

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER JIM COOPER, CHAIR****TUESDAY, MARCH 13, 2018  
1:30 P.M. - STATE CAPITOL ROOM 447**

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>7320</b>	<b>PUBLIC EMPLOYMENT RELATIONS BOARD</b>	<b>1</b>
ISSUE 1	BUDGET OVERVIEW	1
<b>7100</b>	<b>EMPLOYMENT DEVELOPMENT DEPARTMENT</b>	<b>3</b>
ISSUE 2	BENEFITS SYSTEM MODERNIZATION	3
ISSUE 3	IMPLEMENTATION OF SB 396 AND AB 677 – EMPLOYMENT GENDER IDENTITY AND DATA COLLECTION	5
ISSUE 4	OCTOBER 2017 TECHNICAL ADJUSTMENTS	6
<b>7350</b>	<b>DEPARTMENT OF INDUSTRIAL RELATIONS</b>	<b>9</b>
ISSUE 5	APPRENTICESHIP PROGRAM FOR NONTRADITIONAL INDUSTRIES	9
ISSUE 6	DLSE RECRUITMENT AND ADMINISTRATIVE SERVICES	11
ISSUE 7	SCHOOLS' OCCUPATIONAL INJURY AND ILLNESS PREVENTION PROGRAMS	12
ISSUE 8	VICTIMS OF WAGE THEFT	13
ISSUE 9	LEGISLATION	15
<b>7120</b>	<b>CALIFORNIA WORKFORCE DEVELOPMENT BOARD</b>	<b>17</b>
ISSUE 10	CALIFORNIA GLOBAL WARMING SOLUTIONS ACT OF 2006	17
ISSUE 11	OCTOBER 2017 REVISE: WORKFORCE INNOVATION AND OPPORTUNITY ACT	18
ISSUE 12	PRISON TO EMPLOYMENT INITIATIVE AND TRAILER BILL LANGUAGE	19

## ITEMS TO BE HEARD

### 7320 PUBLIC EMPLOYMENT RELATIONS BOARD

The Governor's budget includes \$11.8 million for the Public Employment Relations Board (PERB) in 2018-19, a slight increase of \$6,000 from the current year. PERB is funded through the General Fund and reimbursements. The Board administers and enforces California public sector collective bargaining laws in an expert, fair, and consistent manner; promotes improved public sector employer-employee relations; and provides a timely and cost effective method through which employers, employee organizations, and employees can resolve their labor relations disputes.

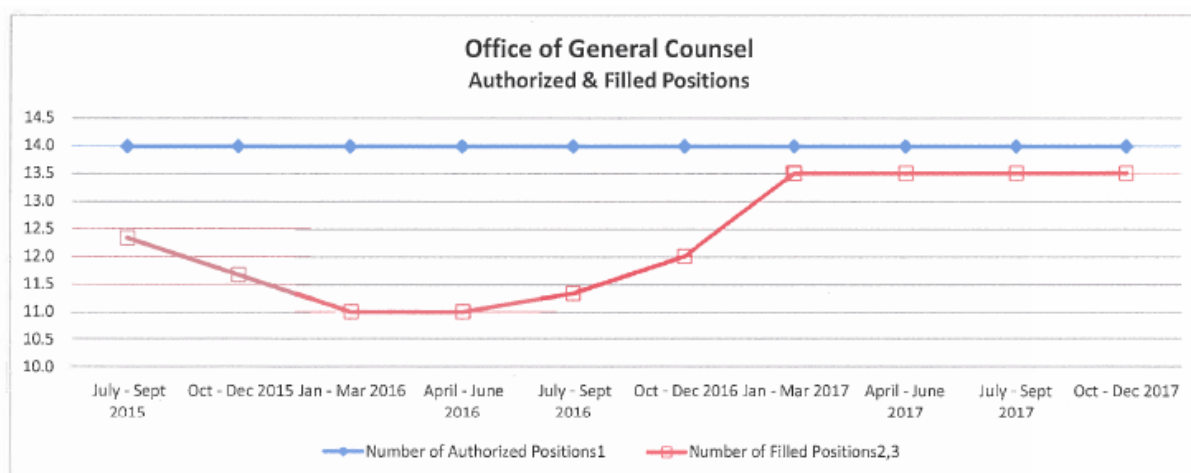
#### ISSUE 1: BUDGET OVERVIEW

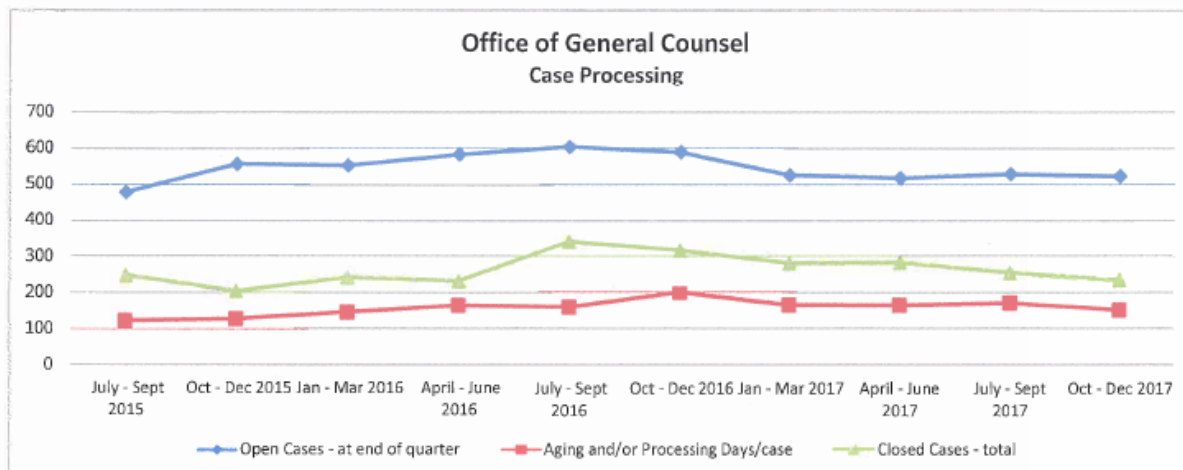
The Public Employment Relations Board will provide an update on their budget including a discussion about their current backlog and staffing.

#### BACKGROUND

By statute, the Board is composed of up to five Members appointed by the Governor and subject to confirmation by the State Senate. Board members are appointed to a term of up to five years, with the term of one member expiring at the end of each calendar year. In addition to the overall responsibility for administering the eight statutory schemes, the Board acts as an appellate body to decide challenges to decisions issued by Board agents. Decisions of the Board itself may be appealed, under certain circumstances, to the State appellate and superior courts.

**Authorized and Filled Positions:** PERB is staffed at 55 persons, same as last year.



**Office of General Counsel Case Processing:**

**New Legislation:** In 2017, the Governor signed two bills that affect PERB. The first was AB 119 (Chapter 21, Statutes of 2017), which established the Public Employee Communications Chapter (PECC). The PECC mandates that public employers provide exclusive representatives with access to its new employee orientations; provides the exclusive representative with 10 days advanced notice of a new employee orientation; and negotiate with the exclusive representative over the structure, time and manner of access to the new employee orientation, which may conclude in compulsory interest arbitration. The PECC gave PERB jurisdiction over violations of the PECC.

The second was SB 90 (Chapter 25, Statutes of 2017), which repealed the In Home Supportive Services Employer-Employee Relations Act (IHSSEERA). In-Home Supportive Service providers formerly under IHSSEERA's jurisdiction returned to the Meyers-Miliias-Brown Act. In addition, SB 90 created a revised mediation and fact-finding procedure exclusively for IHSS bargaining units.

**STAFF COMMENTS**

The Subcommittee may wish to ask the following questions:

1. What is the current backlog in cases for PERB?
2. The budget position transparency shows that funding from 4.4 positions is being used in other places your budget. Where is that funding being spent?
3. Recently, the Governor appointed three additional members to your Board, how will this affect your budget?
4. Typically, after legislation is enacted, Departments/Boards request funding to implement the provisions related the new legislation. Last year, two pieces of legislation were enacted, but there is no new BCPs requesting funding. Are the costs associated with the new employee orientation absorbable?

---

**Staff Recommendation:** Information Item Only.

---

**7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**

The Governor's budget includes \$14.6 billion in 2018-19 for the Employment Development Department (EDD), an increase of \$415.5 million or 2.9 percent from the current year. The EDD is funded through the General Fund, special funds, and reimbursements. The EDD's purpose is to provide a variety of services to facilitate a match between employers' needs and job seekers' skills. The Unemployment Insurance Program, Disability Insurance Program, Employment Training Panel, and Workforce Innovation and Opportunity Act are some of the major public services administered through EDD.

**ISSUE 2: BENEFITS SYSTEM MODERNIZATION (BSM)**

The EDD requests a one-time budget augmentation of \$4 million and 15 positions and a redirection of \$4.4 million and 19 positions in 2018-19 for continuing Project Approval Lifecycle (PAL) tasks and pre-implementation readiness initiatives for the Benefit Systems Modernization project.

The EDD proposes to fund these PAL activities from the Unemployment Compensation Disability Fund (UCDF) and the EDD Contingent Fund (CF). The funding split includes \$2,011,000 and 8.0 PEs from the UCDF and \$2,011,000 and 7.0 PEs from the CF.

**BACKGROUND**

The EDD administers several multi-billion dollar benefit programs, including the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave (PFL). The EDD maintains the existing benefit systems for UI and DI, which includes the UI Online System, the SDI Online System, the PFL application, the Single Client Database, and the UI and DI mainframe applications in addition to other systems that support these programs. Partial system modernization was completed for both the DI program, which implemented SDI Online in 2012, and for the UI program, which implemented UI Online in 2015. The PFL system has not been modernized since being implemented in 2004.

The BSM Project was initiated in 2016-17 with the approval of the Stage 1 Business Analysis of the California Department of Technology (CDT) PAL process in November 2016. Subsequently, the Legislature approved a one-time budget augmentation of \$4,022,000 and 15 positions and a redirection of \$3,162,000 and 15 positions in 2017-18 for Stage 2 Alternatives Analysis of the PAL activities. This BCP is requesting third year funding for the BSM Project to continue the PAL activities in Stage 3 Procurement Development and to begin the System Integrator procurement.

BSM High Level PAL Schedule	
Task	Estimated Completion Date
Stage 1 – Business Analysis	November 2016 (Complete)
Procurement for Requirements Vendor	June 2017 (Complete)
Procurement for IV&V vendor	December 2017
Procurement for RFP Vendor	March 2018
Stage 2 – Alternative Analysis	June 2018
Stage 3 – Solution Development	December 2019
System Integrator Procurement	April 2021
Stage 4 - Project Readiness and Approval	July 2021

### Stage 3: Planned Activities for 2018-19

- Complete Business Process Re-engineering effort.
- Complete detailed-level requirements development on to-be business models.
- Develop and submit the Stage 3 artifacts to CDT.
- Receive CDT Stage 3 approval.
- Award the RFP consultant contract.
- Initiate the BSM System Integrator RFP development.
- Continue technical pre-implementation activities (data preparation, interface documentation).

Vendors possessing unique skills with requirements extraction and IV&V experience are needed for Stage 3 and the solicitation component of the PAL. This proposal includes costs for contracts estimated at \$3.1 million for 2018-19.

The three independent, non-integrated benefit systems rely on an aging legacy mainframe system as well as external sub-systems, components, and extensive automated and manual workarounds to process daily workloads. The existing legacy system is made up of over 9,000 different COBOL programs and hundreds of other utility programs that all need to be identified, analyzed and documented, as do the associated business processes. The requirements vendor is working closely with State staff in documenting the detailed functional and non-functional system requirements associated with all systems within the BSM scope, in support of the Stage 3 development and System Integrator solicitation efforts.

#### STAFF COMMENTS

The Subcommittee may wish to ask EDD if there are any current challenges to this project?

---

**Staff Recommendation: Hold Open**

---

**ISSUE 3: IMPLEMENTATION OF SB 396 AND AB 677 – EMPLOYMENT GENDER IDENTITY AND DATA COLLECTION**

The EDD requests \$280,000 Contingent Fund in 2018-19 for one-time costs to implement the requirements of both AB 677 and SB 396.

**BACKGROUND**

AB 677, the Lesbian, Gay, Bisexual, and Transgender (LGBT) Disparities Reduction Act, requires the EDD to collect voluntary self-identification information pertaining to sexual orientation and gender identity in the course of collecting demographic data, implement the data collection by July 1, 2019, and report this data to the Legislature. SB 396 amends the California Unemployment Insurance Code to expand the definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals.

AB 677 will require the EDD to collect voluntary self-identification information pertaining to sexual orientation and gender identity when collecting demographic data. The EDD administers the federal Workforce Innovation and opportunity Act (WIOA) Titles I and III. The WIOA is a federal program, which has defined demographic data collection and reporting requirements which include race, ethnicity, sex, disability, and age. These reporting requirements do not require the collection or reporting of data related to sexual orientation. In order to capture and report sexual orientation and gender identity for participants, the EDD must make changes to the CalJOBS system. These changes cost approximately \$15,000 and will be implemented by the CalJOBS vendor.

SB 396 expands the WIOA definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals. The CalJOBS system is already configured to identify and track individuals facing barriers to employment, and can accommodate the additional identifier proposed by this bill.

The EDD cannot use federal WIOA or Wagner Peyser funds to implement AB 677 or SB 396, therefore the EDD is requesting the State's Contingent Funds to implement the new state legislation.

**STAFF COMMENTS**

The costs included in the BCP is slightly higher (\$10,000) than the costs reflected in the fiscal analyses of the bills from last year. SB 396 included absorbable costs, while AB 677 included an estimate of \$270,000 for one-time costs. Staff has no concerns with the proposals.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 4: OCTOBER 2017 TECHNICAL ADJUSTMENTS**

The item summarizes the October 2017 technical adjustments for various proposals under EDD's purview.

**BACKGROUND**

**Workforce Innovation and Opportunity Act (WIOA) program.** For FY 2017-18, the EDD proposes an increase of \$13,566,000 in State Operations and no change for Local Assistance for WIOA. For 2018-19, the EDD proposes no change in Local Assistance and no change in State Operations. The increase will enable the EDD to utilize prior year carry-forward and to realign the WIOA Discretionary Fund authority with the current WIOA spending plan. For 2018-19 EDD proposes no changes and will submit a May Revise proposal when WIOA funding allocations are released by the U.S. Department of Labor.

**Disability Insurance (DI) Program.** The budget includes an increase of \$169.0 million in 2017-18 and an increase of \$710.8 million in 2018-19 for DI benefit payments. For 2017-18, the proposed changes includes an increase of \$151.8 million in benefit payments for the DI program and an increase of \$17.2 million in benefit payments for the Paid Family Leave (PFL) program. Increases are driven by the steady growth in wages, the minimum wage increase and the implementation of AB 908 (Chapter 5, Statutes of 2016). These factors resulted in an increase to the Average Weekly Benefit Amount (AWBA). The DI program's AWBA increased from \$555 to \$565 and the PFL program's AWBA increased from \$611 to \$615.

The changes for 2018-19 are driven by the growth in wages, the minimum wage increase and also the implementation of AB 908, similar to the current year. The DI program's AWBA increased from \$555 to \$609 and the PFL program's AWBA increased from \$611 to \$655.

**DI Program Administrative Support.** The Budget includes an increase of 32.6 positions and \$2.8 million in 2017-18 and 38.6 positions and \$3.3 million in 2018-19 based on updated workload estimates in the DI Program. The proposal will establish the program and tax function staffing needs of the DI and PFL programs.

Table 1 – Baseline Workload for the DI and PFL Program

Workload Category	2017-18	2018-19
EDD Field Appeals	10,800	10,900
Continued Claims	1,792,900	1,794,900
Determinations	1,022,300	1,027,800
Information Calls	1,553,000	1,560,000
Tax Function	1,388,200	1,388,200
Wage Records	70,576,000	70,576,000

\*This chart displays the major workload categories within the DI/PFL programs. There are other categories that are not listed.

**Unemployment Insurance (UI) Program.** The Budget provides a decrease of \$248.2 million in 2017-18 and a decrease of \$314.7 million in 2018-19 for UI benefit payments based on current economic conditions. For 2017-18 decreases are driven by a decrease in the unemployment level; although the AWBA will slightly increase from \$320 to \$321. For 2018-19, the decrease is driven by the unemployment level; although the AWBA will slightly increase from \$320 to \$324.

**UI Program Administrative Adjustments.** The Budget reflects a reduction of 117.7 positions and \$12.2 million in 2017-18 and 275.4 positions and \$28.6 million in 2018-19 to reflect declining workload in the UI Program.

**School Employees Fund (SEF) Program.** The Budget also includes an increase of \$8.0 million in 2017-18 and an increase of \$1.0 million in 2018-19 for School Employee Fund benefit payments. For 2017-18, the increase is due to actual benefit charges that have come in higher than projected and a change in projection methodology, focusing on recent 3-year trend, which appears to be a better indicator for the recent actual data. In addition, a 3 percent buffer for economic uncertainties has been added to the benefit charges estimates. For 2018-19, the current benefit charges include the 3 percent buffer as well as assume that benefit charges will decrease from current year to budget year due to lower wages paid and anticipated stabilization to school budget as the Local Control Funding Formula will be fully implemented by 2018-19.

**Employment Training Panel Augmentation.** The budget provides an increase of \$10.0 million Employment Training Fund to increase the number of training contracts available through the Employment Training Panel.

**Unemployment Insurance Interest Payment.** The budget includes \$10.3 million General Fund to make an interest payment on funds borrowed from the federal government to pay California's Unemployment Insurance.



**STAFF COMMENTS**

The Subcommittee may wish to have EDD provide additional information on the Employment Training Panel Augmentation and Unemployment Insurance Interest Payment since they did not include a BCP.

---

**Staff Recommendation: Hold Open.**

---

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

The Governor's budget includes \$685.6 million in 2018-19 for the Department of Industrial Relations (DIR), an increase of 8.2 million or 1.2 percent from the current year. DIR is funded through special funds and reimbursements, with no General Fund.

**ISSUE 5: APPRENTICESHIP PROGRAM FOR NONTRADITIONAL INDUSTRIES**

The budget provides \$3.5 million Employment Training Fund and 22 positions in 2018-19, \$4.5 million and 32 positions in 2019-20, \$5.7 million and 42 positions in 2020-21, and \$5.6 million ongoing, to expand statewide apprenticeship opportunities to nontraditional industries and the inmate population.

**BACKGROUND**

The Division of Apprenticeship Standards (Division), within the DIR, is responsible for promoting and developing employment based apprenticeship training programs, improving apprentices' working conditions, and advancing profitable employment opportunities for apprentices. California's State Strategic Workforce plan calls for creating a million middle-skill, industry-valued and recognized postsecondary credentials between 2017 and 2027 and for doubling the number of people enrolled in apprenticeship programs during that same period.

The challenge is to increase the number of apprentices in non-construction sectors and to increase access to an approved apprenticeship program for inmates, ex-offenders, veterans, women (currently at just over 6 percent) and other under-represented communities, in order to achieve the qualitative and quantitative goals of the State Strategic Workforce Plan. Despite efforts over the past 30 years to expand apprenticeship into other new and in-demand industries and occupations, such growth has been slow, sometimes negative, as new apprenticeship programs have not always received the ongoing support needed to sustain operations over time. Over two-thirds of all active apprentices are in the building and construction trades, and 92 percent of all construction apprentices are enrolled in joint management/labor programs.

The intent of the grant funding is to provide states with an opportunity to further align resources to innovate, expand, and diversify registered apprenticeship to better respond to industry workforce demands. In late November 2016 California was awarded \$1.8 million from the ApprenticeshipUSA State Expansion Grant to help California develop and implement comprehensive strategies to support apprenticeship expansion.

The 2017 Budget Act approved 6.0 positions and \$923,000 to accomplish the objectives of the federal grant, and to begin the expansion and diversification of California's Strategic Workforce Plan. This proposal requests the continuance of that initial funding with an ongoing augmentation of 42.0 positions and \$5.6 million annually to be phased-in over a three-year period.

In prior years, the projected number of people enrolled in apprenticeship programs was largely dependent on the continued improving economy and increases in building trades apprenticeships. Because apprenticeship is a proven model to increase the workforce pipeline with skilled and trained talent, the budget has included \$15 million a year for the past 3 years to create apprenticeship training programs in priority industry sectors, via the California Apprenticeship Initiative. This increased funding has helped to create 18 new Division-approved apprenticeship programs in healthcare, manufacturing, information technology (IT) and other occupations. For every dollar in state investment in apprenticeships, taxpayers received \$36 in net benefits.

This proposal will build and strengthen a collaborative relationship between DIR, the California Department of Corrections and Rehabilitation (CDCR), the California Prison Industry Authority, and the Labor and Workforce Development Agency (Agency) by creating opportunities for productive work for ex-offenders. These opportunities will accrue to those inmates available for early release pursuant to Proposition 57, as well as all other inmates who meet the criteria established by CDCR. CDCR has projected the parole population, as adjusted by Proposition 57, to be 48,828 by 2018, with a five-year net increase of 10.9 percent.

Under Proposition 57, CDCR incentivizes inmates to take responsibility for their rehabilitation with credit-earning opportunities for sustained good behavior. In return, inmates are eligible for early parole and release. Inmates may enroll in one of the 304 CDCR Career Technical Education programs to obtain occupational skills training. Upon completion, inmates move on to paid work with a California Prison Industry Authority project or work on an Inmate Day Labor /Inmate Ward Labor program, further enhancing their employability upon release.

To help meet the requirements of Proposition 57, and more importantly to help reduce overall recidivism, Agency, DIR, and CDCR are collaborating to create apprenticeship programs and on-the-job training certification for inmates prior to release. The goal is to provide inmates with occupational training and Industry Recognized Certifications while in prison to increase their opportunity for job placement or paid apprenticeship programs upon their release, and successful reintegration into society, thereby reducing recidivism.

In addition to enhancing a pathway to employment for ex-offenders, this proposal will provide resources to focus on engaging nontraditional industry leaders in apprenticeship and increase opportunities for veterans, women and low-income groups.

<b>STAFF COMMENTS</b>
-----------------------

This proposal will benefit employers across all industry sectors in their workforce training efforts, as the labor economy requires new skills and training to keep up with advancements in technology.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 6: DLSE RECRUITMENT AND ADMINISTRATIVE SERVICES**

DIR requests \$465,000 Labor Enforcement and Compliance Fund in 2018-19, and \$415,000 ongoing and four positions for the Division of Labor Standards of Enforcement to support staff recruitment and retention, and to satisfy growing administrative needs.

**BACKGROUND**

The Administration unit acts as a liaison with DIR's Human Resources unit to oversee the hiring process, working closely with district office to monitor performance management, managing office space, and responding to Public Record Act (PRA) requests.

**Recruitment and Retention.** Of the Administration staff, only 2.5 are currently assigned to recruitment and retention activities, which, according to DIR, is insufficient with the volume of positions processed and filled by the Division each year, and the time and attention given to long-term staffing solutions. DIR requests 1.0 additional Staff Services Analyst dedicated to the Division's recruitment efforts, administration of training and mentoring of staff to maintain a strong, current knowledgebase on legislative requirements and processes, in conjunction with the Division-wide onboarding plan the Division has established.

**Increased Facilities and Procurement Needs.** The Prompt Payment Act requires state agencies to pay each vendor within 45 days of receiving an invoice. The State Controller's office, which issues pay warrants on behalf of all agencies, requires 15 days to process claims from DIR Accounting. DIR Accounting also requires 15 days to process requests from the Division. This leaves the Division with the remaining 15 days to process monthly invoices for 96 active contracts, creating a backlog for the understaffed Administration unit. Vendor invoices have been consistently late. Contract renewals also have been continuously delayed and facility functions are becoming stalled. DIR requests 2.0 additional Staff Services Analysts to assist with the Division's facility needs.

**Significant Growth in Number and Complexity of PRA Requests.** Over the last four years, the Division has received 5,379 PRA requests, and the number has grown by more than 14 percent each year. In 2016-17, the Division received 36 percent more PRAs than the previous year. The unit currently employs 1.5 staff dedicated to processing PRA requests. In 2016-17, the Division received 1,855 requests, which is a 58 percent increase. A single PRA request involving data redaction can take approximately 2.25 hours, requiring 4,175 hours per year for staff to complete each request and make critical updates to the PRA management log. DIR requests 1.0 Staff Services Analyst to coordinate the Division's statewide PRA requests, and serve as a key liaison with the Department and the public upon the enactment of new legislation.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

**Staff Recommendation: Hold Open.**

**ISSUE 7: SCHOOLS' OCCUPATIONAL INJURY AND ILLNESS PREVENTION PROGRAMS**

DIR requests \$250,000 Workers' Compensation Administration Revolving Fund in 2018-19, 2019-20, and 2020-21, to allow the Commission on Health and Safety and Workers' Compensation to assist schools in establishing effective occupational Injury and Illness Prevention Programs (IIPP).

**BACKGROUND**

The Commission is responsible for examining the health and safety system, the workers' compensation systems, and the state's activities to prevent industrial injuries and occupational illnesses. Civil or administrative penalties assessed to school districts, state universities, or other specified educational facilities are deposited into the Revolving Fund. Educational facilities may apply for a refund of their penalties within two years and six months from the date of the violation if certain conditions are met. The remaining funds are to be used by the Commission to assist schools in establishing effective occupational injury and illness prevention programs.

Between 2008 and 2010, the Commission received two one-time appropriations of \$307,000 and \$185,000 and has an on-going appropriation of \$75,000 annually to assist schools to develop and maintain IIPPs. The Commission subsequently contracted with the University of California (UC) Regents to develop a model training program for California schools, the School Action for Safety and Health Program (SASH).

The SASH program provides free trainings to help school districts reduce the high rate of work-related injuries and illnesses among school employees. Once trainees complete the training, they are certified by the UC and the Commission as SASH coordinators, allowing them to develop, implement, and evaluate injury and illness prevention activities in their respective organizations. The SASH program provides educational materials, planning templates, and other tools to help participants efficiently develop their IIPPs.

The Revolving Fund has accumulated approximately \$1 million and can now be utilized to provide training and/or other assistance to more school districts.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 8: VICTIMS OF WAGE THEFT**

DIR requests budget bill language to allow fund balance transfers in 2018-19, from the Industrial Relations Unpaid Wage Fund (Unpaid Wage Fund), to the Garment Manufacturers Special Account, the Car Wash Worker Restitution Fund, and the Farmworker Remedial Account, upon approval of the Department of Finance to pay valid claims, in the event of a cash shortage in any of the restitution funds.

**BACKGROUND**

The DIR administers the Unpaid Wage Fund, which is continuously appropriated. At the end of each fiscal year, the unencumbered balance remaining in the Unpaid Wage Fund is transferred to the General Fund (GF). The practice of depositing the remaining unencumbered balance into the GF began in 2005-06 as a result of concerns over GF solvency. During this time, expenditures were projected to exceed revenue leaving a structural deficit in the budget. The Great Recession followed these years and the GF would not reflect a budgetary surplus again until 2013-14.

DIR also administers three restitution funds: the Garment Account, the Car Wash Fund, and the Farmworker Account. Each of these funds serve as a safety net for the workers in the respective industries when wages illegally withheld from these employees cannot be collected from the responsible employer. Workers with a valid claim may submit their request for payment to the applicable restitution fund. If/when, any of these funds are exhausted, the respective employee(s) are left without recourse.

The Garment Account has been insolvent since 2015-16 because the amount of new claims is greater than the account's annual revenue. This results in over \$4.5 million of claims that cannot be paid. The Garment Account receives an average of \$300,000 each year from fees but in recent years expends \$800,000 to \$1.5 million for unpaid wage claims annually. The Unpaid Wage Fund transfers between \$2 million to \$6 million of unencumbered funds to the GF every year. If approved, the unencumbered funds from the Unpaid Wage Fund may satisfy the unmet demand of the Garment Account in the 2018-19 fiscal year before any transfer to the General Fund.

**BUDGET BILL LANGUAGE**

7350-011-0913-For transfer by the Controller, upon order of the Director of Finance, from the Industrial Relations Unpaid Wage Fund to the General Fund.....

Provisions:

1. For the 2018/19 fiscal year and notwithstanding any other Provision of law, and upon approval by the Department of Finance revenue from the Industrial Relations Unpaid Wage Fund may be transferred to: 1) the Farmworker Remedial Account: 2) the Garment Manufacturers Special Account: and/or 3) the Car Wash Worker Restitution Fund and be used to Day any valid claim for any unpaid worker, in the event of a cash shortage in any of the aforementioned funds. Prior to any transfer from the Industrial Relations Unpaid Wage Fund to the General Fund.

2. Notwithstanding any other provision of law, the Controller shall transfer to the General Fund the unencumbered balance, less six months of expenditures, as

determined by the Director of Finance, in the Industrial Relations Unpaid Wage Fund as of June 30, 2019.

3. The department shall provide an estimate of the transfer amount to the Department of Finance no later than April 15, 2019.

<b>STAFF COMMENTS</b>
-----------------------

The proposed language for the Unpaid Wage Fund (UWF) would allow a fund transfer from the UWF, prior to any transfer of dollars to the General Fund, to any of three restitution funds (Farm, Garment, and Car Wash), for the purpose of paying a worker claim in the event of a cash shortage.

The Subcommittee may wish to ask DIR or DOF, when the revenue is transferred back to the GF, how does the GF use the dollars?

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 9: LEGISLATION**

The item provides resources for three bills signed into law in 2017.

**BACKGROUND**

**1. Apprenticeship Training Funds - Grant Oversight (AB 581).** DIR requests \$143,000 Apprenticeship Training Contribution Fund and one position in 2018-19, and \$130,000 ongoing, to implement and meet the ongoing requirements of AB 581 (Chapter 553, Statutes of 2017).

AB 581 requires an apprenticeship program to keep adequate records that document the expenditure of grant funds from the California Apprenticeship Council to be eligible to receive such funds. The bill also requires those apprenticeship programs to make all records available to the DIR so that the Department is able to verify that grant funds were used solely for training apprentices.

**2. Immigration Worksite Enforcement Actions (AB 450).** DIR requests \$1.6 million Labor Enforcement and Compliance Fund and eight positions in 2018-19 and \$1.5 million ongoing to meet the ongoing requirements of AB 450 (Chapter 492, Statutes of 2017).

The budget includes \$1.6 million Labor Enforcement and Compliance Fund and eight positions to protect the immigrant workforce from unlawful detainment and workplace retaliation.

AB 450 seeks to protect workers by prohibiting employers from providing voluntary consent to allow federal immigration agents to access "nonpublic" areas of a worksite without being provided a judicial warrant. The provisions of the bill are aimed at protecting California's immigrant workforce from unlawful detainment and workplace retaliation.

**3. Retaliation Enforcement (SB 306).** The DIR requests \$623,000 Labor Enforcement and Compliance Fund and 3.0 positions in 2018-19, and \$585,000 ongoing to implement and meet the ongoing requirements of SB 306 (Chapter 460, Statutes of 2017).

SB 306 provides three new enforcement tools for the Labor Commissioner in retaliation complaint investigations:

(1) The bill provides the Labor Commissioner authority to commence an investigation of an employer without a complaint when the Division suspects that retaliation or discrimination took place during the course of adjudicating a wage claim or during a field inspection, or in instances of suspected immigration-related threats in violation of Labor Code sections 244, 1019, or 1019.1.

(2) In cases where the Labor Commissioner determines after investigation that unlawful



retaliation or discrimination has occurred, this bill provides authorization for the Labor Commissioner to enforce the law by issuing an administrative citation, instead of filing a civil suit.

(3) This bill also gives the Labor Commissioner authority to immediately petition a court for injunctive relief, including a temporary restraining order, and directs the court to consider the chilling effect of the alleged unlawful retaliation on other employees asserting their rights in determining if temporary injunctive relief is just and proper.

<b>STAFF COMMENTS</b>
-----------------------

The costs associated with all three bills are consistent with the bill's appropriation analyses.

---

**Staff Recommendation: Hold Open.**

---

**7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD**

---

---

The Governor's budget includes \$26.3 million in 2018-19, for the California Workforce Development Board an increase of \$13.9 million or 112 percent from the current year. The Board is funded through the General Fund, special funds and reimbursements. The Board collaborates with both state and local partners to establish and improve the state workforce system, with an emphasis on California's economic vitality and growth.

**ISSUE 10: CALIFORNIA GLOBAL WARMING SOLUTIONS ACT OF 2006**

The budget provides \$400,000 Greenhouse Gas Reduction Fund to implement AB 398 (Statutes of 2017) to create a report for the legislature that aligns the state workforce policy with the state's climate policy.

**BACKGROUND**

The Workforce Development Board is responsible for the development, oversight, and continuous improvement of California's workforce development system and the alignment of the education and workforce development systems.

AB 32 (Chapter 488, Statutes of 2006) designates the Air Resources Board (ARB), as the state agency charged with monitoring and regulating sources of greenhouse gas (GHG) emissions that cause global warming in order to reduce emissions of GHG. AB 32 requires ARB to adopt a statewide GHG emissions limit equivalent to the statewide GHG emissions levels in 1990 to be achieved by 2020. AB 398 extends ARB's cap and trade authority through 2030.

AB 398 requires the Workforce Development Board, in consultation with the ARB, to engage with specified stakeholders and produce a report to the Legislature, no later than January 1, 2019. The report will discuss the need for increased education, career technical education, job training, and workforce development resources or capacity to help industry, workers, and communities transition to economic and labor-market changes related to specified statewide greenhouse gas emissions reduction goals. The Workforce Development Board estimates the cost for the contract services at \$400,000.

**STAFF COMMENTS**

The Workforce Development Board does not have the expertise to complete the report and will have to use contract services to gain the expertise to comply with the requirements of the bill.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 11: OCTOBER 2017 REVISE: WORKFORCE INNOVATION AND OPPORTUNITY ACT**

The Budget includes \$393,000 Federal Trust Fund and three positions in 2017-18, and \$786,000 and six positions ongoing to update and implement the WIOA State Plan.

**BACKGROUND**

The purpose of federal Workforce Innovation and Opportunity Act of 2014 (WIOA) is to better align the workforce system with education and economic development in an effort to create a collective response to economic and labor market challenges. The State Board continues to plan and direct the implementation of WIOA, plan and administer new and expanded Governor's Discretionary initiatives, and coordinate state, regional, and local-level partners to affect policy and administrative change necessary to realize regional leadership and innovation.

In order to achieve the State Plan's goal of producing 1 million industry valued credentials in 10 years, the state must partner with various state agencies. WIOA requires the State Plan to include four core programs - Employment Development Department, California Department of Education, Community Colleges, and Department of Rehabilitation. The State Board approved the State Plan in 2016 and the local and regional plans in 2017.

WIOA requires the State Board to revise the State Plan in 2018 and the local and regional plans in 2019 to include statewide program coordination and collaboration with additional WIOA mandated partner programs such as the California Department of Corrections & Rehabilitation (CDCR), California Department of Child Support Services, and the Supplemental Nutrition for Needy Families, Employment and Training (SNAP E&T) program administered by the Department of Social Services and counties. These mandated partners are required to have a presence in the America's Job Center of California (Career Center) and be part of the Local Workforce Development Area service delivery agreements. Outreach, coordination and collaboration with CDCR, Department of Child Support Services and SNAP E&T at the regional and state level requires significant additional resources.

**STAFF COMMENTS**

The State Plan has increased workload for the Workforce Board. The resources requested are reasonable. There is no General Fund impact.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 12: PRISON TO EMPLOYMENT INITIATIVE AND TRAILER BILL LANGUAGE**

The budget provides \$16 million General Fund in 2018-19, and \$20 million in 2019-20, to better link education and job training in prison to post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.

**BACKGROUND**

California's efforts to reduce the overcrowded prison population have resulted in more low-level ex-offenders being released from prison early without the necessary skills and supports necessary to achieve gainful employment and not recidivate. According to CDCR, in Fiscal Year 2012-13, 46.1 percent of the 35,790 ex-offenders released from a CDCR adult institution and tracked for three years following the date of their release were convicted of a crime and recidivated to prison.

Through the Corrections-Workforce Partnership, the State Board, CDCR, and CALPIA will partner to reduce recidivism by addressing the following gaps most hindering ex-offenders.

The Prison to Employment Initiative proposes \$36 million, over two years, to fund regional and local planning, implementation of regional and/or local plans to integrate reentry and workforce services, direct services to the formerly incarcerated, and post-release supportive services grants. These grants will go to Regional Planning Units and their partners to accelerate the alignment of correctional education and training and increased workforce system collaboration by achieving the following objectives:

- Better link education, job training, and work experience in prison to post-release jobs
- Integrate the services of 181 reentry service providers and 200 America's Job Centers of California (AJCC) career centers using the regional plans from the 14 Regional Planning Units.
- Fund regional integration, direct services, and post release supportive services provided by partners.

**Timing:**

2017-18 – Launch Statewide Prison to Employment Initiative

- State partnership agreement between corrections and workforce systems included in WIOA Plan
- Direct Job placement workgroups
  - Construction
  - Civil Service
- \$7.8 million in ongoing currently budgeted grant work

2018-19 – Continue State Level Efforts, Initiate Regional Reentry Partnerships, Early Grants

- Regional Plans to integrate reentry and workforce services with \$1.75 million for 14 planning grants

- \$6 million in early regional implementation program grants
- \$8 million in needs-based supportive services grants to individuals in high need regions

2019-20 – Full implementation of Regional Partnerships, Remaining Grants

- \$8 million in regional implementation program grants
- \$12 million in needs-based supportive services grants

2020-21 – Grant Evaluation: The State Board will provide suitable grant and program evaluation regarding the use of the grant funds and workforce training program outcomes using appropriate methodology.

#### TRAILER BILL LANGUAGE

The trailer bill language requires the Board to administer a prison-to-employment program and award grants. The TBL also requires the board to develop guidelines for the allocation of grants consistent with existing law. Finally, the TBL authorizes the board to adopt criteria, guidelines, and policy regarding the prison-to-employment program.

#### STAFF COMMENTS

Last year, AB 1111 (E.Garcia) established the Breaking Barriers to Employment Initiative for the purpose of assisting individuals who have multiple barriers to employment. The subcommittee may wish to ask how the Administration's proposal differs from AB 1111 and why the Administration chose to move in a different direction than the program outlined in AB 1111.

---

**Staff Recommendation: Hold Open.**

---