated its agreement with these policy options and requested staff to develop implementation options for the council's consideration. Progress on implementation has been mixed, according to information prepared by CPEC. Potentially, implementation of AB 35 could assist CPEC in operationalizing these and other workforce development recommendations into a single strategy, including funding sources. Comment 5 provides additional information on related workforce development funding.

3) Unemployment in California: While increases in unemployment are slowing over 7 million California workers were identified as unemployed in November 2009, the most recent month for which data is available. The numbers provided below have not been seasonally adjusted by EDD.

- Statewide: 12.2% (Up from 8.4% in 2008)
- Alameda County: 11.2% (Up from 7.3% in 2008)
- Colusa County: 22.6% (Up from 18.6% in 2008)
- Contra Costa: 11.2 % (Up from 7.1% in 2008)
- Fresno County: 16.5% (Up from 12.1% 2008)
- Imperial County: 29.2% (Up from 25.5% in 2008)
- Los Angeles County: 12.2% (Up from 8.8% in 2008)
- Riverside County: 14.6% (Up from 10.0% in 2008)
- Sacramento County: 12.5% (Up from 8.2% in 2008)
- Santa Clara County: 11.7% (Up from 7.0% in 2008)

4) California Economic Development Recovery Strategy: In anticipation of the enactment of the \$787 billion federal stimulus package, Assemblyman Pérez, Chairman of the Assembly Economic Development Committee, called for the preparation of a statewide 24 month blueprint on how to most effectively use federal stimulus funds to address the state's most immediate economic and workforce needs while still serving as a catalyst for advancing the state's long-term economic growth.

The Recovery Strategy proposed to use the broadest set of community, economic, and workforce development tools to link these new and enhanced federal resources with the people and organizations they are designed to serve. This bill implements several recommendations in the Recovery Strategy, including the overall objective to manage resources toward defined outcomes, utilizing solid planning principles and good data, and making workforce training needs a special focus.

5) Background on workforce training programs: California annually receives hundreds of millions of dollars in federal workforce training funds. In addition, employers contribute to a state employment training program and the state offers certain workforce hiring credits. The following are descriptions, including funding levels, for several of the larger existing workforce training programs and services.

- a) Workforce Investment Board (WIB): The role of the WIB is to assist the Governor in designing a statewide plan and establishing appropriate policy for workforce development programs. 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 funding flowing to the states is 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, however, 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.

Under the \$787 billion federal stimulus package, California was expected to receive \$568.6 million in supplemental funding through three WIA funding streams: Youth formula grants, dislocated worker funding, and adult services grants. Of the \$568.6 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 be fully expended in 24 months. The dislocated worker and adult activities moneys are distributed to the state under existing Workforce Investment Act formulas. As January 7, 2010 only \$493.1 million of the WIA moneys have been award and only \$133.1 million have been expended by California.

- b) One-Stop Service Centers and Wagner-Peyser Funding: Among EDD's most important missions is to ensure that California's workforce has the skills that employers need to manage their businesses. EDD's major workforce investment programs include the California One-Stop Career Centers, the California Jobs Service Program (CalJOBS), Employment Training Panel, and the Workforce Investment Program.

The One-Stop Career Center system is a statewide network of centers that provide employment, education, and training services all in one location. The One-Stop Centers work with public and private non-profit partners to provide their services. The One-Stop Centers include programs such as Job Services, Unemployment Insurance, Vocational Education, and Vocational Rehabilitation. The One-Stop Centers provide their services in English and Spanish and are organized around a locally determined set of priorities, which are designed to meet the unique employment needs in each community. All but two of California's 58 counties have a One-Stop Center, with many counties having multiple one-stop locations.

The federal Wagner-Peyser Act (WPA) funds employment training programs administered through EDD, most specifically, the employment services through the One-Stop Career Center service delivery structure. The state currently receives about \$80 million in WPA funds. Services funded with WPA moneys include: job search assistance, job referral, placement assistance for job seekers, reemployment services to unemployment insurance (UI) claimants, and recruitment services to employers with job openings.

The Recovery Act provides an additional \$47 million in WPA funds for state employment services. Of this amount, approximately \$29 million is required to be used for reemployment services to UI claimants.

State	Total Allotment	RES	Other
Total	\$396,000,000	\$247,500,000	\$148,500,000
California	46,970,564	29,356,604	17,613,960

- c) California Employment Training Panel: The Employment Training Panel (ETP) was created in 1983. Monies in the Employment Training Fund are provided by one tenth of 1% of unemployment insurance wages paid by every private, for-profit employer in the state, as well as, some non-profits, amounting to no more than \$7.00 per covered employee per year. Projects funded through the ETP assists employers in strengthening their competitive edge by providing funds to offset the costs of job skills training necessary to maintain high-performance workplaces. ETP is governed by an 8 member panel, of which 7 are appointed by the Governor and the Assembly and Senate leadership and the last member is the Secretary of Business, Transportation and Housing.

Currently, there is no single plan or strategy that brings together all the federal and state workforce development programs and services with the related programs and services in K-12 and postsecondary education.

6) Related legislation:

- a) AB 365 (Portantino): of 2007, which was vetoed, would have required CPEC, in cooperation with the Labor and Workforce Development Agency, to convene a Task Force on State Workforce Needs. Status: Vetoed by the Governor in 2007. In his veto message, Governor Schwarzenegger wrote:

"I am supportive of efforts to align state workforce needs with program development at postsecondary education institutions. However, statutory authority is not necessary for the California Postsecondary Education Commission to meet the objective of convening meetings with the relevant entities, and developing recommendations. Therefore, this bill is unnecessary."

- a) AB 699 (Portantino and V. Manuel Perez): This bill would have updated the requirements for the development of a State Economic Development Strategy, including key elements related to innovation-based industries and workforce development. Status: Held in the Assembly Appropriations Committee in May of 2009.

- b) AB 1916 (Portantino, Arambula, Price, Salas, and Caballero): This bill would have updated the membership and requirements of the California Economic Strategy Panel and required that the next State Economic Development Strategy be submitted to the Legislature by January 1, 2010. Status: Vetoed by the Governor in 2008 due to budget delays.
- c) AB 2595 (Arambula): This bill would have required the Secretary of Labor and Workforce Development and the California Workforce Investment Board to establish a Logistics Worker Training Initiative for the purpose of increasing California workers' competitiveness within the global manufacturing value chain. The outcome of this initiative was to have a state strategy to support regionally based workforce intermediaries that provide training in advanced logistical systems, especially in the transportation and goods movement sectors. Status: Vetoed by the Governor in 2007 due to budget delay.

REGISTERED SUPPORT / OPPOSITION:

Support

California Postsecondary Education Commission

Opposition

None received

Analysis Prepared by: Mercedes Flores/Toni Symonds/ / J., E.D. & E. / (916) 319-2090