

Date of Hearing: July 3, 2012

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY
V. Manuel Pérez, Chair
SB 1401 (Lieu) – As Amended: May 30, 2012

SENATE VOTE: 26-9

SUBJECT: California Workforce Investment Act

SUMMARY: Modifies the California Workforce Investment Act (WIA) to add guiding principles, emphasizing a "sector strategy" approach, among other changes. Specifically, this bill:

- 1) Adds to the duties of the California Workforce Investment Board (CWIB), aligning the state education and workforce investment systems to the needs of the 21st century economy and workforce.
- 2) Establishes the following six guiding principles for the state's workforce investment system:
 - a) Workforce investment programs and services are required to be responsive to the needs of employers, workers and students by accomplishing the following:
 - i) Preparing California's students and workers with the skills necessary to successfully compete in the global economy.
 - ii) Producing greater numbers of individuals who obtain industry-recognized certificates and degrees in competitive and emerging industry sectors, and filling critical labor market skills gaps.
 - iii) Adapting to rapidly changing local and regional labor markets as specific workforce skill requirements change over time.
 - iv) Preparing workers for good-paying jobs that foster economic security and upward mobility.
 - b) State and local workforce investment boards are encouraged to collaborate with other public and private institutions to better align resources and build a well-articulated workforce investment system by accomplishing the following:
 - i) Adopting local and regional training and education strategies that build on the strengths and fill the gaps in the education and workforce development pipeline in order to address the needs of job seekers, workers, and employers within regional labor markets by supporting "sector strategies."
 - ii) Leveraging resources across education and workforce training delivery systems to build career pathways and fill critical skills gaps.

- c) Workforce investment programs and services are required to be data driven and evidence based when setting priorities, investing resources, and adopting practices.
 - d) Workforce investment programs and services are required to develop strong partnerships with the private sector, ensuring industry involvement in needs assessment, planning, and program evaluation.
 - e) Workforce investment programs and services are required to be outcome oriented with accountable, measurable results for program participants, including, but not limited to, outcomes related to program completion, employment, and earnings.
 - f) Programs and services required to be accessible to employers, workers, and students who may benefit from their operation, including individuals with employment barriers, such as persons with economic, physical, or other barriers to employment.
- 3) Defines a number of economic and workforce development terms including, but not limited to:
- a) "Sector strategies" to mean methods of prioritizing investments in competitive and emerging industry sectors and industry clusters on the basis of labor market and other economic data indicating strategic growth potential, especially with regard to jobs and income, as specified.
 - b) "Career pathways," "career ladders," or "career lattices" to mean an identified series of positions, work experiences, or educational benchmarks or credentials with multiple access points that offer occupational and financial advancement within a specified career field or related fields over time.
 - c) "Cluster-based sector strategies" to mean methods of focusing workforce and economic development on those sectors that have demonstrated a capacity for economic growth and job creation in a particular geographic area.
- 4) Requires the state to develop a California Industry Sector Initiative that will serve as the cornerstone of the CWIB's state plan and provide a framework for state workforce investments and support for sector strategies.
- 5) Requires the CWIB to annually identify industry sectors and industry clusters, new emergent industry sectors and industry clusters, and undertake a skills-gap analysis, as specified. In performing these functions, the CWIB shall consider the expertise of local workforce investment boards, as provided.
- 6) Requires the CWIB to establish initial and subsequent eligibility criteria for the state's eligible training provider list that effectively directs training resources into training programs leading to employment in high-demand, high-priority, and high-wage occupations, particularly those facing a shortage of skilled workers.
- 7) Makes other related and conforming changes.

EXISTING LAW:

- 1) Establishes the CWIB, comprised of members appointed by the Governor and the appropriate presiding officers of each house of the Legislature, and specifies that the executive director of the CWIB report to the Secretary of the California Labor and Workforce Development Agency. The CWIB is responsible for assisting the state in meeting the requirements of the federal Workforce Investment Act of 1998, as well as assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.
- 2) Requires each local workforce investment board to establish at least one full service one-stop career center in the local workforce investment area. One-Stop career centers are required to include a specified group of job search related entities and provide jobseekers with integrated employment, education, training, and job search services. Employers can also be provided with access to career and labor market information, job placement assistance, and other such services as businesses in the community may require.

FISCAL EFFECT: This measure was referred from the Senate Committee on Appropriations pursuant to Senate Rule 28.8.

COMMENTS:

- 1) Purpose of the Bill: This bill is intended to establish additional requirements of the CWIB that proponents contend will better align education and workforce investment training systems to meet the needs of today's economy and workforce, primarily through an emphasis on "sector strategies." According to the author, workers in California are facing the toughest jobs crisis in over 50 years and, unfortunately, at a time when workers, families and communities need more support, states are facing unprecedented budget challenges. The author argues that now more than ever, it is crucial that every dollar of workforce funds is invested in high quality employment services that connect workers with good paying jobs.
- 2) Double Referral: This measure was previously heard in the Assembly Committee on Labor and Employment, where it received a 5 to 1 vote.
- 3) California Workforce Investment Board: The federal Workforce Investment Act of 1998 provides funding for job training and employment investment activities and programs in which states may participate, including work incentive and employment training outreach programs.

Implementation of the federal WIA required significant reforms to California's job training system. These reforms emphasized private sector involvement, improved customer service, a better alignment of public sector resources, and the integration of education, workforce, and economic development programs in order to help both workers and employers compete and succeed in the global economy. Among its primary duties, the CWIB provides guidance to local workforce investment boards (LWIB) and 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. This plan is required to be updated at least every 5 years in order to address the state's changing economic, demographic, and workplace needs.

There are 49 LWIBs that plan for and oversee the workforce investment system at the local level. Each LWIB also has one or more One-Stop Centers, which provide access to career information, counseling, and funding for education, training and supportive services.

WIA funding is distributed to states 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 WIA allocation from the U.S. Department of Labor has declined over the years from a high of \$630 million in 2000-01 to \$426 million in 2009-10. Federal law dictates that 85% of Adult and Youth formula funds, and 60% of Dislocated Worker formula funds, are distributed to local WIBs. Funding for the state's activities is derived from the 15% WIA discretionary funds. In 2009-10 LWIBs received \$363 million, while the state received about \$63 million in discretionary moneys. Budget actions in prior years 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.

Among other responsibilities, the CWIB develops protocols to ensure that policies are developed with full public input and discussion. The CWIB is also responsible for establishing criteria for development of (1) the formulae to be used for allocating funds to the local areas, (2) allocation of the 15% WIA discretionary funding, and 3) certification and re-certification of LWIBs. The State Board also provides recommendations to the Governor on policy and vision for the statewide employment statistics system.

As such, the CWIB has adopted "sector strategies" as the statewide framework for workforce development and is working with other state agencies and departments and its 49 LWIBs to support the emergence of effective regionally driven sector initiatives.

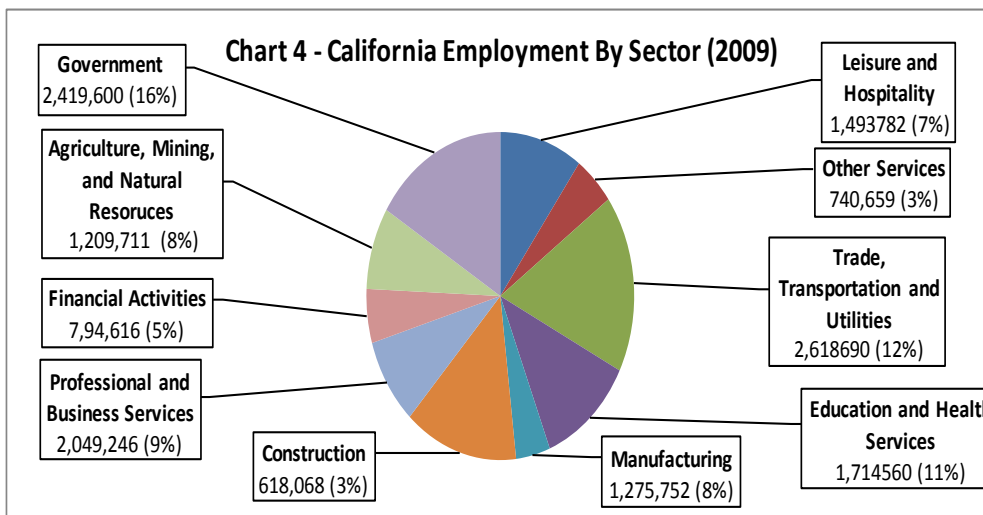
4) Recent California State Auditor Report on Federal Workforce Investment Act: A March 2012 report, "Federal Workforce Investment Act: More Effective State Planning and Oversight Is Necessary to Better Help California's Job Seekers Find Employment," evaluated the state's administration of WIA funding. Among its findings, the audit revealed that:

- More than five years after state law required the CWIB to develop a strategic workforce plan to serve as a framework for public policy, fiscal investment, and state labor programs to address workforce needs it has failed to do so and thus, has not provided sufficient guidance to its workforce development partners.
- Both EDD and the CWIB can do more to assess the quality of services – neither has a mechanism to evaluate whether an appropriate match exists between a participant's skills, education, and experience and the employment the participant attains.
- Although the CWIB is building partnerships with various entities to coordinate workforce investment planning, it has done little to ensure that the one-stop delivery system does not duplicate services for program participants.

The State Auditor made several recommendations in the report, including one that the Legislature consider establishing a due date for the CWIB to develop a strategic workforce plan, and clarify the roles and responsibilities of the state board and EDD. According to the auditor, without this plan, there is no assurance that the state workforce investment system provides life-long learning, promotes self-sufficiency, links education and training to economic development, and prepares California to compete successfully in the global economy as the Legislature intended.

According to the report, the Labor Agency, the CWIB, and EDD agreed with the recommendations. The CWIB is currently working on the strategic workforce plan and intends to have it finalized by the summer of 2012.

- 5) California Economy: Historically, the state's significance in the global marketplace resulted from a variety of factors, including: its strategic west coast location that provides direct access to the growing markets in Asia; its economically diverse regional economies; its large, ethnically diverse population, representing both a ready workforce and significant consumer base; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; and its culture of innovation and entrepreneurship, particularly in the area of high technology.



The chart below, *California Employment by Sector (2009)*, shows total reported California employment by industry sector.

As noted above, California's dominance in many industry sectors is based, in part, on the significant role small businesses play in global supply chains,

providing specialized services and products to meet niche markets, and their ability to create jobs while providing a means of wealth creation for an increasingly diverse entrepreneur class. Businesses with fewer than 100 employees comprise nearly 98% of all businesses and are responsible for employing more than 37% of all workers in the state. The Committee may wish to amend the guiding principles to more specifically include the varying employer needs of microenterprises and small businesses, as well as supporting the training needs of prospective entrepreneurs.

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

Economic developers like to use sector strategies to better understand the interconnections between related businesses, workforce capabilities, and available infrastructure. When done successfully, sector strategies at the regional level provide mutually beneficial outcomes for business, labor, and the state by increasing competitiveness and growth, improving worker employability and income, and reducing the need for social services while also bolstering government revenues generated by both business and workers. According to a 2010 study of three sector focused training programs in Wisconsin, Massachusetts, and New York, it was found that participants in the relevant training programs earned more and were employed at higher rates than were members of the study's control group (*Tuning Into Local Labor Markets: Findings from the Sectorial Employment Impact Study, Public/Private Ventures, 2010*).

SB 1401 proposes to use industry sector strategies to guide state investments and activities related to workforce development including targeting resources to dominant and emerging industries. In general, the bill supports the need for regional analysis of industry sectors. The Committee may, however, wish to further clarify that priorities should be based on regional significance, as well as overall dominance of an industry within the state. Without clarification, state funding priorities could insufficiently address the economic and workforce development needs of rural areas.

- 7) Strengthening Linkages between Education and Training System: As California slowly moves out of the recession, it is clear that the next economy will require new and more agile thinking about resources and deployment of human, physical and financial capital. Economic researchers has identified several key emerging trends, including that nations and states will become less significant and that regions will be the more dominant drivers of economic growth. Job growth will be driven by smaller size companies that are able to connect and access expanding global markets through the deployment of new technologies that can cost effectively increase productivity and meet changing market demands. Due to scarcity and rising prices the emerging economy will also be power by lower carbon fuels. All these new market realities will need to be accomplished with a workforce that is substantially smaller, more diverse, and historically underinvested.

This new workplace environment will require integrated and well-articulated career pathways between the K-12, the state's higher education systems, and workforce training providers. SB 1402 currently specifies several specific operational tools for implementing sector strategies including stackable certificate programs, which could be offered through the California Community College System's Economic and Workforce Development Program. The Committee may wish to also specify the importance of linking CWIB and LWIB activities with of high school career preparation programs, including regional occupation programs and nonprofit career thematic academies.

- 8) Related Legislation: Below is a list of related legislation.
- a) SB 698 (Lieu) High Performance Boards: This bill required the Governor to establish, through the California Workforce Investment Board, standards for certification of high-performance local WIBs, in accordance with specified criteria. The bill also required the Governor and the Legislature, in consultation with the California Workforce Investment Board, to reserve specified federal discretionary funds for high-performing local WIBs. Status: The bill was signed by the Governor, Chapter 497, Statutes of 2011.

- b) *SB 734 (DeSaulnier) Mandated Training Expenditures*: This bill required local WIBs to spend a certain percentage of available WIA funds (25% now and increased to 30% in 2016) on workforce training programs in a manner consistent with federal law and allows the boards to leverage specified funds to meet this requirement. The bill also required a local WIB that does not meet the expenditure to provide the EDD with a corrective action plan regarding those expenditures. Status: The bill was signed by the Governor, Chapter 498, Statutes of 2011.
- c) *AB 3018 (Nunez) Green Collar Jobs Council*: This bill enacted the California Green Collar Jobs Act of 2008, which create the Green Collar Jobs Council within the State WIB to perform specified tasks related to addressing the green economy workforce needs of the state. Specifically, the bill required the Council to develop a comprehensive array of programs, strategies, and resources to address the state's growing green economy. Status: The bill was signed by the Governor, Chapter 312, Statutes of 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

California Conference Board of the
Amalgamated Transit Union
California Conference of Machinists
California Hospital Association
California Labor Federation
California Teachers Association
California Teamsters Public Affairs Council
California Workforce Association
City and County of San Francisco
Council of Goodwill Industries

Engineers and Scientists of California
International Longshore & Warehouse Union
Jewish Vocational Services of San Francisco
Professional & Technical Engineers, Local 221
The California Manufacturers & Technology
Association
UNITE HERE
United Food and Commercial Workers Union
Utility Workers Union of America, Local 132

Opposition

None received

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