

Date of Hearing: March 28, 2017

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sharon Quirk-Silva, Chair

AB 316 (Waldron and Salas) – As Amended March 9, 2017

SUBJECT: Workforce development

SUMMARY: Appropriates \$200 million for the purpose of implementing the Employment Revitalization Initiative through the California Workforce Development Board (CWDB), \$100 million for performance-based contracts awarded through the Employment Training Panel (ETP), and \$10 million for specified Workforce Accelerator Grants.

In expending these funds, the bill expands ETP contracts for training middle-skill workers in priority industry sectors and establishes a new CWDB grant program to assist individuals who face multiple employment barriers to receive remedial education and work readiness skills that ultimately lead to their successful participation in middle-skill training programs. Specifically, **this bill:**

- 1) Requires ETP to establish a competitive performance contracts program to fund projects by an employer, a training agency, or a nonprofit organization, that demonstrates the ability to provide programs that expedite and increase the number of persons employed in an eligible industry, as specified.
- 2) Requires contracts to be awarded under existing ETP criteria and standards, except for certain special terms and conditions which may be negotiated on a case-by-case-basis. These special terms and conditions include:
 - a) *Employment Requirement:* The ETP may waive, negotiate, or adjust the requirement that an eligible participant be an individual that is employed for 90 consecutive days by his or her employer. The panel shall take into consideration whether market, industry or other conditions limit the applicant's ability to retain the employee for 90 consecutive days following the completion of training.
 - b) *Wage Levels:* The ETP may waive the minimum wage requirements, as specified, if the ETP finds that the post-retention wage of each trainee who has completed training and the required training period exceeds his or her wage before and during training. This determination shall be made on a case-by-case basis to ensure that post-training improvements in earnings are sufficient to warrant the investment of public funds.
 - c) *Up-front Payments:* The ETP may authorize up-front payments to an eligible applicant, not to exceed 25% of the contract value, to ensure that nonprofit organizations are not dissuaded from participating in this program.
- 3) Provides priority for training projects in a region with high unemployment areas or a region facing workforce shortages.
- 4) Defines "eligible industry" for the purpose of ETP funds to mean any industry that employs individuals in middle skill jobs, including, but not limited to, the following: Manufacturing; allied health care; goods movement and transportation logistics; information technology services; biotechnology and life sciences; multimedia/entertainment; agriculture; green/clean technology.

- 5) Defines a “middle skill job” for the purposes of the ETP funds to mean any job that requires a certificate, an associate’s degree, or an industry-recognized credential that is less than a bachelor’s degree but more than a high school diploma and facilitates success with workforce outcomes, including, but not limited to, the following: Medical assistants; financial and investment planners; licensed vocational nurses; agricultural mechanics; lab animal technicians; calibration technicians; quality process analysts; robotics and automation technology; certified nursing assistant; telecommunication cabling; and computer operating systems.
- 6) Defines a high unemployment area as being the same as that generally used by the ETP and established through regulation. The high unemployment rate may be part of a county or portion of a county, or some other distinct region. Unemployment within the designated region is measured against the state average rate. When the state average rate is less than 10%, the regional rate is required to be higher by a differential of at least 25%. When the state average rate is at or higher than 10%, the regional rate is required to be higher by a differential of at least 15%.
- 7) Establishes the Employment Revitalization Initiative, administered through the CWDB, for the purpose of assisting individuals who have multiple barriers to employment to receive the remedial education and work readiness skills that will help them to successfully participate in training, apprenticeship, or other training opportunities that enhance skill development that will lead to self-sufficiency and economic stability. The initiative is designed to link local workforce boards with community-based organizations to help people with multiple barriers to employment access training, apprenticeship, or other employment opportunities.
- 8) Requires the CWDB to adopt regulations to implement this initiative.
- 9) Requires CWDB to consult with public and private stakeholders when adopting regulations and in implementing the initiative. Stakeholders include nonprofit community-based organizations, local workforce boards, local governments, and other entities that serve individuals who face barriers to employment.
- 10) Requires the CWDB to develop grant selection criteria that meet all of the following:
 - a) Grants are to be awarded on a competitive basis. The program initiative is required to include provisions to ensure a range of targeted populations and geographic locations receive training opportunities.
 - b) Priority is to be given to projects that include English language improvement training, basic skills and adult education, high school diploma and GED acquisition, skills and vocational training, work experience, on-the-job training, earn-as-you-learn, apprenticeships, industry certifications, mentoring, and other remedial education and work readiness skills.
 - c) Projects are to be evaluated as to how adequately they serve the needs of eligible targeted populations.
- 11) Requires an applicant to submit an application that contains all of the following provisions:
 - a) A requirement that on at least an annual basis and upon completion of the grant period, grant recipients report to the CWDB regarding their use of funds, workforce training outcomes, and any other information required by the board.
 - b) A requirement that grant recipients agree to provide information to the CWDB that the board deems necessary to meet reporting requirements.

- c) An explanation of the specific purpose of the grant funds, the roles and responsibilities of each of the local workforce boards and community-based organizations; the oversight and monitoring process; the term of the grant; and a discussion of the general methodology and training methods proposed to be used.
 - d) A description of how the project will serve eligible targeted populations.
- 12) Specifies that eligible targeted populations for the initiative grant proposals include:
- a) Youths who are disconnected from the education system or employment;
 - b) Women seeking training or education to move into nontraditional fields of employment;
 - c) Displaced workers and long-term unemployed;
 - d) Unskilled or underskilled, low-earning workers;
 - e) Persons for whom English is not their primary language;
 - f) Economically disadvantaged persons;
 - g) CalWORKs participants;
 - h) Persons who are incarcerated and soon to be released, or the formerly incarcerated;
 - i) Armed services veterans;
 - j) Native Americans;
 - k) Migrants or seasonal farmworkers; and
 - l) Persons with developmental or other disabilities.
- 13) Requires the CWDB to evaluate how grants address the needs of eligible targeted populations.
- 14) Requires the CWDB to post a report on its internet web site by January 1, 2019, and by January 1 of each year thereafter, to provide a status report on the implementation of the Employment Revitalization Initiative, including, but not limited to, the overall progress and success of the grant programs.
- 15) Establishes the Employment Revitalization Fund, which is continuously appropriated, within the State Treasury for purposes authorized under Division 7 of the Unemployment Insurance Code related to the Workforce Innovation and Opportunity Act (WIOA). Moneys in this fund are available to the CWDB for five fiscal years beginning in 2017–2018.
- 16) Establishes the Workforce Accelerator Account within the Employment Revitalization Fund. Moneys in the fund are to be:
- 1) Continuously appropriated;
 - 2) Available to the CWDB for five fiscal years beginning in 2017–2018;
 - 3) Used to supplement and not supplant the existing Accelerator Grant Program, which is funded through federal WIOA moneys;
 - 4) Awarded based on a priority for applications that focus on improving the persistence rates of community college students that face multiple obstacles to completing an associate's degree,

vocational certificate, or progress necessary to matriculate to the California State University or University of California systems.

17) Appropriates \$310 million from the General Fund based on the following schedule:

- a) \$200 million is transferred to the Employment Revitalization Fund for the purposes of implementing the Employment Revitalization Initiative.
- b) \$100 million is appropriated to the ETP to be used to carry out the competitive bidding contracts authorized in this bill. These moneys are to be available to the ETP five fiscal years beginning in 2017–2018.
- c) \$10 million is transferred to the Workforce Accelerator Account for the uses specified in this measure.

EXISTING STATE LAW:

- 1) Establishes the Labor and Workforce Development Agency (Agency) for the purpose of addressing issues relating to California workers and their employers. The Agency is responsible for labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and help legitimate businesses and workers in California through a combination of enforcement and education activities. State entities under the Agency include:
 - a) Agricultural Labor Relations Board;
 - b) The CWDB;
 - c) The Employment Development Department; including the Employment and Employment-related Services Program and the National Dislocated Workers Grant Program;
 - d) ETP;
 - e) The Department of Industrial Relations, including the Division of Apprenticeship Standards; and
 - f) Public Employment Relations Board.
- 2) Establishes ETP for the purpose of providing funding to employers to assist in upgrading the skills of their workers through training that leads to good paying and long-term jobs. Program funding is provided through a special payroll tax paid by California employers. Eligible "employers" under its core program include:
 - a) Single employers subject to the unemployment insurance tax;
 - b) Groups of employers, including chambers of commerce, joint apprenticeship training committees, trade associations, or economic development corporations;
 - c) Training agencies, including community colleges and community college districts; universities or university foundations; adult schools, regional occupation programs, and private training agencies, as specified;
 - d) Workforce development boards;
 - e) Workforce Innovation and Opportunity Act recipients, including one-stop career centers now called America's Jobs Centers.

- 3) Establishes the CWDB for the purpose of assisting the state in meeting the requirements of the federal Workforce Innovation and Opportunity Act of 2014, as well as assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system. In addition to serving as a policy-making body, the CWDB administers several grant programs including, but not limited to:
 - a) ForwardFocus: AB 2060 Supervised Population Workforce Training;
 - b) Proposition 39 Pre-Apprenticeship Support, Training and Placement Grant 2.0;
 - c) Regional Clusters Of Opportunity Grants;
 - d) Slingshot Accelerating Income Mobility Through Regional Collaboration; and
 - e) The Workforce Accelerator Fund.

EXISTING FEDERAL LAW authorizes WIOA for the purpose of, among other things:

- 1) 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;
- 2) 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.;
- 3) 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; and
- 4) 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.

FISCAL EFFECT: The bill appropriates \$310 million for the purpose of providing workforce training grant awards through three program areas: \$100 million in ETP contracts for training of middle-skill workers; \$200 million in CWDB grants for providing remedial education and training for workers who face multiple employment barriers to prepare to take middle-skill training; and \$10 million in CWDB Accelerator Grants. A more specific fiscal analysis will be provided by the Assembly Committee on Appropriations.

POLICY FRAMEWORK:

Globally, there is a significant gap in middle-skilled workers. California employers are already experiencing challenges in finding qualified workers, resulting in vacancies in well-paying jobs. Stakeholder organizations representing manufacturing, labor, small businesses, and trade and transportation, have identified the need for a comprehensive approach to enhancing the state's education and workforce system.

While some progress has been made to increase per pupil spending (\$7,011 in 2011-12 to \$14,822 in 2016-17), augment funding for career pathway programs, and coordinate Community College and WIOA

training activities, a number of significant gaps remain. As policy makers and stakeholders come together to address these gaps, there are a few central areas of agreement:

- 1) California needs a large pool of qualified and middle-skill trained workers.
- 2) Apprenticeship and other earn-and-learn strategies is an important component to state's workforce strategy.
- 3) California's economic success is dependent on creating an inclusive economy that provides real opportunities for individuals who face barriers to employment to acquire the remedial education and preliminary skills necessary to successfully participate in middle-skill training.

Collectively, these core elements run through the policy work of almost every major economic and workforce development partner, including: the California Economic Summit; the CWDB's Unified Strategic Workforce Development Plan that draws down federal WIOA funds; the Community College's Strong Workforce Task Force recommendations; and the work of the JEDE Committee, as expressed in AB 2642 from 2015-16 and AB 1111 in 2017, among others.

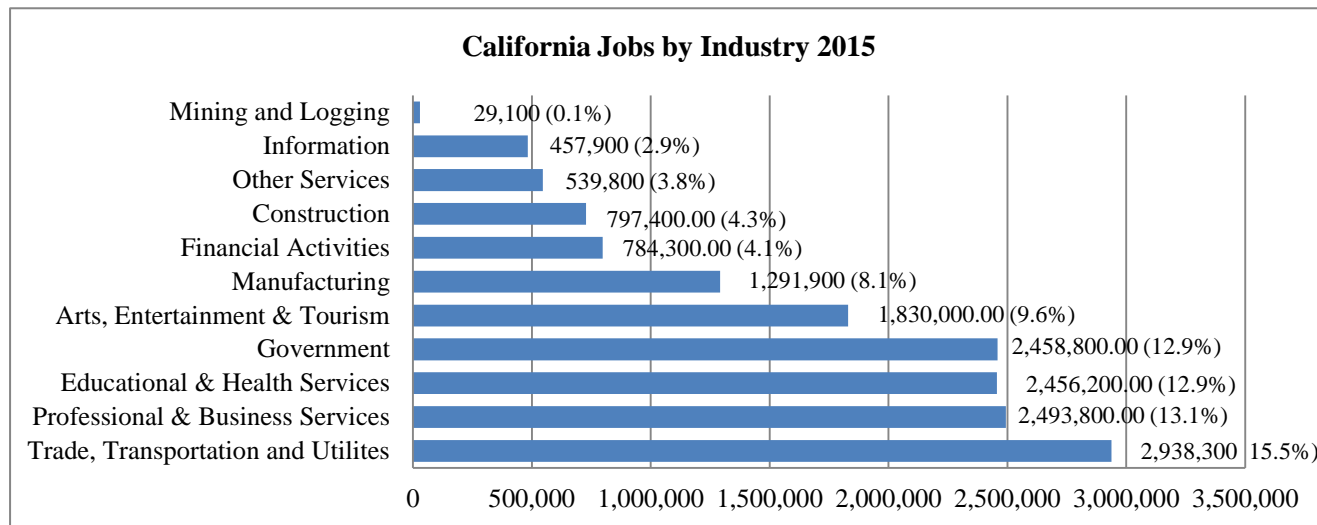
AB 316 is part of this broad, bipartisan movement to add workforce development to the list of aggressive new initiatives California is embracing. The analysis includes information on the California economy, current and projected employment, the Breaking Barriers legacy, the Better Jobs for a Better California Initiative, and related legislation. A list of proposed amendments are included in Comment 8.

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; and its culture of innovation and entrepreneurship, particularly in the area of 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 is comprised of 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%).

Many of the jobs associated with several of the state's largest industry sectors pay wages that are generally considered well above the state average. Manufacturing is considered the "gold standard" for jobs because of the higher wages paid to workers, the inclusion of small businesses within its extended supply chains, and the high multiplier effect on their local communities and across the state. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry subsectors, such as electronic computer manufacturing, the multiplier effect is 16 to 1.

While California has the largest manufacturing sector in the nation, the state is often bypassed for new facilities and the expansion of existing facilities. According to the California Manufacturers and Technology Association, California falls into the lower quartile of states, based on its job growth following the recession. In comparing new and expanding manufacturing activity (January 2010 to October 2016), California ranked 24 out of 32 major manufacturing states. California received only 2.57% of the job growth, as compared to Michigan (32.49%) that generated the most and New Jersey (-4.78%) that had a net loss of jobs over the 16-year period.

One challenge California faces in growing manufacturing jobs is the state's perceived lack of cost competitiveness and the regulated nature of its business environment. These perceptions impact not only decisions about expansions and relocation from other states, but also reshoring decisions. According to one study, California is receiving only about 1% of reshored manufacturing jobs.

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, increase economic analysis of major regulations, and to provide technical assistance to help businesses navigate the state regulatory and permitting environment. This year, 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 manufacturing competitiveness.

- 2) **Income Disparities:** California's overall economic growth has not been consistent throughout the state, with many regions and certain population groups still experiencing recession-related economic disparities. California's poverty rate, as one example, is 15.3% as compared to a national rate of 14.7%. One estimate is that nearly a quarter of the California's children (22.7%) are living in households with annual incomes below the federal poverty line. Using the federal Supplemental Poverty Measure, (which accounts for geographic differences, transfer payments, and out-of-pocket expenses) 20.6% of Californians live in poverty, as compared to 15.1% nationally.

While the state's unemployment rate for January 2017 (not seasonally adjusted) was 5.0%, several population groups had significantly higher rates, including Blacks (8.5%), Hispanics (6.5%); and 16 to 19 year olds (17.8%).

While some of these employment disparities have existed for decades, more recent demographic shifts in the age and race and ethnicity of California's population heightens the economic impact. The U.S. Census Bureau projects that by 2043 a majority of the U.S. population will be comprised of people of color. In 2014, people of color were already the majority in California (61.55), Hawaii (77%), New Mexico (61.1%), and Texas (56.5%), with another nine states which were close to 50%.

2014 also marked the year when Millennials surpassed Gen Xers (age 35 to 50 in 2015) as the largest generation in the U.S. labor force. Overall, Millennials are more diverse than prior generations, with 44% being of a race or ethnic group other than non-Hispanic whites. This shift is particularly significant, as the Gen Xers only overtook the Baby Boomers as the largest cohort in the labor force in 2012. For many Gen Xers, this will mean additional stress in the workforce with Boomers remaining in the workforce due to economic reasons and a large and aggressive younger cohort ready to move up.

Achieving job growth within globally competitive industries and addressing the state's growing income disparities will likely require the state to develop and employ different community, economic, and workforce development approaches. Policies and programs that require more coordinated efforts by industry, labor, nonprofits, and government could assist the state on a range of issues, including education, workforce training, infrastructure repair and expansion, entrepreneurship, and finance, among others.

- 3) **Future Employment Growth:** The Employment Development Department (EDD) has forecasted that California will add 2.6 million nongovernment jobs between 2014 and 2024, which includes 100% recovery of the number of jobs lost during the recession. By 2024, California is expected to have 19.7 million people in the workforce.

- Over the 2014-2024 projection period, EDD estimates that California will generate:
- 2,651,100 new jobs from industry growth;
- 3,962,200 jobs due to replacement needs.

EDD estimates that 71% of the job growth will be concentrated in one of five industry sections: educational services; health and social services; professional and business services; leisure and hospitality; and construction. Manufacturing is expected to add 17,200 jobs.

While a significant portion of the growth is in domestic-based services, this projected employment growth is not expected to substantially shift the California economy's reliance on industry sectors that are linked to consumers and supply chains outside the state. With 95% of the world's population and 80% of the world's purchasing power is located outside of the U.S, California's economy will need to

remain highly integrated within global markets. In 2015, California exported \$165.3 billion in products to 229 foreign countries. Today, four of California's top five exports include component parts, which leave the state to be assembled and/or partially assembled before returning.

- 4) **The Breaking Barriers' Legacy:** As noted earlier in the analysis, AB 316 builds upon and is consistent with work being undertaken across the economic and workforce development landscape. The Employment Revitalization Initiative itself is very closely based on legislation developed by the JEDE Committee to address recommendations from its 2015 hearing: *Building and Inclusive Economy: The State's Role in Closing California's Opportunity Gap*.

Among other issues, the JEDE Committee, then chaired by Assembly Member Eduardo Garcia, found that significant demographic shifts in terms of age, race, and geography were impacting the state's economic growth. Research and testimony at the hearing reinforced the knowledge that one of the most important economic development actions the state could make in supporting economic growth, overall, was to make greater investments in California's low-income families. This was particularly true for proposals that provided assistance to those individuals who faced employment barriers to obtain the remedial and entry level skills necessary to begin training within career pathways that left to economic security and financial independence. Specific recommendations from the hearing included:

- Setting an equity standard for new state investments;
- Supporting smaller size businesses;
- Reframing workforce development to insure it focused on the needs of businesses and inclusive of historically underserved populations; and
- Promoting long-term economic security.

One of the bills that arose from hearing was **AB 2642 (E. Garcia, Eggman, Garcia-Fletcher, Gomez, and Maienschein)**, which proposed the Breaking Barriers to Employment Initiative. This year, these authors have introduced **AB 1111 (Garcia, Arambula, Eggman, Maienschein, Quirk-Silva, Santiago, and Steinorth)**, which JEDE will be hearing on April 25, 2017.

- 5) **Middle-Skill Legislative Package:** In February 2017, the California Assembly Republican Caucus launched a bi-partisan initiative, *Better Jobs for Better California*, which includes three bills including AB 316. Other bills in the package:
- a) **AB 445 (Cunningham and O'Donnell) California Career Technical Education Grant Program:** The bill increases the Department of Education's 2017-18 funding for the California Career technical Education Grant Program from \$200 million to \$300 million. It also makes this an annual and permanent appropriation, while also lowering the program's matching requirements from \$2 to \$1 for every \$1 dollar of state grant.
 - b) **AB 579 (Flora and Cooper) California Firefighter Joint Apprenticeship:** This bill requires the Division of Apprenticeship Standards, in collaboration with the California Firefighter Joint Apprenticeship Committee (CAL-JAC), to develop a statewide firefighter preapprenticeship program designed to recruit candidates from underrepresented groups.

Assembly Members Waldron and Salas submitted, and Assembly Member E. Garcia supported, a request to Assembly Budget Subcommittee 4 for \$310 million (General Fund). Aligned with the provisions in AB 316, the funding would be appropriated in 2017-18 and then be available for five years of program activity. Funds would be available for the following purposes:

- a) \$100 million for ETP to provide training contracts with organizations that facilitate creative training solutions that help people move up the workforce ladder.
- b) \$200 million to CWDB to establish a competitive performance grant program that links workforce development boards to community-based organizations that help people with multiple barriers to employment receive remedial education and work readiness skills that help them to get training, apprenticeship, or other employment opportunities.
- c) \$10 million to EDD to expand an existing Workforce Accelerator Grant program that has demonstrated success with improving persistence and completion rates of community college students that face obstacles to completing higher education.

The staff's notes for the Budget Subcommittee hearing noted that Assembly Member E. Garcia has a bill that focuses on the workforce and education. Budget Subcommittee 4 heard the issue on March 21 and held the item open.

- 6) **Employment Training Panel:** Established in 1982, the ETP provides direct funding to employers to assist them in upgrading worker skills. ETP is governed by an eight member board with three members being appointed by the Governor, two by the Speaker of the Assembly and two by the Senate Pro Tem. The Director of the Governor's Office of Business and Economic Development (GO-Biz) serves as an ex officio, voting member.

ETP is the state's primary workforce training program for incumbent workers. By working directly with employers, ETP projects can be focused to serve the unique needs of the business and the individual worker. Since inception, ETP has awarded over \$1 billion for training workers in more than 80,000 businesses.

The core ETP program is funded through a special Employment Training Tax, which is collected by the Employment Development Department at the same time as employers pay other payroll taxes. Only those employers that have paid the tax are eligible to receive workforce training contracts under ETP's core program.

Qualifying businesses, as well as entities that serve those businesses, can apply for contracts on an ongoing basis. Applications can propose training through a variety of settings, including, a classroom, laboratory, and even electronic delivery models. Eligible applicants for the core program including a single business, a group of employers, workforce development boards, recipients of WIOA funds, and public and private training agencies, including community colleges, community college districts, universities, adult schools, regional occupation programs. In 2014-15, ETP administered 953 core training contracting covering 177,573 employees, and 19 alternative funding contracts, which provided training to 5,472 employees.

Community colleges have been an active users of ETP. As an example, in 2015-16, two contracts worth more than \$1 million combined were awarded to the San Bernardino Community College District and Ventura County Community College District to train more than 1,900 workers in manufacturing, crop production, transportation and distribution industries.

As outlined in ETP's 2016-17 Strategic Plan, core program appropriation for 2017-18 will be approximately \$76.3 million. Total projected ETP contracting capacity is expected to be \$90.4 million, including current year revenues, carryover from the prior year, minus expenses. As proposed, AB 316

will add \$100 million in additional contracting capacity over a five-year period and allow ETP funding training to be provided to a wider array of businesses and workers.

The ETP is required to annually update a three-year Strategic Plan that identifies that, among other issues, addresses the demand for trained workers by industry, type of training, and size of employer. Based on this assessment, the ETP identifies priority industry sectors and authorizes projects in these areas to receive 20% more funding than standard reimbursement rates. For 2015-16 these sectors include:

- Agriculture;
- Allied Healthcare;
- Biotechnology and Life Sciences;
- Construction;
- Goods Movement and Transportation Logistics;
- Green/Clean Technology;
- Information Technology Services;
- Manufacturing;
- Multimedia/Entertainment; and
- Technical Services.

New and special ETP initiatives include programs especially focused on veterans, individuals with disabilities, and small businesses. In implementing these special initiatives, the ETP has provided targeted outreach, entered into new strategic partnerships, and on some occasions, modified program requirements. In 2016, ETP received the State Agency Recognition Award from Department of General Services for "Most Notable Improvement for Small Business Contracting." Additionally, ETP was named an "Agency of the Year Finalist" for furthering the "Best Practice" activities for Small Business and Disabled Veteran Business Enterprises. About three-fourths of all businesses served by ETP employ 250 or fewer workers; and roughly a quarter employ only 20 or fewer workers.

At the January 2017 meeting, the ETP adopted a new pilot project, the Career Work Experience, which will provide funding for training at-risk youth.

- 7) **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 \$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 discretionary 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. As noted earlier, \$4.3 million was directed toward the SPWTG Program from the Recidivism Reduction Fund.

California's WIOA 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 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 America's Jobs 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.

- 8) **Amendments:** The committee may wish to consider the following amendments to assist in the implementation of the bill:
- a) Delete the term "competitive" from the description of the ETP contracts. The current program awards grants based on performance and allows fund requests to be made on an ongoing basis;
 - b) Add a definition for "eligible employer." The core ETP program is limited to employers who have paid the special Employment Training Tax. This bill proposes the use of General Fund moneys to supplement the existing program. These additional employers should be specifically identified in the bill;
 - c) Define the term or the process for identifying "regions facing workforce shortages";
 - d) Specifically require reporting on ETP contract awards and outcomes pursuant to this bill. ETP has a requirement to make an annual report. Tracking and monitoring of the \$100 million could be included within the existing report. As these moneys will allow for training of workers in business entities not currently authorized under ETP's core program, these projects should be separately identified within the report;
 - e) Add a definition of eligible applicant for the Employment Revitalization Initiative;

- f) Require the CWDB provide outreach and technical assistance to prospective applicants; and
- g) Make other technical changes to effectuate the purpose of the bill.

9) **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 931 (Irwin) New Hire Tax Credit:** This bill would have expanded the definition of the term "qualified full-time employee" under the new hire tax credit to include a veteran who has separated from service in the U.S. Armed Forces within the 36 months preceding commencement of employment with a qualified taxpayer. Status: Vetoed by the Governor, 2015. Governor's Veto Message: *Despite strong revenue performance over the past few years, the state's budget has remained precariously balanced due to unexpected costs and the provision of new services. Now, without the extension of the managed care organization tax that I called for in special session, next year's budget faces the prospect of over \$1 billion in cuts. Given these financial uncertainties, I cannot support providing additional tax credits that will make balancing the state's budget even more difficult. Tax credits, like new spending on programs, need to be considered comprehensively as part of the budget deliberations.*
- d) **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.
- e) **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 the 2015-16 Budget for additional funding rounds.

- f) **AB 1111 (Garcia, Arambula, Eggman, Maienschein, Quirk-Silva, Santiago, and Steinorth) Breaking Barriers to Employment Initiative:** Establishes the Breaking Barriers to Employment Initiative for the purpose of assisting individuals who have multiple barriers to employment to receive the remedial education and work readiness skills that will help them to successfully participate in training, apprenticeship, or employment opportunities that will lead to self-sufficiency and economic stability. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- g) **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.
- h) **AB 2061 (Waldron) Supervised Population Workforce Training Grant Program:** This bill makes program enhancements to the Supervised Population Workforce Training Grant Program, including the addition of program priorities for applications that document employer participation, as specified. Status: Signed by the Governor, Chapter 100, Statutes of 2016.
- i) **AB 2448 (Burke) Welfare-to-Work Education:** This bill changes certain California Work Opportunity and Responsibility to Kids requirements regarding permissible welfare-to-work activities in order to facilitate a recipient's completion of a high school equivalency program. Status: Vetoed by the Governor, 2016. The Governor's veto message: *This bill suspends the CalWORKs 24-month time clock for up to 12 months for recipients actively seeking their high school diploma or equivalent. There is flexibility in this program which allows counties to extend the 24-month clock on a case-by-case basis for recipients making progress toward their high school diploma. I am not convinced that a state level suspension as called for in this bill is necessary.*
- j) **AB 2642 (E. Garcia, Eggman, C. Garcia, Gomez, and Maienschein) Removing Barriers to Employment Act:** This bill would have established a competitive grant program to provide training funds to assist individuals who face multiple barriers to employment prepare for middle-skill training, apprenticeship, or employment opportunities that lead to self-sufficiency and economic stability. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2016.
- k) **SB 81 (Senate Budget Committee) Post-Secondary Education Budget:** This bill provides guidance and makes modifications to the states three systems of higher education, including but not limited to:
 - i) Amends the Middle Class Scholarship program to exclude students with family assets over \$150,000, sets a four- or five-year time limit for the program similar to limits imposed in the Cal Grant program, and allows income and asset limits to increase with the Consumer Price Index.
 - ii) Creates the Basic Skills Partnership Pilot Program, which will provide five community college districts with \$2-million grants to develop partnerships among schools districts, community colleges and California State University campuses to develop improved strategies to provide remedial education for underprepared college students.
 - iii) Requires the California Community Colleges or California State University to exempt students from nonresident tuition starting on July 1, 2015, if they the meet all of the following requirements: a) student resides in California; b) student meets the definition of "covered individual," as defined under United States Code Title 38, federal statute; c) student is eligible

for education benefits under either the federal Montgomery GI Bill or Post 9/11 GI Bill program, and are continuously enrolled at the campus they attend.

- iv) Extends the sunset date for the Career Technical Education Pathways Program from June 30, 2015, to July 1, 2016, and appropriates \$48 million one-time Proposition 98 funds for the program.
- v) Requires the Community College Chancellor's Office to report to the California Apprenticeship Council within 30 days of each apportionment period information regarding the hourly rate paid to local educational agencies and community colleges, and the number of instruction hours allocated to and reported by each local educational agency and community college.
- vi) Allows the Community College Chancellor's Office to work with the Division of Apprenticeship Standards to develop and implement innovative apprenticeship programs in high-growth industries.
- vii) Creates the Basic Skills and Student Outcomes Transformation Program, which will provide \$60 million Proposition 98 General Fund to assist community college districts in improving the delivery of basic skills instruction.

Status: Signed by the Governor, Chapter 22, Statutes of 2015.

10) **Double Referral:** The Assembly Rules Committee has assigned this measure to the JEDE Committee and the Assembly Committee on Labor. Should this measure pass JEDE, it will be referred to the Assembly Labor Committee for further policy review.

REGISTERED SUPPORT / OPPOSITION:

Support

Maxim Healthcare Services
San Diego North Economic Development Council
Southwest CA Legislative Council

Opposition

None on file

Analysis Prepared by: Toni Symonds / J., E.D., & E. /