

Date of Hearing: April 19, 2016

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Eduardo Garcia, Chair

AB 2719 (Eduardo Garcia) – As Amended April 12, 2016

SUBJECT: Workforce development: out of school youth

SUMMARY: Adds out-of-school youth to the list of individuals who have significant barriers to employment under the state statute relating to the federal Workforce Innovation and Opportunity Act. The bill also requires a workforce development board to prioritize schools providing free public high school diplomas over other providers, when making recommendations to clients about the appropriate education provider to assist them in earning a high school diploma. Specifically, **this bill:**

- 1) Adds out-of-school youth to the definition of Individuals with Employment Barriers, as defined in federal law.
- 2) Defines “local workforce development system stakeholders” to mean owners of businesses or other business executives with policymaking or hiring authority, representatives of local area labor organizations, representatives of community-based organizations that have demonstrated experience in addressing the employment needs of individuals with barriers to employment, and representatives of area schools and colleges including, but not limited to, schools that serve out-of-school youth through exclusive partnerships with any of the following:
 - a) The California Workforce Development Board (CWD) or local workforce development board;
 - b) Federally affiliated Youth Build programs;
 - c) Federal job corps training or instruction provided pursuant to a memorandum of understanding with the federal provider; and
 - d) The California Conservation Corp or local conservation corps certified by the California Conservation Corp, as specified.
- 3) Specifically identifies "out-of-school youth" as an individual with barriers to employment. Under existing law, the CWD Plan is required to develop strategies to support the use of career pathways by individuals with barriers to employment.
- 4) Specifically identifies "individuals with barriers to employment" among the groups of individuals the CWD is required to develop strategies for providing effective outreach to and improved access to the workforce development system.
- 5) Expands the list of training policies and investments on which the CWD makes recommendations to include California high school diplomas from schools accredited by the Western Association of Schools and Colleges. This list of policies and investments is designed to offer a variety of career opportunities while upgrading the skills of California’s workforce.
- 6) Expands the list of groups that are required to be considered when CWD advises the Governor on ways to develop and continuously improve services through the local one-stop delivery system to include entrepreneurs. The current list includes workers, job seekers, and employers.

- 7) Specifies that the currently required status report on credential attainment, include the attainment of California high school diplomas by out-of-school youth from a school accredited by the Western Association of Schools and Colleges. The CWD is also required to request an opportunity to present relevant portions of the credential attainment report to the State Board of Education and the California Community College Board, as specified.
- 8) Specifically identifies out-of-school youth as one of the customer groups that a workforce development board will be evaluated as to whether they met or exceed their performance goal when designating high performing boards.
- 9) Specifically identifies public schools that serve out-of-school youth through Department of Labor funding as one of the groups high performing boards included within the local planning process.
- 10) Requires that the already mandated youth strategy address the workforce preparation needs of out-of-school youth and other individuals facing barriers to employment.
- 11) Adds specificity to the local plan of the workforce development board relative to out-of-school youth by including them within the analysis of education programs available to increase learning gains and to track the number of diplomas from high schools accredited by the Western Association of Schools and Colleges, as specified.
- 12) Adds out-of-school youth to the list of groups who required to receive priority training and career services at America's Job Centers. Groups currently on the list include adult recipients of public assistance, other low-income adults, and individuals who are basic skills deficient.
- 13) Authorizes certain public schools that provide instruction exclusively through partnerships with Department of Labor to apply to local workforce development boards to provide basic skills training and skills necessary for attaining a secondary school diploma.
 - a) Requires priority for schools accredited by the Western Association of Schools and Colleges.
 - b) Defines schools that serve out-of-school youth through exclusive partnerships between secondary schools and the CWD, local workforce development board, a federally affiliated Youth Build programs; federal job corps training, as specified; the California Conservation Corps; or a local conservation corps.
- 14) Includes a general cost disclaimer.

EXISTING LAW:

- 1) Establishes the CWD, 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 CWD report to the Secretary of the California Labor and Workforce Development Agency.
- 2) Designates the CWD as the state entity responsible for assisting the state in meeting the requirements of the federal Workforce Innovation and Opportunity Act 2014, as well as assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.
- 3) Requires the CWD 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 an annual status report on credential attainment, including training completion, degree attainment, and participant earnings from workforce education and training programs.
- 5) Requires the CWD 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.
- 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.

EXISTING FEDERAL LAW:

- 1) Authorizes the Workforce Innovation and Opportunity Act of 2014 for the purpose of:
 - a) Increasing access to the employment, education, training, and support services that individuals need to succeed in the labor market, especially individuals who face barriers to employment;
 - b) Supporting the alignment of workforce investment, education, and economic development systems in support of a comprehensive, accessible, and high-quality workforce development system in the U.S.;
 - c) Improving the quality and labor market relevance of workforce investment, education, and economic development efforts to provide America's workers with the skills and credentials necessary to secure and advance in employment with family-sustaining wages and to provide America's employers with the skilled workers the employers need to succeed in a global economy;
 - d) Promoting improvement in the structure of and delivery of services through the UUS workforce development system to better address the employment and skill needs of workers, jobseekers, and employers;
 - e) Increasing the prosperity of workers and employers in the U.S., the economic growth of communities, regions, and states, and the global competitiveness of the U.S.; and

- f) To provide workforce investment activities, through statewide and local workforce development systems, that increase the employment, retention, and earnings of participants, and increase attainment of recognized postsecondary credentials by participants, and as a result, improve the quality of the workforce, reduce welfare dependency, increase economic self-sufficiency, meet the skill requirements of employers, and enhance the productivity and competitiveness of the Nation.
- 2) Defines "out-of-school youth" as an individual between the ages of 16 and 24; who is not attending any school at the time eligibility is determined, and meets one or more conditions of being:
- a) A school dropout;
 - b) A youth who is within the age of compulsory school attendance, but has not attended school for at least the most recent complete school year calendar quarter;
 - c) A recipient of a secondary school diploma or its recognized equivalent who is a low-income individual and is basic skills deficient; or an English language learner;
 - d) An individual who is subject to the juvenile or adult justice system;
 - e) A homeless individual, as defined, a homeless child or youth, as defined; a runaway, in foster care or has aged out of the foster care system; a child eligible for assistance under section 677 of title 42, or in an out-of-home placement;
 - f) An individual who is pregnant or parenting;
 - g) A youth who is an individual with a disability;
 - h) A low-income individual who requires additional assistance to enter or complete an educational program or to secure or hold employment;

For the purpose of this definition, the term "low-income" individual, also includes a youth living in a high-poverty area.

- 3) Requires that not less than 75% of funds allocated to a state for youth programs be made available for programs and services that serve out-of-school youth. This requirement applies both statewide and at the individual workforce development board level. Federal law allows a state or board to lower the percentage of funds that serve out-of-school youth to 50%, if the board determines that there is not sufficient need and that a lower amount is sufficient.
- 4) Requires federal funds dedicated to youth activities be used for 14 program elements, including:
- a) Tutoring, study skills training, and instruction leading to secondary school completion, including;
 - b) Dropout prevention strategies;
 - c) Alternative secondary school offerings or dropout recovery services;
 - d) Paid and unpaid work experiences with an academic and occupational education component;
 - e) Occupational skill training, with a focus on recognized postsecondary credentials and in-demand occupations;
 - f) Leadership development activities (e.g., community service, peer-centered activities);
 - g) Supportive services;
 - h) Adult mentoring;

- i) Follow-up services for at least 12 months after program completion;
- j) Comprehensive guidance and counseling, including drug and alcohol abuse counseling;
- k) Integrated education and training for a specific occupation or cluster;
- l) Financial literacy education;
- m) Entrepreneurial skills training;
- n) Services that provide labor market information about in-demand industry sectors and occupations;
and
- o) Postsecondary preparation and transition activities.

FISCAL EFFECT: Unknown

POLICY ISSUE FRAME

Every 26 seconds another young person fails to finish high school. California accounts for more than one million of these students each year. Since 2002, California has had an Education Code provision that allows schools partnering with Department of Labor programs to work with youth over 19 to obtain a public school diploma. Improving the alignment of California's workforce development system with schools serving out-of-school youth is an important step to stemming the flood of dropouts and strengthening California workforce system.

While services to out-of-school youth are treated as a priority under the federal Workforce Innovation and Opportunity Act, current state law is silent. Current state law also does not provide statutory direction as to the accreditation of the schools who can offer out-of-school youth high school diplomas. AB 2719 highlights the importance of serving out-of-school youth within the broader workforce development system. The analysis includes background on the federal Workforce Innovation and Opportunity, out-of-school youth and California's evolving economy, including income inequality. Amendments are discussed in Comment #4.

COMMENTS:

- 1) **Out of School Youth:** The federal Workforce Innovation and Opportunity Act was signed into law in July 2014 and represents the single most significant change in federal workforce policy in over 15 years. The Act supersedes the federal Workforce Investment Act of 1998, which expired under its own terms in 2003. The new federal Act also amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973.

While still retaining some of the core elements of the former workforce act, the Workforce Innovation and Opportunity Act presents a broader vision for youth and youth training and education programs. According to the federal Employment and Training Administration, the new federal act is intended to support an integrated service delivery system and to provide a framework for leveraging other federal, state, local, and nonprofit resources and partnerships to support in-school and out-of-school youth. Among other things, the Workforce Innovation and Opportunity Act implements the following:

- At least 75% of state and local youth funding is required to be used for out-of-school youth;
- While youth councils are no longer required, local workforce development boards are encouraged to designate a standing Youth Committee to contribute the critical youth voice and perspectives to board activities and actions.

- Out-of-school youth are defined as 16 to 24, not attending any school, and meet one of a series economic, social, or education challenges.
- In-school-youth are defined as 14 to 21, attending school, be of low-income and meet one of a slightly different set of economic, social, or education challenges.
- There are five new youth program elements, including financial literacy; entrepreneurship, services that provide local labor market information; activities that help youth transition to postsecondary education and training; and education offered concurrently with other workforce preparation activities.
- At least 20% of local youth formula funds are required to be used for work experiences, including summer and year round employment pre-apprenticeship, on-the-job training, or internships.

Given the significance of these changes and the broad range of options for implementation, statutory inclusion and public policy debate are appropriate. Currently, these new federal rules are applicable, but not transparent.

- 2) **Workforce Innovation Opportunity Act and California Workforce Board:** Enacted in 2014, Workforce Innovation and Opportunity Act 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 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 \$397 million in 2016-17. 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 activities is derived from the 15% discretionary funds.

California received approximately \$401 million for program year 2015-16, with \$321.5 million being allocated to local workforce development boards to provide services for adults, laid-off workers, and youth, and \$80.5 million remaining at the state-level for program oversight and discretionary programs.

California's federal workforce dollars are overseen by the 51-member CWD, of which 51% of the members represent the private sector, as required by federal law. The CWD has a staff of 18 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 CWD 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 CWD has submitted its first plan under the Workforce Innovation and Opportunity Act to the U.S. Labor Department and is expected to receive final word on its acceptance in July 2016.

There are 48 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 Centers, now referred to as America's Career Centers, which provide access to career information, counseling, and funding for education, training, and supportive services.

- 3) **Income Disparities:** California's overall economic growth and increase in jobs has outpaced the U.S. in general, often ranking the state within the top five states in terms of its economic condition. This success, however, has not been consistent throughout the state with many regions and certain population groups still experiencing recession-related poor economic conditions.

According to the U.S. Census Bureau, California's poverty rate is 16.4% as compared to a national rate of 15.6%. It is estimated that nearly a quarter of the California's children (22.7%) are living in households with annual incomes below the federal poverty line. Contributing factors to these poverty rates are stagnate wage rates, an increasing concentration of annual income among the highest income earning individuals, and differing job opportunities in the post-recession economy.

A review of the most recent unemployment numbers in the chart below illustrates this expanding pattern of economic disparity between regions and population groups in California.

Unemployment February 2016 (not seasonally adjusted)			
	Unemployment Rate		Unemployment Rate
<i>California</i>	5.7%	<i>California</i>	5.7%
Colusa County	21.6%	Blacks	10.8%
Imperial County	18.6%	Hispanics	7.4%
Los Angeles County	5.5%	Whites	5.8%
Orange County	4.0%	16 to 19 year olds	20.5%
Riverside County	5.9%	20 to 24 year olds	10.9%
San Bernardino County	5.6%	25 to 34 year olds	6.2%
San Mateo County	3.0%	Source: California Employment Development Department	
Tulare County	12.1%		
Ventura County	5.1%		

While the state's unemployment rate for February 2016 (not seasonally adjusted) was 5.7%, some areas of the state had lower rates, while others were considerably higher. San Mateo County recorded the lowest at 3.0% and Colusa County experienced the highest unemployment rate at 21.6%. For the first time in more than a year, Imperial County did not have the highest unemployment rate in the state. Inland areas generally reported unemployment rates above the statewide average. As the chart above shows, Tulare County's unemployment rate was 12.1% and Riverside County was recorded as 5.9%. Coastal areas overall had lower rates than the state's, with Orange County at 4.0%, Los Angeles County at 5.5%, and Ventura County at 5.1%. Under the federal Workforce Innovation and Opportunity Act, high unemployment is considered any rate above 6.5%.

Looking more specifically at different population groups, the data also shows the great discrepancies between the statewide rate and key subgroups, including unemployment among Blacks and Hispanics being 10.8% and 7.4% respectively. For the youngest members of the workforce obtaining quality jobs remains a significant issue with unemployment among 16 to 24 years being well above the state average, ranging from 20.5% to 10.9%. According to February's figures, one-in-five of California's next generation of workers is unemployed. Below are some additional facts on out-of-school youth, unemployment and education attainment.

- For the 2013-2014 term, California's statewide enrollment total was 1.9 million students for grades 9-12. The dropout total among grades 9-12 was 61,600 students, not including those who dropped out and then re-enrolled.
- Nearly 45,000 out of 1.1 million high school students classified as socioeconomically disadvantaged students dropped out of school for the 2013-2014 term.
- Over 17,500 out of 284,413 California high school students classified as English learners dropped out of school for the 2013-2014 school term.
- At the height of the recession, the overall unemployment rate for California residents in the state with a bachelor's degree or higher was 7.2%, compared to 14.2% for high school graduates with no college experience.
- Once out of work, 47.9% of unemployed residents with bachelor's and higher degrees experience periods of unemployment longer than 26 weeks. For unemployed residents with only a high school diploma, once out of work, 50.1% experienced periods of unemployment of 27 weeks or more.
- The International Monetary Fund believes that youth unemployment has broad social consequences and contributes significantly to growing income inequality in advanced economies.

Achieving job growth within globally competitive industries and addressing the state's growing income disparities may require different community and economic development approaches, as well as more coordinated efforts by industry, labor, nonprofits, and government on a range of issues, including education, workforce training, infrastructure repair and expansion, entrepreneurship, and finance, among others. Implementation of WIOA offers a unique and important opportunity to address the challenges of California's most vulnerable populations.

- 4) **Amendments:** Staff understands that the author will request that the committee adopt the following amendments:
- a) Streamline the definition of schools that operate in partnership with the Department of Labor;
 - b) Remove several references to "out-of-school youth" where there was already a reference to individuals that face barriers to employment;
 - c) Remove the tracking of school diplomas from the workforce metrics dashboard to allow more time to discuss the current reporting process;
 - d) Remove a reference to high school diploma from an adult and dislocated list of training policies and activities;
 - e) Add an illustrative list of secondary and postsecondary education providers to include adult education consortiums, school districts, schools operating in partnership with the Department of Labor, and community colleges partnering with local workforce boards;

- f) Remove the requirement to specifically assess at-risk-youth schools, and instead add a general reference to individuals that face barriers to employment; and
- g) Remove requirement that local boards prioritize California accredited schools when selecting high school diploma programs for clients and, instead, require boards to consider California accreditation when determining the best fit for out-of-school youth.

The author has also noted that he is working and will continue to work with the Administration and stakeholder groups as this measure moves along.

5) **Related Legislation:** Below is a list of the related bills.

- a) **AB 80 (Campos) Interagency Task Force on the Status of Boys and Men:** This bill would have established a 20-member Interagency Task Force on the Status of Boys and Men of Color. Issues to be addressed by the Task Force would include, but not be limited to, employment and wealth creation, health and safety, education, and juvenile justice. Status: Vetoed by the Governor, 2015. Governor's Veto Message: *How state policy can be tailored to promote the well-being of boys and men of color is profoundly important. These issues, however, are best addressed through concrete actions, not another non-binding commission. The Legislature and the Administration are working on the critical issues raised by this bill, such as the Local Control Funding Formula, healthcare expansion and criminal justice reform. Much more can be done, and I am committed to advancing this work.*
- b) **AB 288 (Holden) College and Career Pathways:** This bill authorizes the governing board of a community college district to enter into a College and Career Access Pathways (CCAP) partnership with the governing board of a school district within its immediate service area, as specified, to offer or expand dual enrollment opportunities for students who may not already be college bound or who are underrepresented in higher education. The goal of the agreements is to develop seamless pathways for students from high school to community college for career-technical education or preparation for transfer, improve high school graduation rates, or help high school pupils achieve college and career readiness. The bill includes specific conditions which must be met prior to the adoption of such an agreement. The authority in this measure sunsets on January 1, 2022. Status: Signed by the Governor, Chapter 618, Statutes of 2015.
- c) **AB 1058 (Atkins) Second Chance Program:** This bill establishes the Second Chance Program under the administrative direction of the Department of Corrections for the purpose of investing in community-based programs, services, and initiatives for formerly incarcerated individuals in need of mental health and substance use treatment services. The grant program will be funded through the savings resulting from the implementation of Proposition 47, the Safe Neighborhoods and Schools Act of 2014, and other specified sources. The bill also extends the sunset on the Social Innovation Financing Program until 2022. Status: Signed by the Governor, Chapter 748, Statutes of 2015.
- d) **AB 1093 (E. Garcia) Supervised Population Workforce Training Grant Program:** This bill expedites the allocation of funding under the existing Supervised Population Workforce Training Grant Program, which is administered through the California Workforce Development Board. Status: Signed by the Governor, Chapter 220, Statutes of 2015. In addition, \$1.5 million was authorized in 2015-16 Budget for additional funding rounds.

- e) **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.
- f) **SB 42 (Liu) Higher Education Accountability:** This bill would have established the Office of Higher Education Performance and Accountability to provide statewide postsecondary education planning and coordination, as specified. Status: Vetoed by the Governor, 2015. Governor's Veto Message: *The call to improve postsecondary educational outcomes is laudable. The goals established by SB 195 in 2013 - improving access and success, aligning degrees and credentials with the state's economic, workforce and civic needs, and ensuring the effective and efficient use of resources - are still important measures that should guide us in developing higher education policies for the state. While there is much work to be done to improve higher education, I am not convinced we need a new office and an advisory board, especially of the kind this bill proposes, to get the job done.*
- g) **SB 172 (Liu) High School Exit Exam:** This bill suspends the exit exam requirement for receiving a high school diploma. The suspension applies in school year 2015-16 through 2017-18. Status: Signed by the Governor, Chapter 572, Statutes of 2015.

REGISTERED SUPPORT / OPPOSITION:

Support

SIATech California (Sponsor)
 California Association of Local Conservation Corps
 California Charter Schools Association Advocates
 California School Boards Association
 California Urban Partnership
 John Muir Charter Schools
 National Association of Social Workers
 Riverside County Superintendent of Schools
 YouthBuild Charter School of California

Opposition

None Received

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