

SUBCOMMITTEE NO. 5

Agenda

Senator Maria Elena Durazo, Chair
Senator Shannon Grove
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Senator Josh Newman



Part B:

Thursday, May 20, 2021
10 a.m. or upon adjournment of session
State Capitol - Room 3191

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Items Proposed for Discussion

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Public Comment

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**Issue 1: Deferred and Prospective Workloads, and Program Administration Resources**

Summary. The May Revision proposes \$276.3 million General Fund one-time to allow the EDD to address deferred workloads associated with the initial pandemic claim surge in addition to sustaining current workload demands.

Background. In addition to the regular UI program the Department has also been operating multiple federal pandemic programs including Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and Federal Pandemic Unemployment Compensation.

Financing of the UI program is a cycle which provides a significant influx of federal funds as workload increases, causing demands for services and staffing to expand rather rapidly when recessions hit, but funding then contracts fairly dramatically when the economy starts to improve. EDD notes that this financing model does not allow much cushion for states to manage that transition, prepare for future recessions, or to adequately invest in the appropriate technology to modernize the system itself.

During the fall of 2020, the UI administration workload figures were based on Department of Finance's April 2020 economic outlook which indicated a much more conservative approach to the unemployment levels throughout 2020 and beyond. Now that more data has been captured regarding this unprecedented pandemic and resulting economic collapse, most major economic forecasts are predicting a much quicker recovery resulting in lower unemployment levels than previously anticipated. For 2021-22, when comparing the two largest workload categories (Initial Claims and Weeks Claimed) from October 2020 to May 2021, Initial Claims, across all compensation programs, is estimated to decrease by 50.37 percent. Similarly, Weeks Claimed, across all compensation programs, is estimated to decrease by 47.61 percent.

Even as federal UI funding starts to decrease due to workload, EDD acknowledges that many issues which came to light this past year, whether identified via the EDD Strike Team or the California State Auditor (CSA), will continue to need to be addressed.

At the onset of the pandemic, EDD temporarily suspended a subset of procedures for conducting eligibility determinations in order to expeditiously pay claimants in need of UI benefits. These temporary policy suspensions resulted in significant levels of deferred workloads, some of which have yet to be addressed. Although EDD has resumed normal business operations for determinations workload as of the beginning of this calendar year, it does not have adequate staffing levels to complete all of the deferred workloads in addition to the continued incoming workload volumes.

Governor's May Revision Proposal. The May Revision proposes \$276.3 million one-time General Fund to enter into a contract with a vendor to provide assistance to EDD staff in completing both the deferred and prospective workload to ensure that EDD is meeting customer needs. Vendor services would include contacting claimants for intake information related to the determination, reviewing employer protests, screening benefit crossmatch data, and pre-screening of identity documentation to ensure it meets the criteria for either determinations, redeterminations, or pre-appeal review.

For 2021-22, the May Revision also requests a decrease of 762.0 personnel equivalents (PEs) associated with the updated workload estimates. This proposal also includes a \$73.8 million decrease in federal authority for Unemployment Administration Fund to align with estimated expenditure levels.

Staff Recommendation. Hold Open.

Issue 2: UI Loan Interest Payment

Summary. The May Revision proposes an updated estimate of the UI loan interest payment of \$35.77 million. Additionally, the May Revision also proposes \$1.1 billion in federal Coronavirus State Fiscal Recovery Fund to replenish the state's unemployment insurance trust fund.

Background. On February 25, the subcommittee heard the Governor's January budget proposal to provide \$555 million General Fund one-time to make an estimated interest payment on the federal loan that was necessary to pay benefits when the Unemployment Insurance (UI) Trust Fund became insolvent. The UI Trust Fund is the fund in which weekly UI benefits are paid to eligible claimants and the first interest payment is due by September 30, 2021.

When federal loans are issued due to an insolvent UI Trust Fund, the federal government facilitates the repayment of this debt by reducing the 5.4 percent Federal Unemployment Tax Act (FUTA) tax credit that employers typically receive in qualifying states. The federal unemployment tax credit is reduced by 0.3 percent each year (resulting in incrementally higher federal taxes for employers) until the loan is repaid, or until the entire 5.4 percent credit has been reduced to zero and employers are paying the full 6.0 percent federal tax rate. When the federal loans are repaid, the temporary increases to employers' federal taxes will cease. To date, the increases in federal taxes following the insolvency period of the Great Recession has resulted in California employers paying an additional \$9.6 billion in FUTA taxes. California experienced a 0.3 percent credit reduction each year from tax years 2011 through 2017. The outstanding loan balance was fully repaid after March of 2018, therefore, no 2018 or 2019 reduction was assessed.

The Administration's January proposed interest payment was based on underlying economic assumptions made by the Department of Finance in April, 2020. At that time, both the Administration estimated that the economic consequences of the pandemic would be severe and prolonged. Since then, the actual consequences have become clear and, though substantial, were not nearly as severe as was anticipated. Specifically, the estimate is based on the assumption that the average state unemployment rate in 2021 will be 18 percent. The Administration's January proposal also did not take into account the federal governments extended the interest accrual waiver from the end of 2020 through March 14, 2021, which was enacted in December 27, 2020. This added an additional nine months of interest to the January budget proposal.

As of May 13, 2021, the state's outstanding loan from the federal UI account is \$20.3 billion, and is projected to grow to more than \$24.3 billion at the end of 2021.

May Revision Proposal

The May Revision updates the loan interest payment due September 30, to \$35.77 million to reflect the federal government extended interest-free borrowing through September 26. The May Revision also proposes \$1.1 billion in Coronavirus State Fiscal Recovery Fund to replenish the state's Unemployment Insurance Trust Fund. Any unobligated funds as of June 30, 2024, will also be used to further reduce the total funds borrowed from the federal unemployment insurance trust fund.

Staff Recommendation. Hold Open.

Issue 3: Claimant Services and Access

Summary. The May Revision proposes the following to improve claimant services and access:

1. **Language Access Services:** \$11.79 million and 39 positions in 2021-22 and \$9.18 million in 2022-23 to improve language access services at EDD.
2. **UI Navigators:** \$11.4 million General Fund and 92 positions in 2021-22, and \$11.4 million General Fund and 92 positions in 2022-23, to expand the presence of Unemployment Insurance (UI) trained staff in the America’s Job Center of CaliforniaSM locations to perform UI activities.

Background

Language Access Services: As discussed in previous subcommittee hearings, the COVID-19 pandemic and resulting impact on Californians has highlighted significant barriers that individuals who are “limited English proficient” (LEP) encounter when attempting to navigate the unemployment claim process. This was highlighted in the “EDD Strike Team Detailed Assessment and Recommendations” report issued on September 16, 2020, as well as by multiple members of the Legislature.

Although some of EDD’s existing language access services include bilingual staff to assist customers in Spanish, Mandarin, Cantonese, Tagalog, Vietnamese, and Armenian, along with telephone interpretive services in more than 100 languages, and forms, notices, and applications translated in multiple languages, it is recognized that more needs to be done to ensure full access for all LEP individuals.

UI Navigators. the EDD offers a variety of comprehensive services and programs through the American Jobs Center of California (AJCC) system, including access to UI services. While EDD has made efforts to serve UI customers, many customers prefer accessing in-person services at the AJCCs. There are current 45 UI navigators across the state.

Since 2017, UI trained staff in the AJCCs has been funded with WIOA Governor’s Discretionary funds. However, with a more recent shift to investing in the development of new workforce strategies and innovations that promote short-term skill attainment to address job quality and equity, the WIOA funding is not available to support UI services.

May Revision Proposals

1. **Language Access:** The May Revision proposes \$11.8 million General Fund and 39 positions in 2021-22 and \$9.2 million General Fund and 39 positions in 2022-23 to improve EDD’s education and outreach in communities requiring multilingual access to EDD services and programs. This funding will support:
 - Creation of a language access portal which will be the primary new LEP resource, synthesizing website content and making it easier for individuals to access translated forms and navigate the system. The cost for vendor support to translate multiple pages would be approximately \$0.6 million in 2021-22.

- Expansion of existing telephone interpretive services for over 150 languages/dialects. The cost for the expansion of existing telephone interpretive services is approximately \$2.0 million annually.
- With guidance from the Labor and Workforce Development Agency, EDD will also engage in launching a new LEP initiative providing direct grants to Community Based Organizations (CBOs) which would provide targeted outreach and education services in order to support LEP communities. This initiative will ensure strong engagement and partnerships with the directly-impacted LEP communities. It is envisioned that CBOs will actively participate in an LEP Advisory Committee, helping claimants access EDD's new LEP services and navigate the complexities of the various programs EDD administers. It is anticipated that there will be up to \$0.2 million each for ten grants to CBOs in 2021-22.
- Creation of a new multilingual language access coordinator position and unit to effectively launch, implement, and manage the new LEP initiatives. The unit will consist of one executive position overseeing three language access specialists and an administrative analyst. It is anticipated the creation of these positions will cost \$0.9 million annually.
- Additional staff in the UI program to efficiently process new multilingual paper, fax and phone applications in Cantonese, Mandarin, Simplified Chinese, Traditional Chinese, Vietnamese, Tagalog, Korean, and Armenian. Given that there is an absence of in-language online application portals for the above languages, it is anticipated that approximately 31 new multilingual Employment Program Representatives (EPRs) would be hired. It is anticipated that these positions will cost approximately \$3.5 million annually.
- Further marketing and promotion of EDD multilingual services including specialized marketing materials, multilingual press releases, newsletters, promotional videos, etc. The vision is to target marketing to the general public, LEP communities, CBOs, and stakeholder groups. This work will be completed by an Information Officer, Graphic Artist, and Associate Governmental Program Analyst estimated at \$0.4 million annually.
- Additionally, EDD will be redesigning the EDD main webpage and other UI webpages to expand access to available resources. The cost for leveraging vendor services to redesign multiple webpages is estimated at \$2.4 million over two years.

UI Navigator: The funding will support a minimum of one UI trained staff person in each Local Area and in Local Areas with denser populations, up to two to three dedicated UI resources. In total this proposal would support 92 positions statewide. By continuing to provide this access to UI services it will ensure that some of the most vulnerable populations, like migrant and seasonal farmworkers, can be served.

UI trained staff will provide in-person guidance to customers, including individuals identified as having barriers, in filing a UI claim through the various application methods (paper, phone, or online) with priority given to filing their claim through UI OnlineSM as well as directing individuals to the Public Service Program line, as appropriate. Staff will also provide in-person guidance to individuals regarding the menu of services available in the UI OnlineSM application, EDD's website, and the EDD's Interactive Voice Response system including any resources specific to the federal pandemic programs.

Staff Comments

Language Access. The Administration's proposal provides \$11.8 million one-time in 2021-22 and \$9.2 million one-time in 2022-23 to implement these programs and services. However, staff notes that there are \$6.8 million in ongoing needs for these programs and services including: (1) expansion of telephone interpretive services, (2) the creation of a multi-lingual access coordinator and unit, (3) staff needed to process multilingual paper, fax and phone applications in Cantonese, Mandarin, Simplified Chinese, Traditional Chinese, Vietnamese, Tagalog, Korean and Armenian, and (4) marketing and promotion of EDD services in multi-lingual materials, videos, newsletter etc.

UI Navigators. The Administration notes that WIOA funding is no longer available to support UI services at AJCC's due to shifts in investment priorities. Absent of the May Revision proposal, it is unclear if the current 45 positions would still be funded. Committee staff notes that funding in this BCP is only one time through 2022-23. It is unclear what will happen to these UI navigators and services when this funding ends in 2022-23.

The subcommittee may wish to ask:

1. Why is the Governor proposing one-time funding for some language access programs and services when there is are ongoing needs?
2. Why is WIOA funding to support UI Navigators and services at AJCC no longer available? The Governor's budget only provides one-time funding for these positions. What will happen to these positions after 2022-23 when the funding ends?

Staff Recommendation. Hold Open

Issue 4: Other EDD May Revision Proposals

Summary. The May Revision proposes the following proposals regarding payments and personal information.

1. **Personal Information:** Social Security Numbers: \$6 million in 2021-22 and \$2.7 million in 2022-23 to implement AB 499 (Mayes), Chapter 155, Statutes of 2020.
2. **Direct Deposit:** \$5.5 million and 23.3 positions in 2021-22 and 2022-23 to develop and implement the option for direct deposit of EDD programs.
3. **BSM Project:** The May Revision proposes \$11.8 million General Fund in 2021-22 to begin to re-focus the Benefit Systems Modernization (BSM) project
4. **Workforce Innovation and Opportunity Act.** The May Revision proposes to reappropriate \$5.5 million one-time in unspent federal carry over funds.
5. **Deferred Maintenance.** The May Revision also proposed \$2 million one-time General Fund in 2021-22 to address deferred maintenance needs on an EDD facility in Chico.

Background

Benefit Systems Modernization (BSM) Project: The EDD completed partial system modernization for Disability Insurance, implementing State Disability Insurance Online in 2012, and UI, which implemented UI Online in 2015. The Paid Family Leave system has not been modernized since being implemented in 2004. These partial system modernization projects have resulted in systems that are now overly complex and not sustainable from technology and staffing standpoints. Beginning in 2016, EDD started down the path of planning a complete overhaul of all its benefit systems with the goal of implementing a single, integrated benefit system which would be more responsive to claimants and EDD staff while also being more agile for future enhancements.

The Department spent over four years working through the state's project approval process including gathering requirements, conducting market research, initiating business process re-engineering, technical preparation, initial data conversion, and ultimately working with California Department of Technology (CDT) on expediting the Request for Proposal which was slated to be awarded the latter part of 2020. However, when the COVID-19 pandemic struck EDD program and technology resources were pivoted to implement and administer the various federal UI programs and address the unprecedented claim surge. During this time, it was recommended by the EDD Strike Team to pause the project and re-visit at a later date given the challenges that the Department was and continues to face.

Personal Information. Currently, the Social Security Number (SSN) is the primary way the EDD can uniquely identify a person and their associated wages and employment history to accurately pay benefits. The EDD has used the SSN as the unique identifier within its benefit systems and on accompanying program forms and correspondence. As such, the existing system's dependency on SSNs is imbedded throughout millions of lines of legacy mainframe code. It is extremely complex and costly to change the existing systems to remove this dependency on SSNs.

On March 28, 2019, the California State Auditor (CSA) released a report on EDD's privacy protection practices. The audit recognized that EDD has taken steps since 2015 to reduce the number of mailings that contain the printed full SSNs. However, the report recommended EDD discontinue using the full SSNs on all documents mailed to claimants.

With the 2019-20 Budget Act, EDD was authorized \$1.8 million and 9.3 positions in 2019-20, \$2.1 million and 10.5 positions in 2020-21, and \$0.1 million and 0.6 positions in 2021-22, for the Claimants' Privacy Measure (CPM) project to mitigate SSNs on the top ten mailed documents with the highest volume that currently display the full SSNs. It is estimated that these ten high volume forms are mailed at least 13 million times in a single fiscal year.

Direct Deposit: Currently, EDD offers two methods of payments to these claimant populations which is either via check or debit card. Debit card holders can request to establish direct deposit, but only after they have received a debit card. During the recent COVID-19 pandemic it was highlighted that debit card options can be compromised by being stolen or mailed to the incorrect address. Furthermore, there exist only a handful of states, including California, that do not offer a direct deposit option for benefit programs.

May Revision Proposals

1. **BSM Project** – The May Revision proposes \$11.8 million General Fund in 2021-22 to begin to re-focus the Benefit Systems Modernization (BSM) project, providing an opportunity to implement new customer-centric processes, leverage new technologies, and create a modular approach to focus on customer experience.

The prior path for the BSM project was based on older technology and pre-pandemic processes, and the pause has enabled the Department to look at re-focusing the BSM project. The Department will leverage prior BSM artifacts and knowledge gained from the pandemic, and provide continued focus on delivering services with priority enhancements to the claimant experience.

Resources in 2021-22 will be used for the following:

- Business Re-Engineering and Requirements Consultant – will identify business processes to transform into a customer-centric model, develop requirements that support implementation of business process improvements, and provide actionable planning to implement and monitor customer-centric solutions
 - National Association of State Workforce Agencies Consultant – will assist with providing customer-centric best practices
 - Agile Project Coach – enables EDD staff for an agile/modular project delivery approach
 - Project Partners and Oversight – provides necessary support from CDT and Department of Digital Innovation
2. **Social Security Numbers**. The May Revision proposes \$6.0 million in 2021-22, and \$2.7 million in 2022-23, funded equally by the General Fund and the Unemployment Compensation Disability Insurance Fund to implement AB 499 (Mayes), Chapter 155, Statutes of 2020. AB 499 prohibits all state agencies from sending mail to an individual that includes the individual's full SSN, unless otherwise specified.

3. Direct Deposit: The May Revision proposes \$5.5 million General Fund and 23 positions (14 permanent and 9.3 temporary help) in 2021-22, and \$5.5 million General Fund, and 23 positions in 2022-23, to begin planning and implementation of a direct deposit solution.

The EDD previously conducted an analysis to determine the viability of using the Automated Clearing House (ACH) (i.e., direct deposit) as another payment option. Findings from this analysis determined that the addition of an ACH payment option would require complex programming changes in multiple EDD systems including the mainframe, UI Online, SDI Online, PFL application, and the Interactive Voice Response.

Cost estimates will cover the following (does not include ACH vendor's implementation and transaction costs):

- Detailed analysis including determining testable items, scope of test effort, etc.
- Requirements, design, development, unit testing, and implementation
- Mainframe leads and developers
- Oversight and project management activities
- Additionally, vendors will be needed to assist with the following:
- Developing code changes for the UI Online, SDI Online, and PFL applications
- Mainframe assistance
- Integration testing

Providing these resources will ensure claimants can have their benefits deposited directly to their own bank account, while also still allowing the options for check or debit card.

4. Deferred Maintenance. The May Revision also proposed \$2 million one-time General Fund in 2021-22 to address deferred maintenance needs on EDD owned and managed facilities. Funding will be used for building modernization in Chico to replace outdated heating ventilation and air conditioning system, fire alarm system, roof replacement and carpet.
5. Workforce Innovation and Opportunity Act. The May Revision proposes to reappropriate \$5.5 million one-time in unspent federal carry over funds. At the time of writing this agenda, information on this proposal was not available.

The Subcommittee may wish to ask:

1. BSM: Under the May Revision, what is the new timeline for the BSM project? What stage will the BSM project be in the Department of Technology Project Approval Lifecycle (PAL) Process?
2. Direct Deposit: The May Revision proposal on direct deposit does not include vendor's implementation and transaction costs. What are the estimated costs for this? How will this be accounted for moving forward?

Staff Recommendation. Hold Open

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD
7100 EMPLOYMENT DEVELOPMENT DEPARTMENT
6870 CHANCELLOR'S OFFICE OF THE CALIFORNIA COMMUNITY COLLEGES

Issue 5: Various Workforce Development Programs

Background. On February 25th, the subcommittee heard the Governor's January budget proposal to provide \$25 million one-time General Fund to create and expand high road training partnerships in: construction, forestry and agriculture (tree trimmers); health care and dental (respiratory technicians, and medical assistants); trade and logistics (pilot program with UPS and Teamsters in Ontario, Compton, Visalia, San Francisco and Oakland, and Inland Empire); and cyber. The Administration estimates this proposal would train 2,050 workers. The Administration notes that these sectors were chosen based on a combination of considerations, including geography, areas of current and projected job growth, areas important to economic and COVID recovery.

Employment Training Panel (ETP). ETP is funded by a special tax on California employers and differs from other workforce development organizations whose emphasis is on pre-employment training. ETP reimburses the cost of employer-driven training for incumbent workers and funding the type of training needed by unemployed workers to re-enter the workforce. ETP reimburses contractors based on flat rates. Companies must pay the difference between ETP reimbursement and their actual training costs. As training costs increase, companies pay a larger percentage of the costs. A business may earn ETP funds only after a trainee completes all training and is retained for a minimum time period (normally 90 days) at a required wage, in a job using the skills learned in training. Other performance requirements ensure that each stakeholder – the company, the worker, and ETP – shares responsibility for expanding the numbers of high-wage, high-skill jobs in California.

ETP is governed by eight Panel members: Three members are appointed by the Governor. Two are appointed by the Speaker of the Assembly. Two are appointed by the Senate Pro Tem. The Director of the Governor's Office of Business and Economic Development (GO-Biz), or his/her designee, shall serve as an ex officio, voting member.

May Revision Proposals

The May Revision proposes \$250 million in various workforce development programs at CWDB:

- High Road Training Partnerships Expansion: \$90 million one-time to expand the California Workforce Development Board's High Road Training Partnerships programs into new sectors and regions across the state and accelerate the labor market's recovery from the COVID-19 Pandemic. This proposal will train 11,500 workers in industry sectors that support the state's economic recovery, including: construction; healthcare; information technology; trade and logistics; forestry and agriculture; manufacturing; education; leisure and hospitality; janitorial and building maintenance; and clean energy and utilities. This proposal will help scale up existing programs, and create new ones. The program will set priorities for workers from disadvantaged communities, including justice-involved and disconnected and at-risk older youth.
- Employment Training Panel Expansion: \$50 million one-time General Fund to expand the Employment Training Panel (ETP) training in high-demand sectors, including information

technology and advanced manufacturing, as well as healthcare and public sector employers not eligible for current ETP funding yet offering high quality jobs with career advancement potential. This proposal projects training 25,000 workers and builds upon ETP's existing program and contracting structure, through which funding can be deployed quickly, and is consistent with the Administration's goals to expand earn-and-learn and apprenticeship programs. Of this funding, \$6.7 million will support 58.5 temporary positions at ETP in 2021-22.

- Housing Apprenticeships: \$20 million one-time to develop earn and learn apprenticeship training programs in residential construction. Over five years to develop and connect 2000 people to apprenticeships in the housing industry. The continued investment in the High Road Construction Careers (HRCC) initiative will develop and connect people to state-approved apprenticeships in the housing construction sector by partnering with local workforce development boards, higher education, community-based organizations, industry and labor. Administering these funds through the Board will build upon the HRCC Initiative and connect disadvantaged workers through multi-craft pre-apprenticeship programs to State-approved apprenticeship programs. This request aligns with the increased housing efforts included as part of the May revision.

The May Revision also proposes investments to build workforce development partnerships with the California Community Colleges. The May Revision requests \$157 million one-time General Fund available over five years will foster new collaborative efforts between Labor Agency workforce programs and the California Community Colleges (CCCs), to create new pathways to good quality jobs. The CCCs serve nearly 2.1 million students annually and play a critical role in educating and training the skilled workforce needed for the state to meet its changing needs. Specific components include:

- Industry-based and worker focused programs: \$50 million one-time General Fund investment for the Workforce Board to expand and establish HRTPs and HRCCs to align with community college pathways to train and bridge California students into good quality jobs. Target sectors may include: healthcare, construction, building maintenance, hospitality, public sector including education, agriculture including food safety, IT and cybersecurity, trade and logistics, manufacturing, natural resources including forestry, with flexibility to support new sector partnerships as they arise.

Funding will support training 5000 workers and is focused on short-term skills training; earn and learn strategies such as apprenticeship; wage subsidies; technical assistance and evaluation through CWDB and UC High Road Lab; counseling and supportive services including income supports; and placement in good jobs. These flexible programs will give workers the skills they need to compete and thrive in the new economy. In addition, \$10 million in Proposition 98 General Funds for CCCs will align their programs with these HRTPs.

- Regional equity and recovery partnerships: \$50 million one-time General Fund to the Workforce Board requested to provide competitive grants to regionally-organized workforce development boards for regional partnerships with community college consortia. Working from existing regional and industry planning, successful partnerships will assess regional hiring demand for good quality jobs and then design short-term targeted education, training, and job placement. Projects will focus on integrating community college priorities such as industry-valued credentials, digital literacy, credit for prior learning, and work-based learning, and train 5000 workers. An additional \$10 million in Proposition 98 General Funds for the CCCs will support

these efforts.

- **ETP New and Incumbent Worker Training:** \$42 million General Fund to the ETP to leverage existing community college contract education units to provide small businesses with new and incumbent employee training for 3000 workers and accelerate business recovery. The LWDA will work with the Chancellor's Office to determine allocation of the funds between the two agencies by the end of July. Of this funding \$5.7 million will support 49.2 temporary positions at ETP in 2021-22.
- **Shared Data Infrastructure:** \$15 million one-time General Fund requested for building a shared data infrastructure between the Chancellor's Office and the Labor Agency as a foundational piece of this relationship. This infrastructure will simplify collaboration and track employment outcomes and other data gathering elements.

The LWDA will work with the Chancellor's Office to determine allocation of the funds between the two agencies by the end of July.

Lastly, the package provides CWDB \$15 million one-time General Fund available over five years, for 20 positions at CWDB to implement the increased workload associated with expanded High Road Training Partnerships and other new program investments and collaborations.

Department	Program/Description	BY (Millions)	BY+1
CWDB	High Road Training Partnership Expansion ²	\$90	\$-
CWDB	Housing Workforce Apprenticeships	\$20	\$-
ETP	Employment Training Panel Expansion	\$50	\$-
CWDB/CCCCO Collaboration	Industry Based and Worker Focused Programs	\$50	\$-
CWDB/CCCCO Collaboration	Regional Equity and Recovery Partnerships	\$50	\$-
CWDB/CCCCO Collaboration	Shared Data Infrastructure	\$15	\$-
CWDB	Implementation Resources	\$15	\$-
ETP/CCCCO Collaboration	New and Incumbent Worker Training	\$42	\$-
Total		\$332.00	

Of the funding that is provided for CWDB/CCCCO collaboration \$5 million is targeted for individuals with autism.

The subcommittee may wish to ask:

1. Please describe how CCCs and workforce will collaborate on these proposals? What challenges currently exist, and how will this proposal address it?
2. The BCP notes the LWDA will work with the Chancellor's Office to determine allocation of the funds between the two agencies by the end of July. Please elaborate on this, and describe the factors, metrics, and allocation model that you are exploring.
3. The state recently initiated planning for an integrated "cradle-to-career" data system that included a multi-agency workgroup, which included representation from the community colleges, labor agency, and EDD, to link data from various state agencies including CDE, higher education segments, and EDD. The Governor's budget proposes to fund these recommendations, which was discussed in Subcommittee No. 1. CCCs also have a variety of data systems related to workforce development, including the CCC Salary Surfer and CCC Launch Board, and has a memorandum of understanding with EDD to match wage data.

Please explain the purpose of the \$15 million shared data infrastructure proposal. How is this different than the existing data infrastructures, and efforts that are currently underway?

4. Is there any specific focus on women and evaluating their needs in re-entering the workforce post COVID?
5. What outcome does CWDB, CCCCCO, and ETP hope to accomplish? How will the departments monitor programs and track these outcomes? Will there be an evaluation of the impact of these grants? Will there be a report to the Legislature regarding the outcomes of these programs?

Staff Recommendation. Hold Open.

0509 GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT
0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY
0650 OFFICE OF PLANNING AND RESEARCH
7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

Issue 6: Community Economic Resilience Fund

Summary. The May Revision proposes \$750 million from the Coronavirus Fiscal Recovery Fund of 2021 to establish and operate a Community Resilience fund to support each of California’s regions through a High Road transition to a carbon neutral economy.

May Revision Proposal

The May Revision proposes \$750 million from the American Rescue Plan Act - Coronavirus Fiscal Recovery Fund of 2021 to establish the Community Economic Resilience Fund to support regional and local planning and implementation of strategies to adapt to and seize the opportunities that come with a changing economy. This fund will be governed by the Labor and Workforce Development Agency, Office of Planning and Research and the Governor’s Office of Business and Economic Development.

Using the framework provided in the Administration’s Just Transition Roadmap, due to be published in July 2021, the Fund will provide financial support to regional and local stakeholder collaboratives to plan and implement region- and industry-specific economic transition strategies, with a specific focus on supporting high road industries, quality job creation, and workforce strategies in those sectors or regions most affected by the state’s transition to carbon neutrality.

Collaboratives - \$29 million. The proposal will provide \$29 million for planning at High Road Transition Collaboratives for each region. Collaboratives will bring stakeholders such as labor, business, and community to come together with local government, philanthropy, and education stakeholders to design a roadmap for economic growth in “advanced energy” industries such as renewable energy, zero-emission vehicles, or energy efficiency; industries such as carbon removal, advanced manufacturing, climate-smart agriculture, climate restoration and resilience; and a wide range of other industries that will be critical to the state’s long-term economic growth.

Collaboratives will also develop a multisector regional strategy for high road economic diversification. Additionally, this funding will provide one contractor for one year in a local, public sector institution in order to help quarterback intersecting federal and state programs or investments.

The collaboratives will work directly with the Administration’s community capacity building investments (created through SB 1072 and supported in the Governor’s budget proposal on climate resilience).

Implementation Grants - \$721 million

These will build on work proposed through the High Road Collaboratives and could include a wide range of activities including creating innovation hubs for key growth industries; expanding incubator or accelerator programs; providing technical assistance for small business owners to connect to larger industry “clusters” or to access state or federal funds; etc. Additionally, the fund will award ongoing grants of up to \$10M each to additional proposals or individual projects from emerging High Road Collaboratives that meet the general goals of the Fund.

The Administration notes that the fund is structured to provide an initial set of competitive grants for those regions already advanced in their transition planning, and then to provide additional grants on a rolling basis in the following two years, consistent with the ARPA requirements to expend funds by December 2024. The Administration notes that it plans to award pilot grants of three to five awards of \$3-5 million each to implement priority proposals from an existing regional collaborative that already has a High Road Transition strategy.

Governance

The Fund is established under the governance of the Labor Workforce Development Agency, the Governor’s Office of Business and Economic Development (GO-Biz), and the Governor’s Office of Planning and Research (OPR), who together shall govern the policies and implementation of the Fund. These agencies shall be responsible for defining regional boundaries and creating program guidelines and evaluation metrics, tracking progress, and developing a competitive grant structure for implementation grants. They will establish common parameters to ensure — across the diverse plans and programs established by regional collaboratives — the equal participation of local constituents and their consistent attention to job quality, sustainability, and shared prosperity. The Fund’s grant administration will run through the California Workforce Development Board.

Fund administrators from OPR, LWDA and GoBiz will ensure that these regional activities and strategies are tied directly to the infrastructure investments proposed across the Governor’s budget in multiple categories – housing, transportation, advanced energy, broadband, and natural resources – all of which will prioritize the creation of high-quality jobs for regions across the state. They will also ensure direct connection, within each of those industries, to the High Road Training Partnerships included in this package.

Department	Community Economic Resilience Fund	BY (in millions)	BY+1
OPR/LWDA	Community Economic Resilience Fund	\$750,000	\$-
OPR/LWDA	High Road Transition Collaboratives	(\$27,500)	\$-
OPR/LWDA	High Road Transition Technical Assistance	(\$1,500)	\$-
OPR/LWDA	High Road Transition Implementation Pilots	(\$15,000)	\$-

The Administration notes that there will be accompanying trailer bill language. As of writing this agenda, the trailer bill language has not been released.

The subcommittee may wish to ask:

1. Please provide additional details on the governance structure. Who decides which grant application gets funded? Will there be a voting structure? How will the Legislature be represented or included in this process?
2. The CWDB currently operates a multitude of workforce development programs, including HRTPs. What role will CWDB play in this proposal?
3. The budget proposal notes that the three departments will responsible for defining regional boundaries and creating program guidelines and evaluation metrics, tracking progress, and developing a competitive grant structure for implementation grants. Can the departments provide additional details on what is being considered for these? When will these be established?
4. The proposal provides \$750 million to be spent by December 2024. What is the expenditure plan for these funds? What is the timeline for this program and set benchmarks for this proposal? Do the departments have the capacity to carry out this proposal in a timely manner?
5. The BCP notes that this proposal will have a direct connection with the HRTPs mentioned earlier. Please explain this. How is this proposal different than the other HRTP and workforce development proposals?
6. The BCP also notes that this proposal is tied directly to the infrastructure investments proposed across the Governor's budget in multiple categories – housing, transportation, advanced energy, broadband, and natural resources. As noted previously, the funds in this proposal is set to expire on December 2024. Will there be timing challenges between the infrastructure investments and this proposal?
7. Please explain what a collaborative is. The BCP notes that the proposal will provide three to five awards of \$3-5 million each to implement priority proposals from an existing regional collaborative that already has a High Road Transition strategy. Who are these entities? How will the Administration ensure that these funds be equitably distributed across communities in the state?

Staff Recommendation: Hold Open.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION**Issue 7: Caltrans Budget Summary**

May Revision. The May Revision includes several new proposals at Caltrans. These include:

- **Encampment Relocation Coordinators and Homeless Service Liaisons**—The May Revision includes \$2,721,000 from the General Fund and 20 positions for two years to provide resources for Homeless Encampment Liaisons. These resources will help Caltrans coordinate with local service providers and other state agencies so that people experiencing homelessness and living near state highways are receiving proper treatment and have a safe place to go.
- **Information Technology (IT) Infrastructure Refresh**—The May Revision includes \$10.6 million ongoing from the State Highway Account to provide resources for an IT Infrastructure Refresh. These resources will be used by Caltrans to replace end-of-life IT equipment which will stabilize the network and enhance cyber-security.
- **Transportation System Network Replacement**—The May Revision includes \$5,540,000 from the State Highway Account and 10 positions one-time to provide resources for the Transportation System Network (TSN) Replacement IT project. The new TSN will include more detailed roadway, safety, and geospatial data to meet federal requirements and aid Caltrans in creating a safer and more sustainable roadway system in California.
- **California High Speed Rail Authority Reimbursement**—The May Revision includes \$3,397,000 in reimbursement authority and 14 positions for two years. These resources will provide legal services to the High Speed Rail Authority for real property acquisition and other right-of-way activities.

Staff Recommendation. Hold Open.

Issue 8: Transportation Infrastructure Package

May Revision. The May Revision includes funding at both Caltrans and the California State Transportation Agency (CalSTA) for major investments in transportation infrastructure. Specifically, the May Revision includes roughly \$11 billion in additional funding for transportation infrastructure and related zero-emission vehicle (ZEV) efforts. This includes:

- **Los Angeles Olympics**—\$1 billion General Fund to deliver critical projects in time for the 2028 Olympic Games.
- **Priority Transit and Rail Projects**—\$1 billion General Fund for transit and rail projects statewide that improve rail and transit connectivity between state and regional/ local services.
- **Active Transportation**—\$500 million General Fund to advance projects that increase the proportion of trips accomplished by walking and biking, increase the safety and mobility of non-motorized users, advance efforts of regional agencies to achieve greenhouse gas reduction goals, enhance public health, and benefit many types of users, especially in disadvantaged communities.
- **High Priority Grade Separations and Grade Crossing Improvements**—\$500 million General Fund to support critical safety improvements throughout the state.
- **High-Speed Rail**—\$4.2 billion Proposition 1A to complete high-speed rail construction in the Central Valley, advance work to launch service between Merced and Bakersfield, advance planning and project design for the entire project, and leverage potential federal funds. This proposal will be discussed in more detail later in this agenda.
- **State Highway Rehabilitation and Local Roads and Bridges**—\$2 billion (\$1.1 billion special funds through 2028, and \$968 million federal funds) to support the advancement of priority State Highway Operation and Protection Program (SHOPP) projects, Interregional Transportation Improvement Program (ITIP) projects, and local road and bridge investments.
- **Zero-Emission Rail and Transit Equipment Purchases and Infrastructure**—\$407 million (\$100 million General Fund, \$280 million Public Transportation Account, and \$27 million federal funds) to demonstrate and purchase or lease state-of-the-art, clean bus and rail equipment and infrastructure that eliminate fossil fuel emissions and increase intercity rail and intercity bus frequencies.

Staff Recommendation. Hold Open.

Issue 9: Clean California Package

May Revision. The May Revision includes \$1.5 billion in one-time General Fund resources for a three-year effort to clean up garbage statewide, beautify the state's transportation network, educate the public about the harms of litter, and create long-lasting litter deterrents. Specifically, this includes:

- \$418 million for litter abatement activities, strengthening trash collection efforts by Caltrans and partners to eliminate over one million cubic yards of trash from state routes, increasing access to waste facilities and providing free monthly disposal days.
- \$430 million for state beautification projects, implementing sustainable, green beautification projects that enhance safety and transform dividing highways into public spaces that unify communities.
- \$444 million for local beautification projects, supporting communities, students, and local artists by working together to create meaningful, livable spaces and establishing a local grant program to match efforts that enhance communities and reduce litter on local streets, tribal land, and near transit centers.
- \$75 million for grants for hundreds of art installations on the state and local transportation system.
- \$50 million for a public education campaign and outreach to schools and students.
- \$83 million over three years for project design, construction, local support and engagement, and administration required to deliver this initiative.

Staff Recommendation. Hold Open.

2665 CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Issue 10: Proposition 1A Authority

May Revision. The May Revision includes \$4.2 billion in Proposition 1A authority for the High Speed Rail Authority to complete high-speed rail construction in the Central Valley, advance work to launch service between Merced and Bakersfield, advance planning and project design for the entire project, and leverage potential federal funds. This request includes Budget Bill language to extend authority through June 30, 2026, and to clarify the segment of the project on which these funds will be used.

Staff Comments. The High Speed Rail Authority is in the process of completing construction on the Central Valley Segment, between Madera and Shafter. The 2020 Revised Draft Business Plan continued to focus on the Governor's two main objectives: completion of the 119 miles Central Valley Segment from Madera to Shafter, in compliance with the existing Federal Railroad Administration grant agreement; and the path forward for the Central Valley Line for high-speed train service from Merced to Bakersfield.

The construction costs are estimated at approximately \$13.8 billion in year of expenditure dollars (YOES), with a detailed breakdown provided below.

Central Valley Segment Cost Item	Total Budget (YOES in millions)
Construction Package 1 and State Route 99	\$5,254
Construction Package 2-3	\$3,727
Construction Package 4	\$1,175
Track and Systems	\$2,253
Program-wide Support	\$604
Program Wide Contingency	\$420
Interim Use Reserve	\$162
Project Reserve	\$46
Trainset Certification Facility	\$72
Central Valley Balance	\$62
Total	\$13.776

Notes: Budget excludes planning costs, as they are appropriated separately from construction costs under Proposition 1A. Line items above include contingencies.

Of the current approximately \$13.8 billion in YOES estimated in the current funding plan, \$5.9 billion has been spent through November 2020. The capital costs include an increase for known costs of \$330 million. The contingencies set aside for COVID and other future risks add up to \$1.04 billion.

Details of the proposed funding sources for the Central Valley segment are provided below.

Funding Sources	Total Funding (\$ in millions)
ARRA Grant	\$2,081
FY10 Grant	\$929
Prop 1A – Already Appropriated	\$2,609
Prop 1A – Requested Future Appropriations	\$4,100
Cap-and-Trade – Historical and Future	\$4,057
Total Funding	\$13,776

Source: Business Plan and Funding Contribution Plan

The May Revision also includes the following resources for the High Speed Rail Authority:

- **Preconstruction Activities** - \$10,710,000 in Proposition 1A bond authority and 56 positions in fiscal year 2021-22 and ongoing for pre-construction and pre-procurement activities on the Merced and Bakersfield extensions of the High-Speed Rail project. Implementing pre-construction activities such as utility relocation, addressing right-of-way issues, and early contract engagement for the Merced to Bakersfield extensions could help prevent many of the delays and complications the Project experienced on the initial 119 mile segment between Madera and Shafter.
- **Phase 1 System Planning**—The May Revision includes \$100 million in one-time bond authority to provide Proposition 1A General Obligation Bonds (Prop 1A) for the performance criteria phase to support planning, project development, and environmental review for the Phase 1 system (San Francisco to Los Angeles / Anaheim) as noted in the California High-Speed Rail Authority's Draft 2020 Business Plan.
- **Reappropriate Federal Funds**—The May Revision includes a reappropriation of existing federal authority for the acquisition and design-build phases of the Initial Operating Segment, Section 1 (i.e. Central Valley Segment). Existing authority expires June 30, 2022, and it is anticipated that additional time is needed to encumber these funds, consistent with the timeline for the expenditure of Prop 1A for the Central Valley Segment.

Staff Recommendation. Hold Open.

2740 DEPARTMENT OF MOTOR VEHICLES**Issue 11: DMV Budget Summary**

May Revision. The May Revision includes a number of proposals at the Department of Motor Vehicles. Specifically, it includes:

- **Extension of REAL ID and Operational Improvements**—The May Revision includes \$186,331,000 in General Fund resources and 257.7 positions in fiscal year 2021-22, \$105,740,000 in 2022-23, \$86,324,000 in 2023-24, and \$30,822,000 in 2024-25 for a total of \$409,217,000 to shift the costs of processing federally-compliant REAL IDs and associated operational improvements from the Motor Vehicle Account (MVA) to the General Fund. This request provides funding for DMV to process REAL IDs through the federal enforcement deadline. The ongoing costs of providing original applications for REAL IDs and improvements will be funded by the MVA. To provide DMV with the flexibility to meet changes in demand for REAL ID, the May Revision proposes provisional language that allows DMV to encumber and liquidate the full requested amount for four years. This request includes an offsetting reduction of \$409,217,000 from the Motor Vehicle Account over four years.
- In addition, it is requested that statutory changes on the items below be added to further improve DMV operations:
 - Driver License Renewal Alternatives: Allows DMV to permit certain drivers and identification card applicants to renew via the virtual field office that otherwise would have to visit a field office.
 - Driver License and Identification Card Application Signature and Thumb/Fingerprint Requirements: Allows an applicant for a duplicate identification card to renew online, and allows customers to convert their driver licenses to identification cards online.
 - Electronic Reporting of Commercial and Fleet Insurance: Requires that commercial and fleet liability insurance policies be reported to the DMV electronically instead of by mail.
 - Publication of the California Vehicle Code: Repeals the requirement that the DMV publish, print, and distribute hard copies of the California Vehicle Code.
- **Digital Acceleration, Facility Improvements, and Talent Acquisition**—The May Revision includes \$103,050,000 in one-time General Fund resources for the following:
 - Digital Acceleration: The May Revision includes \$50.2 million for 30 projects that are intended to enhance the overall customer experience of DMV customers.
 - Facilities Improvements: The May Revision includes \$39.9 million for 12 facility projects, including updating DMV’s headquarters to begin steps to reduce the total field office footprint.

- Mobile Driver Licenses: The May Revision includes \$10 million for DMV to create electronic driver licenses and identification cards.
- Talent Acquisition and Training: The May Revision includes \$3 million for seven training and recruitment projects.
- **Deferred Maintenance**—The May Revision includes \$10 million in one-time General Fund resources in 2021-22 to fund deferred maintenance projects at DMV headquarters and field offices.
- **Digital Experience Platform (DXP) Project**—The May Revision includes \$54,360,000 from the MVA in 2021-22, \$69,295,000 in 2022-23, and \$69,850,000 in 2023-24 for the DXP project, a comprehensive, multi-year project for DMV to replace its aging legacy core system to provide a more modern customer experience, prevent outages, and adapt to future changes and demands. To fund a portion of the DXP project, it is requested that statutory changes be added to extend the current incremental \$1 Business Partner Automation Fee, originally established to fund 20 percent of the Front-End Sustainability project, from the current December 31, 2023, sunset date to December 31, 2025.
- **Reappropriation of Front-End Sustainability Funding**—The May Revision includes \$6,914,000 of previously approved funds for the Front-End Sustainability Project, which has been divided into two projects: the Legacy System Stabilization Project and the DXP Project referenced above. The two projects are being conducted concurrently because the legacy system must be stabilized so that DMV services can continue to be provided to the public while a replacement is built.
- **State-to-State Verification System Project**—The May Revision includes \$3,586,000 from the MVA in 2021-22 for DMV to complete Stage 4 of the Project Approval Lifecycle (PAL) process to build an IT system that will communicate with a federally-mandated database required under the REAL ID Act for sharing driver data with other states. To comply with the federal requirements, DMV must send driver license and commercial driver license information to the federal database. Communication with the database is required by October 2022. It is also requested that provisional language be amended that provides an additional \$5,977,000 in 2021-22 once DMV completes the PAL process to begin building the project. In 2022-23, \$21,625,000 is requested to fund the project and 111 temporary positions to analyze driver data.
- **Heavy-Duty Vehicle Inspections and Maintenance Program (SB 210)**—The May Revision includes \$1,170,000 from special funds in 2021-22 to complete the PAL process for an IT project that builds a system for DMV to receive truck smog emission data from the California Air Resources Board. This system will allow DMV to place holds on the registration renewals of non-compliant trucks. Provisional language is requested that provides an additional \$523,000 once DMV completes Stage 4 of the PAL process.
- **Used Motor Vehicle Sales Tax Gap**—The May Revision includes \$5,889,000 in reimbursement authority in 2021-22, one-time, to provide for reimbursement from the California Department of Tax and Fee Administration (CDTFA) to continue the process of collecting sales and use tax from used car dealers and continue the PAL process to build an IT system to automate the process. Chapters 8 and 14, Statutes of 2020 (AB 85 and 82) require DMV to collect sales tax

upon sale of a used vehicle instead of requiring used car dealers to remit sales tax quarterly to CDTFA. Given that collecting sales tax from all used car dealers requires a manual process, it is requested that statutory changes be added to allow DMV to implement in phases while it builds the automated IT system. After January 1, 2023, all dealers must report and remit sales taxes to DMV.

Staff Recommendation: Hold Open.