

SUBCOMMITTEE NO. 5

Agenda

Senator Aisha Wahab, Chair
Senator María Elena Durazo
Senator Josh Newman
Senator Kelly Seyarto



Thursday, April 18, 2024
9:30 a.m. or Upon Adjournment of Session
State Capitol – Room 112

Consultant: Christopher Francis, Ph.D.

Items for Discussion

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Public Comment

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ITEMS FOR DISCUSSION

7300 AGRICULTURAL LABOR RELATIONS BOARD (ALRB)

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

The Department of Industrial Relations is responsible for enforcing the sections of the Labor Code that protect the health and safety of workers; promulgating regulations and enforcing laws relating to wages, hours, and workers' compensation insurance laws; adjudicating workers' compensation claims, and working to prevent industrial injuries and deaths. The Department also promotes apprenticeship and other on-the-job training, as well as analyzes and disseminates statistics measuring the condition of labor in the state.

3-YEAR EXPENDITURES AND POSITIONS [†]

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
6080	Self-Insurance Plans	26.1	30.6	30.6	\$7,032	\$7,164	\$7,183
6090	Division of Workers' Compensation	1,158.0	1,294.3	1,336.8	290,769	307,470	312,546
6095	Commission on Health and Safety and Workers' Compensation	9.1	10.8	10.8	3,872	3,942	3,828
6100	Division of Occupational Safety and Health	963.9	1,137.7	1,141.0	206,985	269,315	256,012
6105	Division of Labor Standards Enforcement	838.9	1,088.4	1,122.6	168,849	243,320	193,514
6110	Division of Apprenticeship Standards	94.3	112.0	117.0	109,122	94,877	30,082
6120	Claims, Wages, and Contingencies	-	-	-	410,712	471,712	474,712
9900100	Administration	565.0	-	-	100,953	-	-
9900200	Administration - Distributed	-	-	-	-100,953	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		3,655.3	3,673.8	3,758.8	\$1,197,341	\$1,397,800	\$1,277,877

FUNDING		2022-23*	2023-24*	2024-25*
0001	General Fund	\$124,060	\$75,000	\$10,000
0016	Subsequent Injuries Benefits Trust Fund	256,000	317,000	320,000
0023	Farmworker Remedial Account	291	291	291
0132	Workers Compensation Managed Care Fund	78	78	78
0223	Workers Compensation Administration Revolving Fund	398,134	414,970	423,870
0396	Self-Insurance Plans Fund	4,641	4,728	4,741
0452	Elevator Safety Account	33,300	44,332	44,462
0453	Pressure Vessel Account	4,300	5,831	6,183
0481	Garment Manufacturers Special Account	500	500	500
0514	Employment Training Fund	6,145	6,193	6,199
0571	Uninsured Employers Benefits Trust Fund	41,173	41,360	41,382
0890	Federal Trust Fund	37,879	38,231	38,020
0913	Industrial Relations Unpaid Wage Fund	500	500	500
0995	Reimbursements	15,340	15,340	15,340
3002	Electrician Certification Fund	3,147	3,206	3,213
3004	Garment Industry Regulations Fund	1,925	2,843	3,464
3022	Apprenticeship Training Contribution Fund	14,632	15,377	15,581
3030	Workers Occupational Safety and Health Education Fund	1,116	1,139	1,141
3071	Car Wash Worker Restitution Fund	421	421	421
3072	Car Wash Worker Fund	851	877	878
3078	Labor and Workforce Development Fund	8,697	108,212	48,463
3121	Occupational Safety and Health Fund	116,000	150,183	137,103
3150	State Public Works Enforcement Fund	13,030	23,288	25,006
3152	Labor Enforcement and Compliance Fund	115,181	127,900	131,041
TOTALS, EXPENDITURES, ALL FUNDS		\$1,197,341	\$1,397,800	\$1,277,877

Issue 1: California Youth Apprenticeship Program**Panel**

- Andrew March, Department of Finance
- Chas Alamo, Legislative Analyst's Office
- Adele Burnes, Department of Industrial Relations

Governor's Budget. The Governor's budget proposes to delay \$25 million for the program to 2025-26.

Background

Overview of California’s Apprenticeship System. California’s apprenticeship system represents a partnership among industry, labor, education, and government. The Division of Apprenticeship Standards, within DIR, promotes apprenticeship training through the creation of partnerships, consults with program sponsors and monitors programs to ensure high standards for on-the-job training and supplemental classroom instruction. Through this effort, the retiring skilled workforce is replenished with new skilled workers to keep California’s economic engine running strong. This system of training is efficient and cost effective because it eliminates expensive recruitment programs for people who are already trained, creates a diversified and flexible pool of employees with desired skills, and reduces costs of high labor turnover.

Apprenticeship itself is a highly-structured, longstanding, and extremely effective set of career ladders providing pathways to the middle class in the building and construction trades. As a form of both training and employment (often referred to as “earn-while-you-learn”), apprenticeship typically lasts two to four years with clearly defined wage and benefit increases based on skill attainment. Entrance is competitive. Pre-apprenticeship increases access to these high-quality careers in the trades for populations that face barriers to employment and/or remain under-represented in the industry (e.g., low-income, foster youth, women, people of color, and the formerly incarcerated).

The bulk of apprenticeships today are skilled trades, but the model can be adopted to many industries and occupations. Apprenticeships are well established in the construction industry, and there are many high-quality programs for electricians, carpenters, plumbers and pipe fitters. Today, apprenticeship programs are available to private and public employers regardless of the number of employees. More and more new industry sectors, such as information technology, education, health care, and advanced manufacturing are providing opportunities and access to sustainable careers for people to become registered apprentices. There are over 800 apprenticeable occupations approved in California, and over 400,000 individuals participating in apprenticeship programs throughout the United States (US Department of Labor). California currently has over 90,000 registered apprentices.

Growth in Apprenticeships Goal. Expanding the apprenticeship system both in number of participants and available occupations would strengthen the American economy by helping businesses meet the demand for skilled workers while offering workers higher wages and better employment outcomes. In 2018, Governor Newsom set the ambitious goal of reaching 500,000 active apprentices by 2029 acknowledging the benefits of apprenticeship programs in providing good paying jobs. With their proven track record for workers and employers in the skilled trades and in firefighting, apprenticeship innovations are also emerging in new sectors, such as health care, information technology, advanced manufacturing, and education, opening up access to good jobs for workers and students.

- ***California Youth Apprenticeship Program.*** The 2022 Budget Act included \$20 million General Fund in 2022-23, \$20 million in 2023-24 and \$25 million in 2024-25 to establish the Youth Apprenticeship Grant Program. Trailer bill legislation in SB 191 did the following:

- Required the Division of Apprenticeship Standards (DAS) to administer the program, which would provide grants for the purposes of providing funding for existing apprenticeship and preapprenticeship programs or to develop new apprenticeship and preapprenticeship programs to serve the target population and satisfy the goals and objectives of the grant program, as specified.
- Defined “target population” as individuals from 16 to 24 years of age who are at risk of disconnection or are disconnected from the education system or employment, unhoused, in the child welfare, juvenile justice, or criminal legal systems, living in concentrated poverty, or are facing barriers to labor market participation. “Target population” also includes youth who face chronic opportunity educational achievement gaps, attend schools in communities of concentrated poverty, or attend high schools with a negative school climate.
- Authorized the grant funds for specific purposes.
- Required grant proposals to include, among other things, the knowledge, experience, and capacity to provide services to the target population, as defined, and the industries and career pathways targeted. Requires the program to collect, analyze, and report specified program data on race, gender, income, rurality, ability, foster youth, homeless youth, English language learner, and other key characteristics.
- Required the DAS to monitor and audit grant recipients to ensure compliance with policies, procedures, and requirements for use of the grant funds.
- Required the Chief of the DAS to convene a committee to develop recommendations, of specified topics, to DAS on the expansion of youth apprenticeships in California.

Implementation Snapshot. In February 2023, the DAS launched the California Youth Apprenticeship Committee, comprised of representatives from youth, youth serving organizations, labor, employers of youth, K–12 schools, community colleges, and the public workforce system. DAS completed planning in Fall 2023, including the funding details for planning and implementation grants, target population, and eligibility criteria.

The planning and implementation grants are part of the overall California Opportunity Youth Apprenticeship (COYA) Grant. COYA Grants will help develop and test innovative practices to increase the participation of opportunity youth in pre-apprenticeship and apprenticeship programs, and to demonstrate the impact of apprenticeship on employment and earnings outcomes for opportunity youth. The focus of the COYA Grant is on Interagency Advisory Committee on Apprenticeship connected programs. These are programs that serve occupations across all sectors of the economy except for the building trades. As examples, this includes healthcare, education, advanced manufacturing, information technology, public sector, transportation and more. Programs serving occupations in the fire trades are eligible to apply for this funding, however any proposal serving these occupations must be approved by the California Apprenticeship Council (CAC). The grant program does not apply to building and construction trades programs that are within the jurisdiction of the CAC.

The first round of grant application solicitation opened on February 5, 2024 with \$25 million in available funding and concluded on March 15, 2024. Award recipients are to be announced at the time of this subcommittee hearing.

Suggested Questions

- **DOF:** Overall, how was the \$25 million amount determined? Does this amount reflect previously budgeted funding that have unplanned uses? Low or lower than expected program participation? Delays in ramping up? Other reasons?
- **DIR:** What would be the impact of this delay going forward? Are there activities that will not occur due to this delay?
- **DIR:** There is a projected budget deficit for the next three fiscal years according to estimates. If this \$25 million delay became a reduction in 2025-26, then what would be the impact to the program?

Staff Recommendation. Hold open.

Issue 2: Women in Construction Unit**Panel**

- Andrew March, Department of Finance
- Chas Alamo, Legislative Analyst's Office
- Adele Burnes, Department of Industrial Relations

Governor's Budget. The Governor's budget proposes to reduce funding for the unit by \$5 million General Fund in 2024-25 and ongoing and instead maintain the program at \$10 million General Fund ongoing.

Background

Women in Apprenticeships. According to the Department of Industrial Relations, California leads the nation with over 1,200 apprenticeship programs providing life-changing skills for almost 91,000 apprentices of which 83,252 are male, 7,010 are female, 35 unknown and 33 are binary. In 2018, Governor Newsom set an ambitious goal of reaching 500,000 active apprentices by 2029 acknowledging the benefits of apprenticeship programs in providing good paying jobs. With their proven track record for workers and employers in the skilled trades and in firefighting, apprenticeship innovations are also emerging in new sectors, such as health care, information technology, advanced manufacturing, and education, opening up access to good jobs for workers and students.

This goal, and the funding efforts devoted towards increasing apprentices to half a million by 2029, will demand a more expansive and inclusive apprenticeship system. With women and nonbinary individuals making such a small percentage of the total apprentices, the opportunity exists for enhanced recruitment and retention efforts especially in a post COVID world where women have been disproportionately impacted by the pandemic. Promoting the opportunities for women in skilled labor fields will help build that workforce and provide women who pursue such employment with increased wages, retirement security, better health care and other benefits. Advancing the recruitment and retention of women and nonbinary people will increase gender diversity in the trades, and has the potential to increase racial diversity, as to date more women of color have applied to become skilled laborers.

Women in Construction Priority Initiative (2021). The Budget Act of 2021 included \$15 million General Fund one-time for Women in Construction Priority Initiative to provide resources, support, outreach and education regarding worker's rights, health and safety and labor laws, and leadership training for forewoman.

Women in Construction Priority Unit (2022). Following up on the efforts of the 2021 Budget Act, the 2022 Budget Act included \$15 million General Fund in 2022-23 and ongoing and trailer bill legislation, in SB 191 (Committee on Budget and Fiscal Review), Chapter 67, Statutes of 2022.. The law requires the DIR to establish a Women in Construction Priority Unit to coordinate and help ensure collaboration across DIR's subdivisions and maximize state and federal funding to support women and nonbinary individuals in the construction workforce. The law also does the following:

- Outlines the initial duties and responsibilities of this unit.

- Requires the director of DIR by July 1, 2023, to convene an advisory committee to make recommendations to advance the unit's objectives.
- Requires the advisory committee to be composed of representatives from recognized or certified collective bargaining agents representing construction workers, labor-management groups, construction industry employers or employer associations, state government departments, and non-profit stakeholders.

Implementation Updates. The Equal Representation in Construction Apprenticeship Grant, administered by the DIR and the Division of Apprenticeship Standards (DAS) distributed \$25 million dollars to increase opportunities in the construction industry for women, non-binary, and underserved communities to cover the costs of child care and bolstering outreach.

Suggested Questions

- **DOF:** Overall, how was the \$5 million ongoing baseline reduction determined? Does this amount reflect previously budgeted funding that have unplanned uses? Low or lower than expected program participation? Delays in ramping up? Other reasons?
- Is there an update on the amount of expended funding from prior year appropriations for the unit?
- **DIR:** What would be the impact of this reduction on the unit going forward? Are there activities that will not occur due to this reduction?
- **DIR and LAO:** Are there any activities that could be absorbed or supported through other fund sources if this a reduction is adopted in the final budget agreement?

Staff Recommendation. Hold open.

Issue 3: Various Governor's Proposals for DIR

Panel

- Andrew March, Department of Finance
- Courtney Massengale, Department of Finance
- Chas Alamo, Legislative Analyst's Office
- Josh Iverson, Chief Financial Officer, DIR
- Sebastian Sanchez, Deputy Secretary of Agriculture and Immigrant Workforce, Labor and Workforce Development Agency
- Deanna Ping, Chief Deputy Director, DIR
- Victoria Hassid, ALRB Board Chair
- Julia Montgomery, ALRB General Counsel

Governor's Budget. The Governor's January budget includes the following proposals for DIR:

- **Rural Strategic Engagement Program.** The budget includes \$4.4 million Labor and Workforce Development Fund (LWDF) in 2024-25, 2025-26 and 2026-27 for the Agricultural Labor Relations Board and \$3.4 million LWDF in 2024-25, \$4.0 million in 2025-26, and \$4.3 million in 2026-27 for DIR to educate workers in rural and semi-rural

areas on workplace rights, increase access to state services for workers in those areas, and improve state labor enforcement programs.

- **Workers' Compensation Appeals Board.** The budget proposes \$2.8 million Workers' Compensation Administration Revolving Fund and 13 positions over three years to reduce the backlog at the appeals board.
- **Cal/OSHA Data Modernization Project.** The budget proposes \$25.2 million Labor and Workforce Development Fund in 2024-25 to develop a system that will meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, and automate manual processes across its units.
- **Electronic Adjudication Management System Modernization.** The budget proposes \$22.1 million Workers Compensation Administration Revolving Fund in 2024-25 for DIR to support the replacement of the Division of Workers' Compensation's electronic case management and document storage system.
- **Public Works Information Technology System.** The budget proposes \$10.6 million Labor and Workforce Development Fund in 2024-25 for DIR to complete enhancements to the Public Works Information Technology System.
- **Public Records Act Oversight Unit.** The budget proposes 12 permanent positions and \$2 million in 2024- 25, 10 permanent positions and \$3.3 million in 2025-26, and \$3.2 million in 2026-27 and ongoing funded through various special funds to enable DIR and its divisions to timely respond to requests for public records under the California Public Records Act.
- **OSHA 23(g) Federal Funding Increase.** The budget proposes an increase of \$1.37 million Federal Trust Fund authority in 2024-25 and ongoing associated with the Occupational Safety and Health Administration (OSHA) 23(g) State Plan Program Federal Grant base increase.

Suggested Questions on Rural Strategic Engagement Program

- Can you clarify the roles of DIR and ALRB for this program?
- Is this program modeled off other worker outreach programs? If so, in what ways?
- How is the Rural Strategic Engagement program is different from other worker outreach programs that the state previously supported? Are these differences meant to address obstacles in farmworker outreach that the other programs could not address?
- How many individuals are the ALRB and DIR anticipating to reach through the Rural Strategic Engagement program? How would you define success for this program?
- Have you involved, and do you plan to involve, stakeholders in the creation of this program?

Staff Recommendation. Hold open.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

The Employment Development Department (EDD) connects employers with job seekers, administers the Unemployment Insurance, Disability Insurance, and Paid Family Leave programs, and provides employment and training programs under the federal Workforce Innovation and Opportunity Act. Additionally, EDD collects various employment payroll taxes including the personal income tax, and collects and provides comprehensive economic, occupational, and socio-demographic labor market information concerning California's workforce.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5900	Employment and Employment Related Services	1,382.4	1,342.7	1,342.7	\$-219,335	\$467,747	\$339,704
5915	California Unemployment Insurance Appeals Board	571.0	567.9	567.9	104,281	108,608	108,134
5920	Unemployment Insurance Program	3,559.4	3,264.6	3,310.2	7,815,171	8,430,867	8,403,134
5925	Disability Insurance Program	1,482.5	1,505.3	1,737.9	10,543,247	11,960,333	13,901,935
5930	Tax Program	1,586.3	1,594.1	1,548.2	368,764	373,134	365,243
5935	Employment Training Panel	111.0	85.1	85.1	153,427	122,832	122,952
5940	Workforce Innovation and Opportunity Act	202.2	202.2	202.2	474,092	491,365	409,589
5945	National Dislocated Worker Grants	1.5	1.5	1.5	45,000	45,000	45,000
9900100	Administration	701.0	701.0	701.0	400	400	400
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		9,597.3	9,264.4	9,496.7	\$19,285,047	\$22,000,286	\$23,696,091
FUNDING					2022-23*	2023-24*	2024-25*
0001	General Fund				\$280,517	\$850,722	\$709,186
0184	Employment Development Department Benefit Audit Fund				22,439	23,003	22,958
0185	Employment Development Department Contingent Fund				233,538	241,271	269,478
0514	Employment Training Fund				110,255	126,217	226,355
0588	Unemployment Compensation Disability Fund				10,619,974	12,040,918	13,975,462
0869	Consolidated Work Program Fund				519,092	536,365	454,589
0870	Unemployment Administration Fund				1,211,025	1,184,895	1,158,582
0871	Unemployment Fund				5,886,015	6,862,676	6,745,531
0908	School Employees Fund				105,941	98,791	98,796
0995	Reimbursements				42,621	33,791	33,517
3288	Cannabis Control Fund				3,630	1,637	-
3345	Cannabis Tax Fund - Employment Development Department				-	-	1,637
8506	Coronavirus Fiscal Recovery Fund of 2021				250,000	-	-
TOTALS, EXPENDITURES, ALL FUNDS					\$19,285,047	\$22,000,286	\$23,696,091

Issue 4: General EDD Updates and EDDNext

Panel

- Andrew March, Department of Finance
- Chas Alamo, Legislative Analyst's Office
- Nancy Farias, Director, Employment Development Department
- Ron Hughes, Special Consultant on Technology, Employment Development Department

Available for additional questions and detail:

- Caleb Horel, Employment Development Department

Governor's Budget. The Governor's budget includes \$326.8 million one-time in 2024-25 (\$163.4 million General Fund) to continue the planning and development of EDDNext, for the third year of a five-year plan to modernize EDD. The effort includes enhancements to EDD's benefits system, improving call centers, simplifying forms and notices, including user testing and engagement, developing data analysis tools to continue curbing fraudulent benefit claims, and training.

Background

UI Program Assists Unemployed Workers. Overseen by the Employment Development Department (EDD), the UI program provides weekly benefits to workers who have lost their jobs through no fault of their own. The federal government oversees state UI programs but the state has significant discretion to set benefit and employer contribution levels. Under current state law, weekly UI benefit amounts are intended to replace up to 50 percent of a worker's prior earnings, up to a maximum of \$450 per week, for up to 26 weeks. In 2019, the average benefit amount was \$330 per week.

State Disability Insurance. In 1946, California enacted the State Disability Insurance (SDI) program. Although it was reported that the concept for disability insurance originated in California, the State of Rhode Island was actually the first state in the nation to create a disability insurance program in 1942. Other disability insurance programs have been established in New Jersey in 1948; New York in 1949; Puerto Rico in 1968; and Hawaii in 1969.

Unlike Unemployment Insurance (UI), which is based on a federal-state partnership, California's SDI is operated solely on state law with no involvement by the federal government. While UI is financed by payroll taxes paid by employers, SDI is financed by covered workers through payroll deductions. These payroll deductions, also referred to as "SDI contributions," are deposited into a dedicated fund that is used to pay benefits to eligible workers and finance the program's operating costs. California's EDD is the state agency responsible for administering SDI.

Benefits are payable for a maximum of 52 weeks and provide a wage replacement of about 60-70 percent. SDI covers more than 18 million individuals. According to EDD's SDI Statistical Information, for fiscal year 2020-21, there were a total of 639,744 claims paid with a total of \$7,146,258,131 in benefits paid. The average weekly benefit amount was \$697 for approximately 16.50 average weeks.

Paid Family Leave (PFL). Paid Family Leave provides approximately more than 18 million California workers with benefits to care for a seriously ill family member, bond with a new child, or participate in a qualifying event resulting from a family member's military deployment to a foreign country.

In 2002, Senate Bill 1661 was signed into law by Governor Gray Davis, creating the first PFL program in the nation. California's PFL leverages the financing structure of SDI to provide up to eight weeks of benefits to covered workers who need time off work to care for a seriously ill family member, to bond with a new child, or to participate in a qualifying military event.

Although the legislation was enacted in 2002, PFL benefits officially became available to covered workers on July 1, 2004. To cover the initial costs to provide these new benefits, workers provided additional contributions into the SDI Fund in calendar years 2004 and 2005.

As a result of this newly enacted legislation, SDI offers two types of benefits, Disability Insurance and PFL. Both benefits are financed by workers and paid from the SDI Fund.

Benefits System Modernization (BSM) Project. The 2020 Budget Act included \$46 million and 147.5 positions funding equally by the General Fund and Unemployment Disability Fund, and a redirection of \$3.1 million and 19 positions in 2020-21 for the BSM project. These resources began the multi-year implementation of an integrated and secure benefits system for unemployment, disability or paid family leave benefits. The BSM solution was intended to modernize the EDD's benefit systems by implementing a single, integrated benefit system that provides customers and staff a consistent, single portal into the EDD's services while being more agile and responsive for deployment of enhancements and lowering overall maintenance costs.

Pursuant to the September 2020 Strike Team report recommendations, EDD placed the BSM project temporarily on hold. On May 4, 2021, EDD announced a redesigning of the BSM, which would take into account lessons learned from the pandemic as well as new software technology that has since become available. For example, EDD notes that the BSM project was first designed based on demand levels from the Great Recession, which peaked at 3.8 million claims in a year, compared to 20 million claims during the pandemic. EDD notes that they will leverage work already done on the BSM, including an inventory of business rules and processes in the state unemployment insurance, disability insurance and paid family leave programs, and incorporate the information in a new project moving forward. EDD notes that they are working with the Department of Technology and the Office of Digital Innovation to help modernize the claimant process. The 2021 Budget Act included \$11.8 million one-time to refocus and review the project, laying the basis for EDDNext.

EDDNext Modernization (2022). The 2022 Budget Act agreement included \$136 million in 2022-23, split evenly between the General Fund and the Unemployment Compensation Disability Fund, for the EDDNext modernization effort. This multi-year effort focuses on EDD's benefits systems and services' modernization, including improvement to customer service across UI, SDI, and PFL programs through multiple IT projects over different phases. The budget agreement also included budget bill language making funding contingent on EDD demonstrating satisfactory progress towards implementation milestones.

EDDNext has five listed project objectives:

- 1) **Customer-Centered Service Design:** Ensure equity access via optimizing service channels (i.e. mobile social media, self-service website, chatbot, live chat) with multiple language access.
- 2) **Increase Self-Service Opportunities:** Simplify self-service functionality across all programs for claims intake and process.
- 3) **Mitigate Fraud:** Protect claimant identity, reduce fraudulent activities, and reduce the costly risk to the state by re-engineering claims processing and enhancing technology driven security.
- 4) **Improved, Consistent, Integrated Program Delivery:** Extend data analytics, improved dashboards, daily reporting on claim progress, fraud analysis, standardized user experience, and enhance EDD training to better serve claimants.
- 5) **Greater Adaptability for Faster Program Changes:** Integrated system that enables rapid program changes and enable scalability to meet the unusual spikes in workload demand and

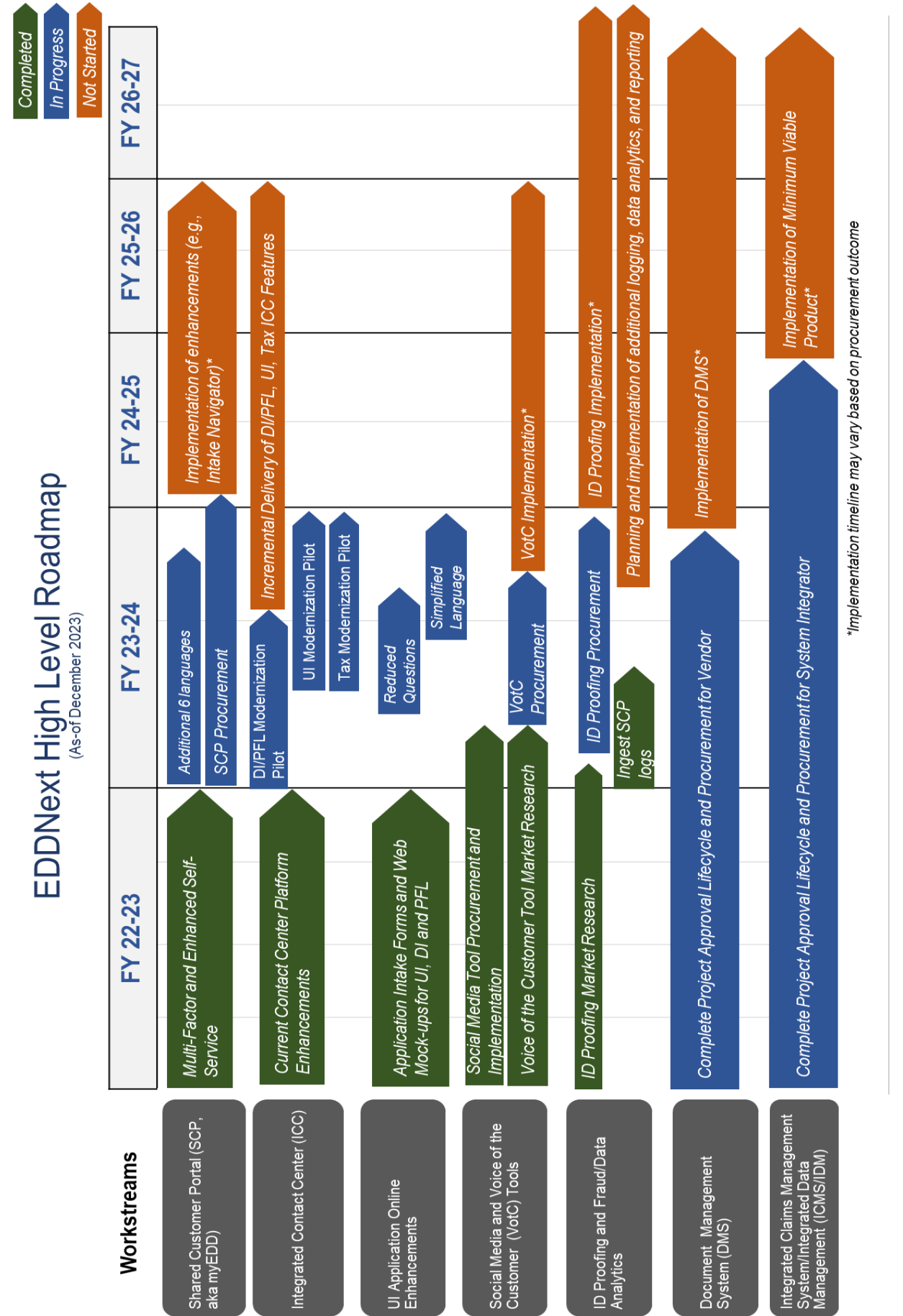
modifications required for compliance with the U.S. Department of Labor and California Rules and Regulations.

2023 Budget Act. The 2023 Budget Act included \$198 million (\$99 million General Fund) one-time in 2023-24 to continue the planning and development, for the second year of EDDNext.

Implementation Snapshot and Roadmap. In a January 2024 status update to the Legislature, EDD reported achieving the following milestones:

- Implemented multi-factor and enhanced service for the EDD shared customer portal launched in June 2023
- Launched support for three additional languages (Simplified Chinese, Traditional Chinese, and Vietnamese).
- Made enhancements to the contact center, including additional languages supported for UI, categorization features for DI/PFL, PFL and DI text messaging services for claims.
- Research and implementation of identity proofing solutions for improved fraud detection and mitigation.
- Made procurements for Project Executive, Project Advisor, Enterprise Architecture, Business Process Re-engineering, Organizational Change Management, and Governance services within the Transformation Office.

Below is the EDDNext roadmap of activities, as of December 2023, for each year of its five-year plan.



Suggested Questions

- **EDD:** Does EDD anticipate spending all of its EDDNext 2023-24 appropriation by June 30?
- **EDD:** Please walk the subcommittee through the planned uses with the amount proposed in the Governor's budget.
- **EDD:** As of today, what is the projected overall cost for EDDNext? The project has been divided into multiple phases. What are the funding needs of these individual phases?

Staff Recommendation. Hold open.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB)

The California Workforce Development Board collaborates with both state and local partners to establish and continuously improve the state workforce system, with an emphasis on California's economic vitality and growth. The Board also provides leadership for a unified state plan that works in partnership with other state entities such as the Health and Human Services Agency, the Departments of Social Services and Rehabilitation, the Community Colleges, and the Department of Education. The workforce system is comprised of state and local programs and services that prepare current and future workers to meet the ever-evolving demands of California's businesses and industries. These services include matching job seekers with career opportunities and jobs; supplying high-skill workers to business and industry; providing labor market and economic information necessary for state, local, and regional planning; preparing the neediest youth for advanced learning and careers; and encouraging the inclusion of special populations as critical elements of the workforce.

3-YEAR EXPENDITURES AND POSITIONS [†]

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
6040	California Workforce Development Board	58.1	107.0	107.0	\$320,333	\$152,306	\$37,186
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		58.1	107.0	107.0	\$320,333	\$152,306	\$37,186
FUNDING		2022-23*			2023-24*		
0001	General Fund	\$305,496			\$120,941		
0890	Federal Trust Fund	8,030			13,511		
0995	Reimbursements	4			4		
3228	Greenhouse Gas Reduction Fund	6,803			17,850		
TOTALS, EXPENDITURES, ALL FUNDS		\$320,333			\$152,306		

Issue 5: General CWDB Updates and Governor's Proposals
Panel

- Andrew March, Department of Finance
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Governor's Budget. The Governor's January budget includes the following proposals for CWDB:

Low Carbon Economy Grant Program. The budget proposes a \$15 million General Fund reduction in 2024-25.

High Road Training Partnerships in Health and Human Services. The budget proposes to reduce this funding by \$45 million in 2024-25.

Background

The CWDB is statutorily responsible¹ for the development and expansion of the High Road approach to workforce development, including the High Road Training Partnerships and High Road Construction Careers initiatives.

The California Global Warming Solutions Act of 2006 requires the reduction of greenhouse gas emissions across California's economy to 1990 levels by 2020 (AB 32, 2006) and to 40 percent below 1990 levels by 2030 (SB 32, 2016). This Act also requires the CWDB to report to the Legislature on workforce education and training needed for workers, communities, and specific industries to respond to the exigencies of climate change (AB 398, 2017).

The report titled, *Putting California on the High Road: A Jobs and Climate Action Plan for 2030*, was delivered to the Legislature in September 2020. The report offers the State of California a vision for integrating economic and workforce development into major climate policies and programs in order to help achieve California's climate goals, and recommends state investment in the High Road Training Partnerships and High Road Construction Careers initiatives to ensure disadvantaged Californians have access to high-quality employment and training needed for the transition to a carbon-neutral economy.

The “High Road” Approach and Goals Defined. The “high road” is a term used to define approaches that ultimately support employers and employees, meeting the supply and demand sides of businesses. The goals of “high road” approaches are to invest into workers to achieve economic growth, economic equity, racial equity shared prosperity and a clean environment. Specifically, this entails improving and increasing the accessibility and volume of quality jobs for women and people from underserved and underrepresented communities, provide a reliable pathway to the middle class for disadvantaged Californians, meet the skill and profitability needs of employers, and meet the economic, social, and environmental needs of the community.

Low Carbon Economy Grant Program. In 2019, the Legislature approved \$165 million in Greenhouse Gas Reduction Fund (GGRF) money over five fiscal years, subject to the Legislature's annual appropriations process and to availability of revenue in the GGRF, to CWDB for HRTF and HRCC initiatives (together referred to as the Low Carbon Economy Initiative).

The intent of the program is to support sector-based regional partnerships, research and development of workforce programs, transition planning, regional economic and workforce planning, and technical assistance. The program prioritizes projects that provide quality jobs and upward mobility for residents of disadvantaged communities. Projects provide comprehensive, high-quality workforce development to these priority populations, including job training, supportive services, and placement assistance.

¹ Unemployment Insurance Code §14005, §14013

The initial goals of the 2019-20 investment in the H RTP initiative include:

- Expanding from eight to 20 H RTP projects in climate-impacted industries, resulting in 20 High Road industry sector partnerships sustained for long-term work;
- Serving at least 2,000 disadvantaged workers;
- Developing 10 new-state approved apprenticeship programs;
- Piloting two worker transition projects in sectors and regions facing imminent threat to mass worker dislocation;
- Project and initiative evaluation (done by the CWDB)

One budget appropriation was made in 2019-20 for \$35 million but was subsequently reduced, due to lower-than-expected revenue to the GG RF, to \$25.6 million for local assistance and \$4.2 million for operations. In June 2021, the CWDB released the \$25.6 million in local assistance funds to 22 new and existing H RTPs and expanded the work of the 11 regional HRCC partnerships. New industry sectors include zero-emission bus manufacturing, energy storage, food and agriculture, fossil fuel transition, clean transportation, forestry, utility line tree-trimming, and offshore wind.

General Fund Support for Low Carbon Economy Grant Program. The Budget Act of 2022 included \$15 million General Fund annually from 2022-23 through 2024-25 to support the Low Carbon Economy Initiative. But, in response to the budget deficit for fiscal year 2023-24, the Budget Act of 2023 shifted the fund source for \$15 million earmarked for that year from the General Fund to the Greenhouse Gas Reduction Fund.

In a status report to the subcommittee, the \$30 million (\$15 million General Fund and \$15 million Greenhouse Gas Reduction Fund) over 2022-23 and 2023-24 have been expended or obligated, leaving the \$15 million General Fund available in 2024-25.

High Road Training Partnerships in Health and Human Services. The Budget Act of 2022 included \$135 million General Fund over three years (\$45 million per year between 2022-23 and 2024-25) to recruit, train, hire, and advance California’s health and human services sectors. Funding will be awarded through regional grants. Partners may include community colleges, workforce boards, employers, and non-profit organizations.

Implementation Snapshot of H RTP in Health and Human Services. The H RTP Allied Healthcare Initiative was included in the California Workforce Development Board’s larger H RTP Resilient Workforce Program (RWD) program. Funding was awarded through regional grants with partners including community colleges, workforce boards, employers, and non-profit organizations. Due to the volume of H RTP applications received to date and spending of virtually all funding, the H RTP RWD application cycles planned for October 2023 and January 2024 are cancelled. In a status report to the subcommittee, the \$90 million (\$45 million General Fund in each of 2022-23 and 2023-24) have been expended or obligated, leaving the \$45 million General Fund available in 2024-25.

Suggested Questions

- **DOF:** Overall, how were the specific amounts for proposed reductions determined? Do these amounts reflect previously budgeted funds that have unplanned uses? Low or lower than expected program participation? Delays in ramping up? Other reasons?

- **CWDB:** Please provide the subcommittee with a status update for prior year funds. What milestones have these initiatives achieved (partnerships have been supported, number of individuals served, etc.)?
- **CWDB:** What would be the impacts of the Governor's proposed reductions in 2024-25 to these programs?
- **CWDB and LAO:** Are there any activities that could be absorbed or supported through other fund sources?

Staff Recommendation. Hold open.