Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 5 Agenda

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

Wednesday, May 11, 2022
9:00 AM
1021 O Street - Room 2100

Consultant: Christopher Francis, Ph.D.

OUTCOMES

Items	*Motion*	*Subcommittee Vote*
1-15	Motion to adopt staff recommendation	AYES: 3 NOES: 0 ABSENT: 1 (Sen. Grove Absent)

VOTE-ONLY ITEMS

DISCUSSION ITEMS

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE-ONLY ITEMS

0559 SECRETARY FOR LABOR AND WORKFORCE DEVELOPMENT AGENCY (LWDA)

Issues 1-2: LWDA Vote-Only Items

1. **Agency Information Security Program Development**. The Labor and Workforce Development Agency requests three positions and $615,000 from Reimbursements in Fiscal Year 2022-23 and ongoing to meet the new IT security standards outlined in the Cal-Secure roadmap. These positions and funding will also accommodate workload growth associated with increased demands for securing critical information technology assets from compromise or business impact and ensuring the confidentiality, integrity, and privacy of confidential citizen information.

2. **Labor and Workforce Development Agency Operations.** The Labor and Workforce Development Agency requests 10 positions and $1,391,000 Reimbursements and $916,000 Labor and Workforce Development Fund in 2022-23 and ongoing to manage new and existing workloads.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

Issues 3-8: EDD Vote-Only Items

3. **Information Technology Branch Technology Modernization.** The Governor's budget proposes $23.5 million General Fund and 122 positions for three years to maintain and improve benefit system usability to better serve claimants and remain hardened against fraud.

4. **AB 110-Fraudulent Claims for Unemployment Compensation Benefits: Inmates.** $2,199,000 EDD Contingent Fund and 4.6 positions in 2022-23, $934,000 and 3.6 positions in 2023-24, and $720,000 and 3.5 positions in 2024-25. These resources will be used to administer provisions of AB 110 that was recently chaptered. AB 110 requires the Department of Corrections and Rehabilitation (CDCR) to provide the names, known aliases, birth dates, Social Security Numbers, and the booking date and expected release date, if known, of current incarcerated individuals to the EDD for the purposes of preventing payments on fraudulent UI claims. AB 110 requires EDD to complete any necessary system programming or automation to monitor CDCR's inmate data and prevent payments on fraudulent UI claims by the earliest feasible date, but not later than September 1, 2023.

5. **AB 397-Unemployment Insurance: Benefits: Disqualification: Notice.** The budget includes $241,000 EDD Contingent Fund and one position in 2022-23. These resources will be used to administer provisions of AB 397 that was recently chaptered. AB 397 is

regarding the disqualification notice for unemployment insurance (UI) benefits. An individual may be disqualified from receiving UI benefits if they are found to have knowingly provided false information or withheld information in the pursuit of those benefits. Prior to disqualifying an individual from receiving benefits due to a false statement, AB 397 requires the EDD to provide notice and allow a claimant to dispute the potential disqualification. The claimant has 3 to 10 days to respond, as applicable. AB 397 requires EDD to make the necessary changes to its forms and information technology systems by September 1, 2022.

6. **Microsoft Office 365 Enterprise License Agreement.** The Governor's budget includes $4.9 million in 2022-23, $5.7 million in 2023-24 and $6.2 million in 2024-25, split between the General Fund and the Disability Insurance Fund for annual licensing costs associated with the Microsoft Office 365 Enterprise License Agreement.

7. **UI Command Center.** The Governor's budget proposes $1.5 million General Fund and 10 positions for three years for a UI Command Center that centralizes UI branch management, supports UI data analytics, and enhances training to improve customer service.

8. **Cyber Security Resilience and Instrumentation.** The Governor's budget proposes an increase $10.2 million General Fund in 2022-23, and $6.1 million General Fund in 2023-24 and 2024-25, and 29.0 positions, for cybersecurity resources to combat modern threats.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB)

Issue 9: CWDB Vote-Only Items

9. **Social Entrepreneurs for Economic Development (SEED) Initiative Liqudation Extension.** The Employment Training Panel (ETP) requests to extend the liquidation term for the Social Entrepreneurs for Economic Development (SEED) Initiative authorized by the 2020 Budget Act, from June 30, 2022 to June 30, 2023. This request will provide authority to extend contract terms entered into by grantees of the first round of the SEED Initiative, known as SEED 1.

Staff Recommendation. Approve as budgeted

7320 PUBLIC EMPLOYMENT RELATIONS BOARD(PERB)

Issue 10: PERB Vote-Only Item

10. **Information Technology Upgrade**. The Governor's budget proposes $416,000 General Fund and one position to enable the Public Employment Relations Board to comply with California Department of Technology standards and information system modernizations.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

Issues 11-14: DIR Vote-Only Items

11. **Enhanced Enforcement and Compliance (Various 2021 Legislation).** The Governor's budget proposes $10.4 million and 53.5 positions in 2022-23, decreasing to $2.7 million and 13 positions by 2025-26, and ongoing, to implement various chaptered legislation.

12. **Continued Support for Subsequent Injuries Benefits Trust Fund.** The Governor's budget proposes $2.5 million and 15 positions in 2022-23, increasing to $4.0 million and 24 positions in 2023-24 and ongoing, from the Workers Compensation Administration Revolving Fund to provide permanent resources to review claims.

13. **Reaching Every Californian.**The Governor's budget proposes two positions and $650,000 General Fund ongoing, to expand the Reaching Every Californian outreach campaign.

14. **Electronic Adjudication Management System Modernization.** The Governor's budget proposes $2.5 million in 2022-23 from the Workers' Compensation Administration Revolving Fund. The Division of Workers' Compensation's Electronic Adjudication Management System is nearing the end of its technological life and must be replaced to maintain functionality. DIR is requesting initial funding to replace this system to allow the division to continue providing quality services to its stakeholders.

7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

Issue 15: CalSTRS Vote-Only Item

15. **Organizational Support and Management.** The Governor's budget proposes $17.4 million for 10 positions and funding to support increased administrative workload and funding for property management services and various information technology capabilities.

Staff Recommendation for Issues 1-15. Approve as budgeted.

DISCUSSION ITEMS

7100 Employment Development Department

Issue 16: Senate "Putting Wealth to Work" Proposal for Returning Caregivers to Work

Panel

- Chas Alamo, Legislative Analyst's Office
- Kristin Schumacher, California Budget and Policy Center
- Katherine Wutchiett, Legal Aid at Work

Background

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.

Funding Structure. The SDI program is financed solely by worker contributions. The amount withheld from a worker's paycheck is determined annually using the SDI taxable wage ceiling and contribution rate. The taxable wage ceiling is the maximum amount of wages earned by a worker that are subject to SDI contributions. Unemployment Insurance Code Section 985 requires the taxable wage ceiling to be four times the maximum weekly benefit amount (MWBA) multiplied by 13 and divided by 55 percent ((4 x MWBA x 13) / .55). In 2020, the maximum weekly benefit amount was $1,300 and all wages earned up to $122,909 were subject to SDI contributions. The maximum weekly benefit amount for 2021 is $1,357 and the taxable wage ceiling is $128,298. The taxable wage ceiling in 2022 is $145,600 and is projected to be $146,262 in 2023.

A second component of the financing structure is the contribution rate, which is also determined by a statutory formula, and is applied to all wages up to the taxable wage ceiling to determine the required contribution amount. The contribution rate cannot be less than 0.1 percent and cannot exceed 1.5 percent. Depending on the condition of the DI Fund, the EDD director has the authority to raise or lower the contribution rate by 0.1 percent. For 2022, the contribution rate is currently at 1.10 percent. With the taxable wage ceiling at $145,600 for each employee, in 2022 the maximum to withhold for each employee is $1,601.60.

PFL Monetary Requirements. PFL benefits are payable to a customer who is attached to the labor market prior to their family leave period, has a loss of wages as a result of the family leave, and has sufficient prior earnings in a 12-month period called the "base period" (5 to 18 months before the claim begins). To be attached to the labor market they must be employed, looking/registered for work, or have an active Unemployment Insurance (UI) claim in payment status within 90 calendar days from their last day of work. A customer who is not attached to the labor market is not eligible for PFL benefits.

Length or tenure of employment with an employer does not affect eligibility. If a customer works part-time or intermittently prior to their PFL claim and they are unable to perform their regular work and have a loss of wages due to their family leave, they are still eligible to receive PFL benefits. Additionally, the employee must have earned at least $300 from which State Disability Insurance (SDI) deductions were withheld during their base period.

If an employee did not contribute to SDI via payroll deductions from their current or past employer(s) in the 5 to 18 months prior to their claim start date, they will not be eligible for benefits.

Qualifying Conditions. Customers are eligible for up to eight weeks of PFL benefits within a 12-month period. The eight weeks of benefits can be paid consecutively or may be split up while the customer is working part-time or intermittently as a result of their family leave.

<u>**Caregiving:**</u> Available to customers to care for a seriously ill child, parent, parent-in-law, grandparent, grandchild, sibling, spouse, or registered domestic partner.

PFL defines “seriously ill” as an illness, injury, impairment, or physical or mental condition that requires:

- At-home care or in-patient care in a hospital, hospice, or residential medical facility.
- Continuing treatment by a licensed health professional.

Bonding: Available to parents welcoming a new child into the family through birth, adoption, or foster care placement within the past 12 months. Foster and adopted children must be under the age of 18.

A “parent” is defined as an individual, spouse, or registered domestic partner who will be serving as a parent for the child.

Benefit Information. PFL provides benefits that are approximately 60 percent of an employee’s salary for higher income earners and 70 percent for lower income earners. EDD calculates a customer’s weekly benefit amount from wages earned within their base period. The customer’s base period is a 12-month period of time (or 4 consecutive quarters of 3 months each) and is determined by the start date of their claim. The base period does not include wages paid at the time their claim begins.

Paid Family Leave Policy and Budget. As illustrated by the following actions below, the budget process incorporated various policy changes to PFL.

SB 852 (Committee on Budget), Chapter 25, Statutes of 2014 signed by Governor Brown on June 20, 2014, appropriated federal funds received by the state and deposited in the State Treasury. The Legislature approved a three year plan to fund outreach activities for the Department’s PFL program. This included $1 million in state fiscal year 2014-15, $2.5 million in state fiscal year 2015-16, and $3 million in state fiscal year 2016-17.

SB 83 (Committee on Budget),Chapter 24, Statutes of 2019, signed into law by Governor Newsom on June 27, 2019, and took effect on July 1, 2020. This legislation extended PFL from six weeks to eight weeks of wage replacement benefits to workers who take time off work to care for a seriously ill family member or to bond with a new child.

AB 138 (Committee on Budget), Chapter 78, Statutes of 2021), signed into law by Governor Newsom on July 16, 2021. The following sections impacted the PFL program and were effective immediately, unless otherwise stipulated.

- Section 6: Requires the EDD to print all standard information employee pamphlets concerning SDI programs in English and the seven primary languages.
- Section 12: Extends the sunset date of the current DI and PFL wage replacement rate (60 or 70 percent) as a result of AB 908 from January 1, 2022, to January 1, 2023.
- Section 13: Requires the EDD, by January 1, 2024, to provide a person entitled to DI and PFL benefits the option to receive payments by direct deposit, in addition to other payment methods including debit cards and checks.

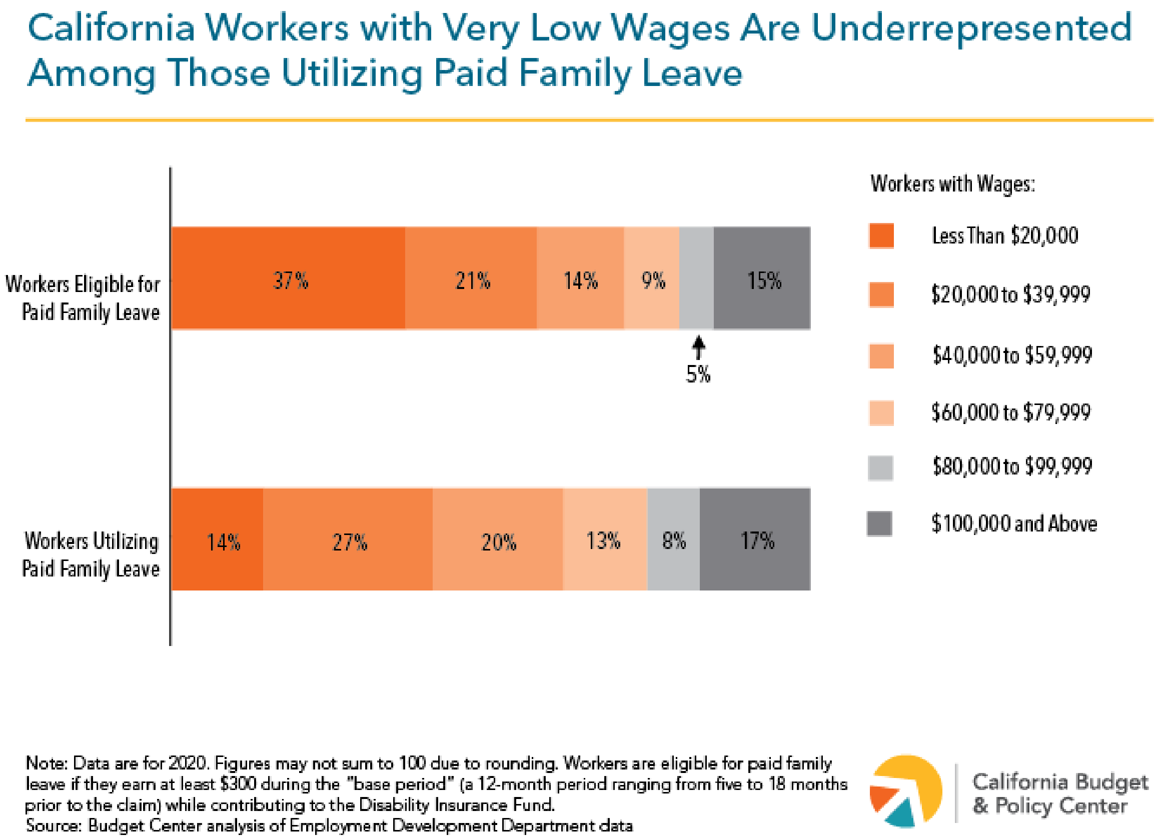
Concerns with current system. In 2016, AB 908 (Gomez) was adopted to, among other things, increase from 55 percent to 60-70 percent the wage replacement rate of benefits available through the SDI and PFL programs with a sunset date of January 1, 2022. AB 908 also directed the EDD to report to the Assembly Committee on Insurance and the Senate Committee on Labor and Industrial Relations, data on levels and trends of utilization of the SDI programs as well as projections for utilization and costs of the increased wage replacement rates remaining in effect past the 2022 sunset date.

On March 1, 2021, EDD released this report. Among its findings, the report noted that:

"After increasing the SDI wage replacement rate from 55 percent to 60 and 70 percent, the utilization of the program increased from 2017 to 2019, and it is forecasted to continue increasing through 2024. Overall, high-income workers used the DI and PFL programs at *greater rates than lower-income workers.* Although the original intent of AB908 sought to increase benefits and utilization among low-wage earners and was successful in doing so, the lowest threshold of low-wage earners (less than $20,000 annually) actually saw a reduction in utilization rates of the program during the period under review. It should be acknowledged that it is not possible to definitively tie utilization trends to the higher wage replacement rate alone. Utilization is impacted by many factors, including marketing and outreach, economic conditions, the state's minimum wage, and demographic trends, to name a few."

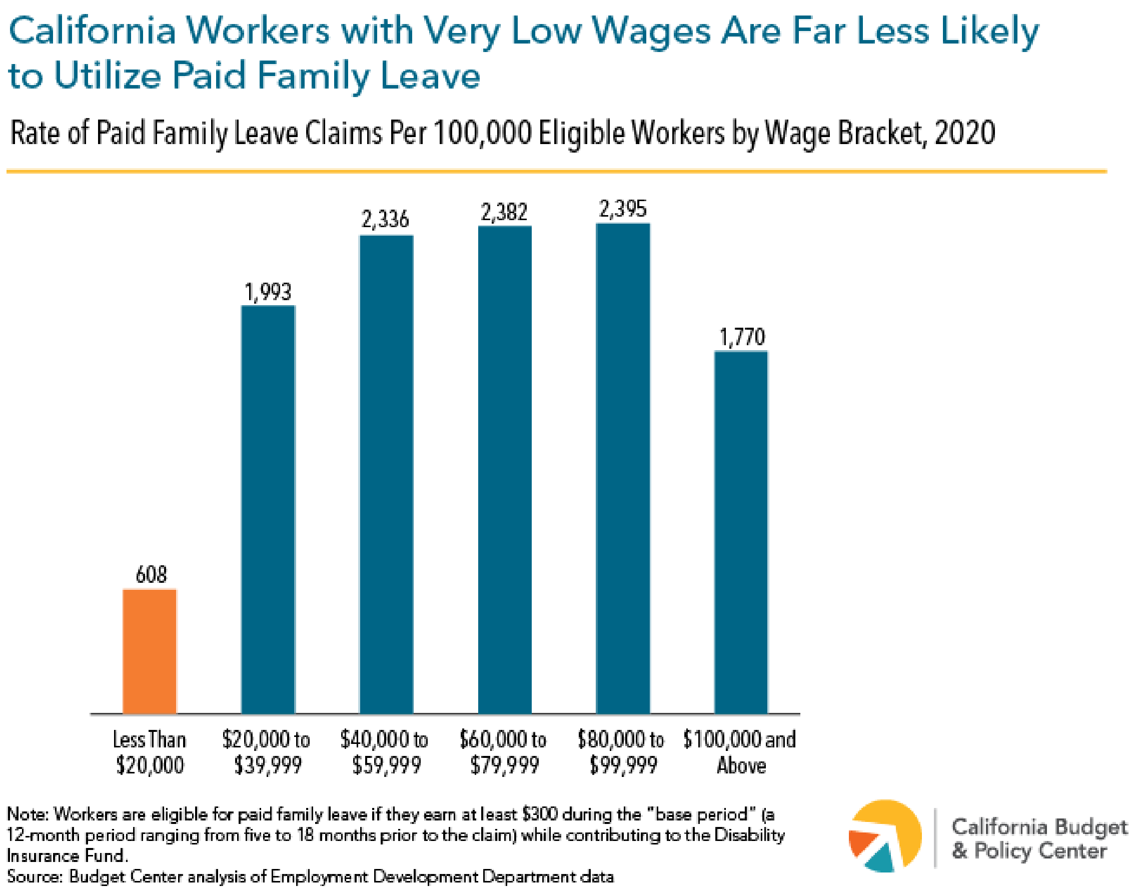
The California Policy and Budget Center[1] further elaborates on the underutilization issue. In 2020, more than 18 million workers in California contributed to paid family leave and were eligible to utilize the program. Of those who were eligible, 37 percent were workers with less than $20,000 in annual wages. Of these same workers, only 14 percent utilized paid family leave.[2]

[1] Kristin Schumacher, California Budget and Policy Center, "Paid Family Leave Payments Don't Add Up for California Workers," https://calbudgetcenter.org/resources/paid-family-leave-program-is-out-of-reach-for-many-californians/
[2] Ibid.



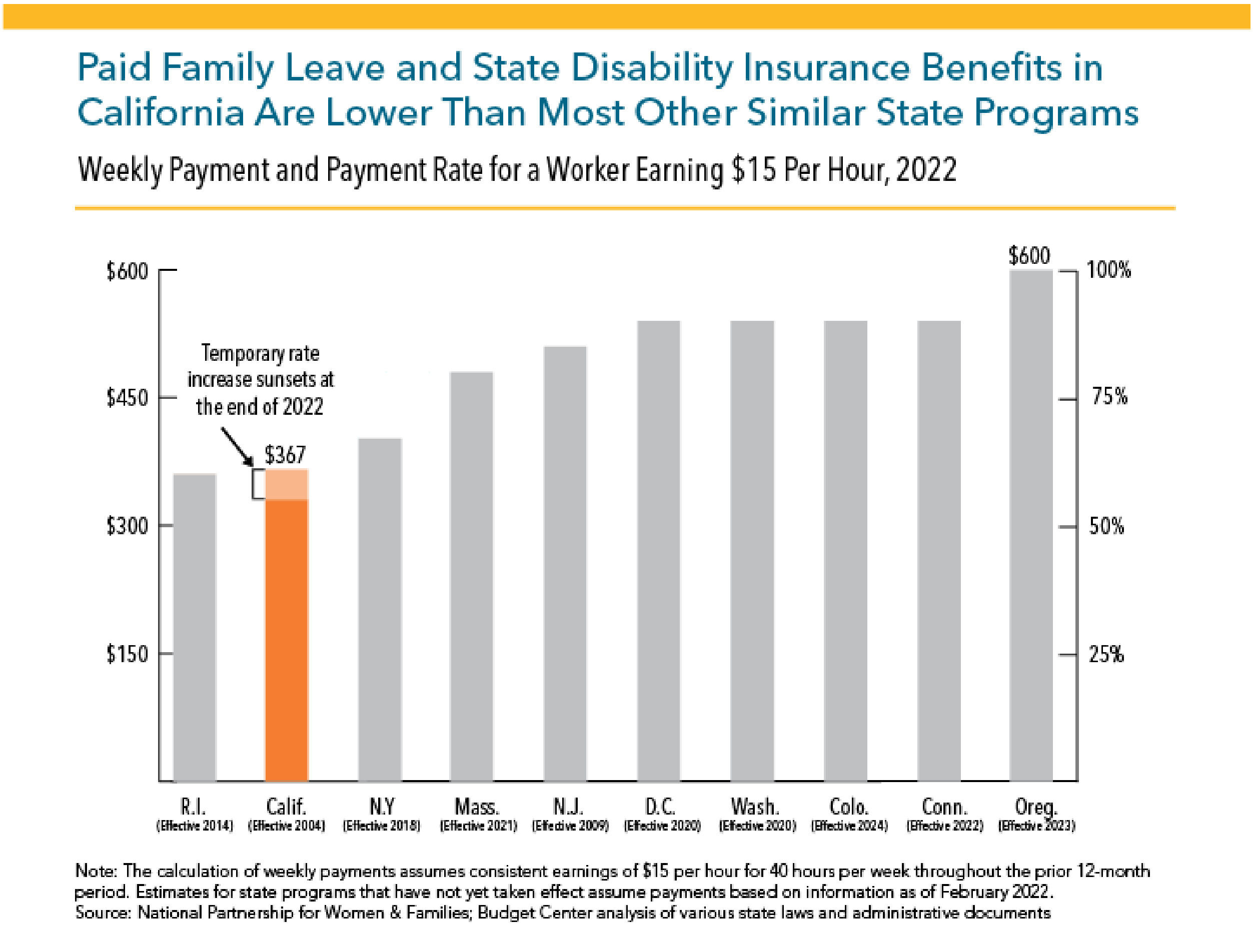
As well, high earners still utilized paid family leave at a rate that was nearly *three times* that of workers earning less than $20,000 annually.[3]

[3] Ibid.



Additionally, absent permanent action by state leaders, payment rates will revert to just 55 percent of earnings at the end of 2022, blocking access for even more workers in California. Finally, California's weekly payment and payment rates have fallen behind other states. [4]

[4] Kristin Schumacher, California Budget and Policy Center, "Paid Family Leave and State Disability Insurance Benefits Are Insufficient: California Benefits Are Lower Than Most Other Similar State Programs" https://calbudgetcenter.org/resources/paid-family-leave-and-state-disability-insurance-benefits-are-insufficient/



<u>Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals</u>

Returning Caregivers to Work: Paid Family Leave for low income workers (employee funded). $8.4 million General Fund in 2022-23 and $4 million General Fund in 2023-24 and ongoing to provide 90 percent wage replacement for paid family leave for low wage workers, ensure workers can utilize family leave time & be better able to return to work. The Senate's spending place includes trailer bill language to effectuate these changes. Specifically, the wage replacement benefits provided under the State Disability Insurance and Paid Family Leave programs will be increased from the current 60-70% to a phased-in increase based on a worker's individual earnings up to a 90% wage replacement, the wage replacement benefit be tied to an individual's earnings, with lower wage workers getting a higher wage replacement rate, and eliminates provisions creating a taxable wage ceiling – which specifies the maximum amount of wages earned by a worker that are subject to SDI contributions – thereby ensuring that all wages earned by workers are subject to the SDI tax rate contributions. This latter change would impact workers earning $145,660 and above in 2022.

Staff Recommendation. Hold Open.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

Issue 17: Statewide Reentry Employment Fund

Panel

- Chas Alamo, Legislative Analyst's Office
- Sam Lewis, Executive Director of the Anti-Recidivism Coalition

Background

Employment carries significant meaning and importance, especially those coming from vulnerable and disadvantaged communities. For these communities, employment provides emotional, financial, and mental stability, promotes self-esteem and self-sufficiency, and aids in recovery from mental illness, reintegration from prison, and/or physical/developmental disabilities. This is especially true of two populations that consistently who face difficulties in finding employment in California and across the United States: people who have criminal records and the subset who have criminal records and served sentences in county jails or state prisons. Barriers to employment for people who have criminal records and/or have been incarcerated exist.

National prison population characteristics. A 2014 report from the National Research council that investigated the causes of and consequences to the rising prison population in the United States. The staggeringly high prison population is attributed to the disproportionate incarceration of people of color. Though African-Americans and Hispanics make up approximately 32 percent of the US population both groups comprised 56 percent of all incarcerated people in 2015—with African-Americans constituting 34 percent of the correctional population.[5]

People with criminal records are disproportionately shut out of employment opportunities. According to the Institute for Justice (IJ), one in three Americans has a criminal record and "one out of every five" Americans needs a license to work. As recently as July 2018, the Prison Policy Initiative reported that the unemployment rate for people with criminal records is more than 27 percent, five times higher than the overall U.S. unemployment rate, or higher than the unemployment peak during the Great Depression. Their report also shows that disparities exist among racial lines: Black women with criminal records rank at the top of that unemployment list (43.6 percent) and white men with criminal rank at the bottom (18.4 percent).[6] The Center for Economic and Policy Research estimates that there were between 14 and 15.8 million working-age people with felony convictions in 2014, of whom between 6.1 and 6.9 million were former prisoners. In total, the barriers to employment for those with convictions and/or served prison sentences account for a loss of 1.7 to 1.9 million workers.[7]

[5] NAACP. "Racial Disparities in Incarceration." https://www.naacp.org/criminal-justice-fact-sheet/
[6] Lucius Couloute and Daniel Kopf. "Out of Prison & Out of Work: Unemployment among formerly incarcerated people," Prison Policy Initiative. https://www.prisonpolicy.org/reports/outofwork.html.
[7] Cherrie Bucknor and Alan Barber. "The Price We Pay: Economic Costs of Barriers to Employment for Former Prisoners and People Convicted of Felonies," Center for Economic and Policy Research. http://cepr.net/images/stories/reports/employment-prisoners-felonies-2016-06.pdf.

The employment prospects are stark for reentry populations. A critical subset of those with criminal records are formerly incarcerated people who reenter local communities from prison. Reentry refers to the transition of individuals who are incarcerated in prisons or jails back into the community after release. Annually, approximately 600,000 people nationally and 50,000 people in California reenter communities. [8]

Upon reentry into communities, formerly incarcerated people often face a range of challenges.[9] Many have low levels of education and literacy, limited prior attachment to the legal workforce, reduced ties to family and community, and histories of substance abuse and mental health problems. Other challenges include lack of basic documentation such as a current driver's license, the use of criminal background checks by employers, and state laws and licensing requirements for jobs in certain fields impede their ability to gain employment. Research has shown that large numbers of prisoners are released into a disproportionate number of vulnerable communities, causing instability and reduced social cohesion within these neighborhoods.[10] And, California has among the highest recidivism rates in the nation, with many low-level criminal offenders committing new crimes within a year of release. Employment is a critical piece of the reentry puzzle. Studies suggest that employment programs offer the formerly incarcerated are a better opportunity to reduce recidivism and increase the chances of addressing criminogenic behaviors. Employment offers stable incomes, structured timelines, resources and services through training that enhances a formerly incarcerated person's ability to reintegrate into his/her communities.[11] The collection of factors and challenges illustrates that there is a critical need for programming and policies inside and outside of the prison system to improve their eligibility for employment.

The big picture. Currently, there are reentry efforts emerging throughout the US and in California that employ evidence-based strategies with comprehensive planning and coordinated service delivery to increase the likelihood that individuals will make safe and successful transitions back into their communities after incarceration.

Pre-apprenticeship programs and curricula overview. Pre-apprenticeship programs are pre-requisite training courses that enable participants to increase their viability for employment in a trade industry. These courses are typically taken prior to apprenticeship completion and provide them with industry-relevant skillsets as well as familiarity with working environments. There are two different curriculums for building and trades pre-apprenticeship programs—the National Center for Construction Education & Research (NCCER) curriculum and the Multicraft Core Curriculum (MC3). The MC3 curriculum was developed in 2007 after the Building Trades National Standing Committee on Apprenticeship and Training identified courses in all building trades' apprenticeship programs that are offered in common without regard to a particular craft. The MC3 course includes classes in Construction Industry Orientation, Tools and Materials,

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[8] E. Ann Carson, Ph.D. "Prisoners in 2016." Bureau of justice Statistics. https://www.bjs.gov/content/pub/pdf/p16.pdf

[9] Jeanne Bellotti et al., "Examining a New Model for Prisoner Re-Entry Services: The Evaluation of Beneficiary Choice Final Report," March 16, 2011. https://www.dol.gov/asp/evaluation/completed-studies/Examining_a_New_Model_for_Prisoner_Reentry_Services/FINAL_REPORT_examining_new_model_prisoner_reentry_services.pdf.

[10] Ibid.

[11] Jeremy Travis, Bruce Western, and Steve Redburn. The Growth of Incarceration in the United States: Exploring Causes and Consequences. http://johnjay.jjay.cuny.edu/nrc/nas_report_on_incarceration.pdf

Construction Health and Safety, Blueprint Reading, Basic Math for Construction, Heritage of the American Worker, Diversity in the Construction Industry, Green Construction, and Financial Responsibility.[12] The MC3 training programs are sponsored by state and local building trades councils in cooperation with local community groups, government agencies and schools.

The NCCER curricula, by comparison, offers a standardized pre-apprenticeship curriculum that includes courses in Basic Safety, Introductory Math, Introduction to Power Tools, Introduction to Construction Drawings, Introduction to Basic Rigging, Basic Communication Skills, Basic Employability Skills, and Introduction to Material Handling. This curriculum offers training to give pre-requisite knowledge for construction and maintenance roles.[13] The California Department of Corrections and Rehabilitation has used NCCER Curriculum since 2005 and maintains NCCER accreditation for all adult prison facilities in California.

Career Technical Education (CTE) in prisons overview. Pre-release CTE programs provide inmates the opportunity to earn Milestone Completion Credits which can reduce incarceration time through active participation and completion in evidence-based recidivism reduction programs. The California Prison Industry Authority (CALPIA) touts its CTE program is "one the most effective correctional rehabilitation programs in California," attributing a seven percent recidivism rate to its programming. This program was established in 2006 for pre-apprenticeship purposes and contained instruction from instructors under contract with local trade unions. The CTE programming provides accredited certifications in a wide variety of occupations upon participation in work and training opportunities. The initial occupations of focus were Carpentry, Construction Labor, and Iron Working. The CDCR works with instructors out of whichever building trades locals are in the area.

Barriers to employment still exist despite these reforms. Despite statewide and nationwide reforms, the barriers to employment still exist in a variety of industries. IJ conducted a nationwide study to compare the burdens of occupation licensing on a state-by-state basis. Many of the occupations listed such as optician, dental assistant, barber, truck driver, and EMT industries that offer employment to the currently and formerly incarcerated—were profiled in this study. The study's results show that California has a combination of high average licensing fees ($486), long education and experience requirements (827 days lost) and high number of licensing exams per industry (two).[14] Moreover compared to other states, California contains the most burdensome licensing environments for low-income workers. And, nearly 30 percent of California jobs require licensure, certification, or clearance by an oversight board or agency for approximately 1,780 different occupations. Applications for licenses are denied and licenses are revoked or suspended for many on the basis of prior convictions. Alleviating these burdens would be a boon for these industries and the employment rate in these industries.

Even policies remove occupational licensing barriers to employment, the state should not neglect

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[12] "Building Core: Multi-craft trades curriculum." https://www.efficiencycities.org/wp-content/uploads/062309/BCTD%20TriFold_v6.pdf.

[13] National Center for Construction Education & Research. "About Us." https://www.nccer.org/about-us.

[14] Dick M. Carpenter II, Ph.D., Lisa Knepper, Kyle Sweetland, and Jennifer McDonald, "License to Work: A National Study of Burdens from Occupational Licensing."*https://ij.org/report/license-work-2/ltw-state-profiles/ltw2-california/*.

the importance of comprehensive supportive and wraparound services during the pursuit of employment. These services aid in the rehabilitation process and provide a warm landing upon reentry—helping to provide a semblance of stability upon reentry. Increasing funding and development of live-in programs for offenders serving the last part of their sentence in community programs in lieu of confinement in state prison provide links to community rehabilitative services and programs. Thus, they would be better able to develops skills such as managing substance use disorder treatment, education, housing, family reunification, vocational training and employment services. Investments in local residency and support services to parolees including substance use disorders treatment, cognitive outpatient and drop-in programs for parolees provide support in employment assistance and placement, relationships, Cognitive Behavioral Therapies, education, housing and vocational training, behavioral therapies, life skills, employment, education and transitional housing are also necessary.

Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposal

Consistent with the Legislature’s and Administration’s previous and current focus on re-entry and wraparound support, the Senate’s spending plan includes $50 million General Fund one-time for a workforce recovery program to provide state funding to community based organizations to expand reentry service capacity, help fund MC3 programming, and programs that offer unsubsidized jobs in the community as well as allow providers to fund direct cash assistance for program participants.

Staff Recommendation. Hold Open

Issue 18: Allocation to California Youth Leadership Corps for Career Pathways

Panel

- Chas Alamo, Legislative Analyst’s Office
- Rosa M. García, Ed.D., Executive Director, California Youth Leadership Corps and Co-Director, Community Learning Partnership

Background

The California Youth Leadership Corps (CYLC) is a new statewide partnership among the California Labor and Workforce Development Agency, selected California community colleges, the California Community Colleges Chancellor’s Office, the Community Learning Partnership, local nonprofit organizations, the California Endowment, the Hilton Foundation, Haas Jr. Fund, and other community partners. This unique partnership was created to prepare a new generation of young people to become community organizers and change agents in their local communities. In Fall 2021 and Spring 2022, the CYLC will launch learn-and-earn career pathway programs in the cities of Los Angeles, San Jose, Riverside, and Fresno.

This unique partnership grew out of Governor Newsom’s economic recovery task force as a response to the staggering number of unemployed young people, particularly in communities of color and low-income communities across the state. To address this crisis, CYLC was created to prepare the next generation of young people to:

- Become community organizers and change agents in their local communities
- Increase civic engagement and power building among marginalized youth and their communities;
- Scale up community change learn-and-earn career pathways; and
- Strengthen the capacity of social justice organizations.

<u>Governor's Budget</u>

California Youth Leadership Program Language Justice Pathway. The Governor's budget includes $10 million one-time General Fund to expand learn-and-earn community change career pathways for community college students. This item was covered in the March 1, 2021 Subcommittee No. 5 hearing.

The CYLC Language Justice Pathways program will strengthen the workforce pipeline for community-based immigration legal services and other immigrant rights and social and climate justice organizations, by expanding language justice pathways for community college students.The participants will be able to receive critical supports and mentoring while enrolled. Students will be offered a postsecondary credential, paid internships with community-based immigration legal services providers and immigrant rights organizations, and a living wage of at least $15 per hour. Funding would will extend programs at Mission College in Los Angeles and Fresno City College, De Anza College in San Jose, Los Angeles Trade Tech College and Riverside Community College, with expansion to other community colleges across the state. This language justice pathway will offer students a postsecondary credential and internships with community-based immigration legal services providers and immigrant rights organizations.

CWDB will execute a direct allocation grant agreement and provide the funding to Emerald Cities Collaborative, the fiscal agent for the California Youth Leadership Corps. The funding will be granted to the CYLC Language Justice Pathways initiative in lump sum one advance payment with grant provision for fiscal and program monitoring conducted as required by statutory language to ensure funds are spent appropriately and program goals are met.

<u>Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals</u>

Additional Allocation to California Youth Leadership Corps for Additional Career Pathways. In addition to the Governor's January proposal, the Senate's spending plan includes $100 million General Fund one-time with the ability to expend or encumber funds over four years. The following are components of the overall proposal:

- **$25 million to Support CYLC Operating Expenses Over a Four-Year Period**: $25 million to support personnel, non-personnel/operations, faculty and staff support, consultants, and other program costs associated with fully implementing community change learn-and-earn career pathway programs at 20 selected community colleges over a four-year period. This includes the cost of co-designing and redesigning community change career pathway programs in the areas of public and community health, community planning and economic development, clean energy planning and development, environmental justice, community-based immigration legal services and language justice/interpreter training career pathways, leadership and social change and related areas.

- **$45 million to Support Scholarships and Student Salaries for Community-Building Internships.** $45 million to support 2,500 scholarships and student internship salaries over a four-year period. Each of the 20 community change learn-and-earn career pathway programs would receive a total of 125 scholarships/student internship slots, and program participants would receive up to $15,000 during their participation in the program. This funding would also cover emergency aid for students with challenging financial circumstances.

- **$30 million to Support Nonprofit Organizations/Host Organizations**. $30 million to provide a $6,000 stipend to nonprofit organizations for hosting interns and collaborating with CYLC to refine various aspects of the CYLC model. Most students will participate in internships over the course of at least two academic terms. Host organizations and community partners will receive a stipend of $6,000 per student. Nonprofit organizations and community partners will also participate in focus groups, trainings, and evaluation activities.

Staff Recommendation. Hold Open

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7350 DEPARTMENT OF INDUSTRIAL RELATIONS

Issue 19: Senate "Putting Wealth to Work" Proposals for a More Expansive and Inclusive Apprenticeship System

Panel

- Chas Alamo, Legislative Analyst's Office
- Eric Morrison-Smith, Executive Director, Alliance for Boys and Men of Color
- Juanita Douglas, Senior Manager & Labor Relations, Rising Sun Center for Opportunity

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.

Youth in Apprenticeships. The goal to grow apprenticeships, and the funding efforts devoted towards increasing apprentices to half a million by 2029, will demand a more expansive and inclusive apprenticeship system. As noted above, apprenticeships can create promising new pathways for young workers to well-paying, middle-class jobs. According to the United States Department of Labor, a youth apprentice is between the ages of 16 through 24. Youth apprentices are often eligible under the Workforce Innovation and Opportunity Act (WIOA) for training and employment services that allows employers to address current and projected employment needs through partnerships with industry, education, and government agencies.

Programs currently available for youth include Non-registered Pre-Apprenticeships, Registered Pre-Apprenticeships, and Registered High School Apprenticeships with required work permits issued by the school or district for participation. Entities seeking to establish a high school apprenticeship program must follow specific steps, including, among other things, the following:

- Contacting and working with the DAS to ensure approval;
- Identifying the employer(s) willing to employ and train apprentices;
- Identifying Local Educational Agency partners (such as a K-12 school/District, County Office of Education or Community College);
- Establishing and defining program standards, to be submitted to DAS for approval;
- Recruit students to apply to become apprentices.
- A California registered high school apprenticeship program includes at least 144 hours of classroom-based learning and 2000 hours of on-the-job training. Employers set a wage scale that involves pay advancements as competencies are achieved by the apprentice. The end goal is for the apprentice to reach the knowledge and skill level of a journey-level employee by the end of the program. Costs associated with establishing and running a high school apprenticeship program depends on the partnership and responsibilities of each entity, however, the overall amount of the investment is determined by the employer.

Of the 91,000 apprentices in California, only approximately 0.2 percent are youth. At the same time, the youth unemployment rate tends to be much higher than for older workers. In December of 2021, 16 percent of youth ages 16 to 19 and 11 percent of youth ages 20 to 24 were unemployed in California. During that same period, the unemployment rate for people aged 25 to 64 was 6.5 percent.

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.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

To support a more expansive and inclusive apprenticeship system, as well as build off of prior initiatives, the Senate's spending plan includes the following:

Establishment of Women in Construction Priority Unit at Dept. of Industrial Relations. $15 million General Fund ongoing and trailer bill language to promote and support women/nonbinary individuals into skilled trade careers.

California Youth Apprenticeship Program. $110 million General Fund per year for three years and trailer bill language to establish the Office of the California Youth Apprenticeship Program within the Division of Apprenticeship Standards at DIR to develop new, or expand on existing apprenticeship programs for 16-24 year olds who are unhoused, in the welfare, or juvenile justice system or otherwise facing barriers to labor market participation.

Staff Recommendation. Hold Open

7350 Department of Industrial Relations
7501 California Department of Human Resources

Issue 20: Staffing, Enhanced Enforcement, and Compliance

Panel

- Deanna Ping, DIR

- Josh Iverson, DIR
- Mario Guerrero, CalHR
- Chas Alamo, Legislative Analyst's Office
- Tia Koonse, Legal and Policy Research Manager at the UCLA Labor Center

Background

DIR and CalHR Overview. 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		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
6080	Self-Insurance Plans	22.8	26.1	26.1	$6,440	$6,835	$6,842
6090	Division of Workers' Compensation	991.0	1,147.0	1,158.0	248,524	270,304	273,740
6095	Commission on Health and Safety and Workers' Compensation	4.8	9.1	9.1	4,053	4,091	3,796
6100	Division of Occupational Safety and Health	738.7	858.9	893.9	172,772	214,245	199,882
6105	Division of Labor Standards Enforcement	658.9	753.4	816.9	139,939	154,717	145,502
6110	Division of Apprenticeship Standards	92.9	94.3	94.3	17,462	47,737	18,526
6120	Claims, Wages, and Contingencies	-	-	-	245,182	238,712	238,712
9900100	Administration	488.7	558.0	565.0	104,620	145,187	100,548
9900200	Administration - Distributed	-	-	-	-104,620	-145,187	-100,548
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**2,997.8**	**3,446.8**	**3,563.3**	**$834,372**	**$936,641**	**$887,000**

The Department of Human Resources (CalHR) is responsible for managing the state's personnel functions and represents the Governor as the "employer" in all matters concerning state employer-employee relations. CalHR is responsible for issues related to recruitment, selection, salaries, benefits, and position classification, as well as provides a variety of training and consultation services to state departments and local agencies. CalHR's main objectives are to:

- Manage examinations, salaries, benefits, position classification, training, and all other aspects of state employment other than those areas assigned to the State Personnel Board under the civil service provisions of Article VII of the California Constitution.
- Represent the Governor in collective bargaining with unions representing rank and file state employees.
- Set salaries and benefits for employees excluded from collective bargaining and employees exempted from civil service.
- Serve as the sole fiduciary and administrative body for the Savings Plus Program (defined contribution program for full-time and part-time state employees).
- Provide legal representation to state agencies for appeals of disciplinary actions and labor relations matters.
- Hold ex-officio membership to the 13-member Board of Administration of the California

Public Employees' Retirement System.

Current Issues. The state has enacted many laws to improve conditions for workers but staffing for enforcement, education, and compliance has not kept pace with the growth of the state. As a result, the time to resolve worker claims regarding wage theft and retaliation have taken longer than intended—especially to the disadvantage of low-income California workers. A central focus of the delays has been staffing issues at DIR. As of January 2022, DIR reported a total of 852 vacancies. DIR has been conducting aggressive recruitment and hiring efforts, which resulted in 725 appointments in the prior calendar year. According to DIR, continuing focused efforts are underway for the current year with an emphasis on filling enforcement and leadership vacancies.

As well, the importance of resolving these issues is compounded by a potential 2022 ballot initiative to repeal the Labor Code Private Attorneys General Act (PAGA). Currently, PAGA authorizes aggrieved employees to file lawsuits to recover civil penalties on behalf of themselves, other employees, and the State of California for Labor Code violations.

This item will discuss the steps that DIR has taken to address its staffing issues as well as cover the Senate's DIR Retaliation Complaint Investigation Unit proposal.

<u>Governor's Budget</u>

Enhanced Enforcement and Compliance (Various 2021 Legislation). The Governor's budget proposes $10.4 million and 53.5 positions in 2022-23, decreasing to $2.7 million and 13 positions by 2025-26, and ongoing, to implement various chaptered legislation. This item was covered in the March 1, 2022 Subcommittee No. 5 hearing and is part of the vote-only calendar for this hearing (Issue 11)

<u>Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals</u>

The Senate's spending plan includes the following proposal in addition to the Governor's budget proposal to addressing retaliation at Labor Commissioner. Specifically, the proposal is for $14 million General Fund ongoing to increase resources and staffing at DIR's Retaliation Complaint Investigation Unit based on frequency of retaliation among low-wage workers and long delays to get claims processed.

<u>Suggested Questions</u>

Questions for DIR

- How many vacancies exist at DIR today? What is the vacancy rate per division at DIR?
- What is DIR's recruitment and retention strategy overall?
- What is the average time to process claims based on retaliation? What is the average time to process claims based on wage theft? What are the department's perceived shortfalls and potential ways to address these delay issues?
- Is there a current backlog in processes claims for retaliation and wage theft? If so, please explain the backlog.

- What is the role of DIR in DLSE and DOSH hiring?
- Can you walk us through the process, start to finish, for an existing vacancy to be filled in DLSE or Cal/OSHA?
- How many bilingual positions are there in DOSH & DLSE?
- Given the high non-English speakers in low wage industries, how are you increasing the number of bilingual professionals?

Questions for CalHR

- What is the role of CalHR in Division hiring?
- How many employees are assigned to working on hiring for DIR?
- How long does it take to review hiring requests? Please describe the requirements and process to hire bilingual employees?
- How/Do college degree requirements within CalHR processes impact state hiring practices for DIR?

VARIOUS DEPARTMENTS

Issue 21: Senate's "Putting Wealth to Work" Proposal to Support Small Business and Nonprofits

Panel

- Chas Alamo, Legislative Analyst's Office

Background

Impacts of COVID-19 on Small Businesses and Non-Profits. Small businesses have been disproportionately affected by the COVID-19 pandemic and the related health and safety restrictions, with hundreds of thousands of businesses permanently shuttered and many more on unstable financial footing. In 2021, small business revenue in California is down more than 30 percent, with the hardest hit sector, leisure and hospitality, down over 70 percent.

Existing State Aid for Small Businesses and Non-Profits. Executive Order No. E 20/21-182 allocated $500 million from the Disaster Response-Emergency Operations Account to fund the COVID-19 Relief Grant Program, in order to provide financial relief to small businesses suffering from the economic impacts of the COVID-19 pandemic. The program was administered by the CalOSBA within the Governor's Office of Business and Economic Development, also known as GO-Biz. CalOSBA used five percent of this funding to contract with a Community Development Financial Institution (CDFI) to administer the program. The second and final application round of this program recently closed, and all of the money should have been distributed by April 1, 2021.

As part of an early action package, SB 87 (Committee on Budget), Chapter 7, Statutes of 2021 established the California Small Business COVID-19 Relief Grant Program within the California

Office of Small Business Advocate (CalOSBA) to assist qualified small businesses affected by COVID-19 through the administration of grants. This bill appropriated $2.075 billion to fund the program, including $50 million for nonprofit cultural institutions.

Since Pandemic Began, State Has Received $20 Billion in Federal UI Loans. Prior to the pandemic, at the start of 2020, the state's UI trust fund held $3.3 billion in reserves. Despite these reserves, the state's UI trust fund became insolvent during the summer of 2020, a few months following the start of the pandemic and associated job losses. California, like many other states, used federal loans to continue paying benefits during the pandemic. In total, the state needed to borrow about $20 billion from the federal government, roughly twice the amount the state borrowed for UI benefits during the Great Recession.

Businesses Set to Pay Add-On Federal UI Tax Beginning in 2023. To repay the federal loans, the federal UI payroll tax rate on employers will increase by 0.3 percent for tax year 2022. However, employers will not pay this higher rate until 2023 when employers remit their 2022 federal UI payroll taxes. To give some context to the size of increased federal UI taxes that employers will pay to repay the loans, Figure 1 from the LAO shows a hypothetical employer's combined state and federal UI tax liability for a single employee over the next several years.

Governor's Budget Proposal. The Governor's budget proposes to pay down a portion of the UI debt- $3 billion General Fund over two years ($1 billion in 2022-23, and $2 billion General Fund in 2023-24)- and the forecasted UI interest payment- $470.1 million one-time General Fund.

According to the LAO, Governor's $3 Billion Repayment Would Lower State Interest Costs and Employer Costs... According to the LAO, the Governor's proposal would reduce the amount of outstanding federal UI loans. As a result, the proposal would reduce state interest costs immediately. The state also would face lower interest payments each year the loan remains outstanding. The LAO estimates that the Governor's proposed $3 billion payment likely would reduce General Fund interest costs over the repayment period by a total of $550 million to $1.1 billion.

…But Provide No Near-Term Economic Relief to Employers or Workers. The proposed state payment also would reduce employer costs in the future. In general, the $3 billion deposit would reduce the amount employers must repay by $3 billion. However, employers would not benefit from these lower costs for many years. This is because the federal tax increases remain in place until the loan is fully repaid, which would still take several years even with the $3 billion payment. Further, although the state payment could shorten the number of years that employers pay the increased federal tax rates, employers may see no direct benefit if the payment is too small to reduce the repayment schedule by a full year. (In this case, employers would nevertheless pay the higher federal UI tax rates, but the carryover revenue would instead be deposited into the state UI trust fund. These funds would be available to pay UI benefits in future years.)

COVID-19 Supplemental Paid Sick Leave. SB 95 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2021, re-established COVID-19 supplemental sick leave for employers, as defined under existing law, who have more than 25 employees. The bill specified that employees were entitled to up to 80 hours of supplemental sick leave due to quarantine or isolation related to COVID-19, attending an appointment or experiencing symptoms related to COVID-19 vaccine, experiencing COVID-19 symptoms, caring for a family member who is subject to quarantine, or caring for a child whose school or place of care is closed due to COVID-19. The bill provided

$100,000 from the General Fund to the Labor Commissioner for resources to implement and enforce the provisions of the bill. This supplemental leave was available through September 30, 2021.

SB 114 (Committee on Budget), Chapter 4, Statutes of 2022 made various statutory changes to extend COVID-19 supplemental paid sick leave provisions that expired on September 30, 2021. Most notably, the law requires employers with more than 25 employees to provide up to 40 hours for workers in the public and private sector as specified. The law also entitles a covered employee, in addition to the 40 hours of COVID-19 supplemental paid sick leave, to take up to 40 more hours of COVID-19 supplemental paid sick leave if the covered employee, or a family member for whom the covered employee is providing care, tests positive for COVID-19. Since the law's implementation the subcommittee has been in receipt of concern letters from employers due to the lack of relief provided to employers.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

The Senate's spending plan includes the following proposals:

- **Rebates to Reimburse UI Costs.** Provides Small Business, with up to 250 employees, rebates for the costs of repaying federal unemployment debt. Trailer bill language includes intent for rebates to be provided through the full 10 year repayment period, roughly a $10 billion cost over ten years. This plan appropriates funds for the rebates through 2024, with rebates beyond then requiring additional appropriation.

- **Relief Grants for Paid Sick Leave Costs.** Establishes a third party administered grant program for Small Businesses and Nonprofits, with up to 150 employees, to offset costs incurred by recently enacted Paid Sick Leave program.

Staff Recommendation. Hold Open

Issue 22: Various Senate "Putting Wealth to Work" Proposals for Labor, Workforce Development, and Worker Rights

Panel

- Chas Alamo, Legislative Analyst's Office

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

The Senate's spending plan, in addition to the items covered in issues 14-19, includes the following proposals:

- **UC Worker Rights Policy Collaborative.** $13 Million General Fund in 2022-23 and ongoing to strengthen and expand the future of labor research and education to advance labor and employment policy, workforce development, education and training.

Annual augmentation would be split between the established programs at UC Berkeley ($3 million), UCLA ($3 million), UC Merced ($3 million), the UC Berkeley Labor Occupational Health program ($500,000), the UCLA Labor Occupational Safety and Health Program ($500,000), and new initiatives on other UC campuses ($3 million).

Staff notes that this appropriation is proposed for the University of California budget and that the item was on the May 10, 2022 Subcommittee No. 1 agenda for higher education.

- **COVID-19 Workplace Outreach Project (CWOP) at Labor and Workforce Development Agency.** $100 Million General Fund over two years to extend the CWOP project. California COVID-19 Workplace Outreach Project partner organizations are conducting outreach activities to educate workers and employers in high-risk industries, such as the food and agriculture sectors, on how to minimize the spread of COVID-19 in the workplace, and educating essential workers about COVID-19-related labor laws. Current funding was slated to expire in April 2022.

- **California Hospitality Training Center**. $40 million General Fund one-time for the Hospitality Training Academy to acquire and repurpose the State-owned vacant EDD building at 5401 Crenshaw Blvd. to bring a Regional Training Center to Los Angeles County. Funding would be used to transform this long-abandoned property to a modern, multi-union training center with a commercial kitchen. This center will incorporate High Road Training Partnerships and enable participants to provide this training to disadvantaged and vulnerable communities, and place these residents into union jobs with living wages, benefits and worker voice.

- **Proyecto Pastoral at Dolores Mission**. $5.35 million General Fund one-time to support general operations and expansion of critical services in the low-income, under-resourced community of Boyle Heights in Los Angeles.

- **Homeboy Industries.** $5 million General Fund one-time to assist Homeboy Industries in expanding its Feed HOPE operations to establish a commissary kitchen and job training center, the Feed Hope Training Center. This project will provide quality jobs and job training for more than 75 formerly incarcerated, gang involved individuals and serve as a trauma informed training center for those seeking to change the arc of their lives.

- **The Hollywood Partnership.** $400,000 one-time General Fund in 2022-23 and $400,000 in 2023-24 and ongoing to add hospitality ambassadors This will create additional jobs in the community and provide the hospitality services needed for those in the community.

- **Garment Worker Center.** $8 million General Fund one-time to the Garment Worker Center for a justice campus in the Los Angeles Fashion District to provide labor rights education and advocacy, legal services, mutual aid, job creation, and workforce development.

- **SB 62 Statutory Fix.** The Senate's plan includes trailer bill language to correct an erroneous cross-reference contained in the provisions and would also make other nonsubstantive changes. This fix was highlighted in the March 1, 2022 Subcommittee No. 5 hearing.

- **New Employee Orientation.** Includes trailer bill language to update and modify language from the 2017 and 2018 Budget Acts on new employee orientation for public employees.

Staff Recommendation. Hold Open.

7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES

Issue 23: California Leads as an Employer Implementation

Panel

- Evelyn Suess, Department of Finance
- Nick Schroeder, Legislative Analyst's Office
- Mario Guerrero, CalHR

Background

Civil Service Based on Merit Principle. California's current system of state civil service employment dates back to the November 1934 election, when voters approved Proposition 7, adding what is now Article VII to the State Constitution. The Constitution requires that all appointments and promotions within the civil service be made under a general system based on merit determined by competitive examination. All state employees are in the civil service unless specifically exempted by the Constitution. As a result, practically all of the state's non-higher education executive branch employees—outside of the very top ranks of management (such as department directors and deputy directors)—are in the civil service. In the more than 80 years since the voters first established the civil service, a variety of statutes, decisions, rules, practices, and case law have built upon the constitutional framework of a merit-based civil service system. Collectively, these civil service rules establish the state's policies for hiring, promoting, disciplining, and terminating state civil service employees. The State Personnel Board is tasked by the Constitution to oversee the implementation of the merit principle in state government.

State Jobs Organized Into Classifications That Establish Salary Ranges. The state civil service is comprised of more than 240,000 full-time equivalent employees. These employees work in a variety of jobs across state government. State jobs are organized into about 4,500 classifications. Each classification defines the minimum qualifications needed for a candidate to be hired or promoted. In addition, a salary range is established for each classification. These salary ranges determine the minimum and maximum salaries that an employee may earn in that job classification.

CalHR Oversees Non-Merit Personnel Policies. CalHR is responsible for managing non-merit-related state personnel policies, including issues related to recruitment, selection, salaries, benefits, position classification, and training. In addition, as discussed in greater detail below, CalHR represents the Governor in the collective bargaining process and reports information to the Legislature about the state workforce. In 2021-22, CalHR's budget comprised $119.3 million ($13.7 million General Fund) and 372.9 positions.

Collective Bargaining Process Determines Changes in Salaries. The Ralph C. Dills Act authorizes collective bargaining between state employees and the Governor. The state's 4,500 job classifications are organized into 21 bargaining units. Each bargaining unit is represented by a union in the collective bargaining process. The Governor is represented by CalHR. Through the collective bargaining process, the state and its employees agree to terms and conditions of employment, including salary increases that increase the salary ranges of state job classifications.

CalHR Reports on Specific Demographic Information of the State Workforce. Through statute, CalHR is required to submit to the Legislature reports regarding demographic information about the state workforce. These reports include the Annual Census of Employees in State Civil Service (fulfilling requirements established under Government Code Sections 19237; 19402; 19405; 19792 subdivisions (h), (i), and (j); and 19792.5 subdivisions (a) and (b); and 19793) and the Women's Earnings in State Civil Service report (in accordance with Section 19827.2 of the Government Code). In addition, the CalHR website includes demographic statistical reports for each department as well as statewide (these data are compiled as part of a requirement established under Section 19797 of the Government Code that each state department annually update and assess its equal employment opportunity plan, including identifying racial/ethnic and gender groups that are underrepresented in the department).

"California Leads as an Employer" Taskforce. In September 2019, the Governor established a taskforce to provide recommendations to improve the state workplace across four areas: sexual harassment and discrimination prevention and response, diversity and inclusion, public safety diversity, and racial and gender pay equity. The taskforce consisted of representatives from within the executive branch of state government. The taskforce submitted its recommendations to the Governor in July 2021. The recommendations that the taskforce made to the Governor are not public; however, the Administration indicates that the proposal discussed in this analysis is based on a number of those recommendations.

<u>Governor's Proposal</u>

Proposal to Begin Diversity, Equity, and Inclusion Effort in the State Workforce. The administration requests 43 permanent positions and $7.6 million ($6.3 million General Fund) in 2022-23 and $6.8 million ($5.5 million General Fund) ongoing in order for CalHR to implement specific policy recommendations proposed by the administration's taskforce. The LAO provides a high-level summary of the major components of the proposal below. The overarching goal of these proposals is to take initial steps towards making the state a more equitable, diverse, and inclusive place to work.

Hiring and Training Processes. The proposal includes components, discussed below, intended to improve the state's hiring process and trainings.

- ***Adopt Anonymous Hiring (Three Positions).*** In an effort to remove implicit bias from the hiring decision-making process, the administration proposes adopting an anonymous hiring process whereby certain personal information from job applicants' resumes or applications would be redacted prior to hiring managers viewing the documents. Implementing this policy would require updates to the Examination and Certification Online System.
- ***Establish Statewide Apprenticeship Programs (Ten Positions).*** The state currently has very limited apprenticeships available that are targeted to state service jobs—generally limited to trades, like mechanics. Under the proposal, CalHR would work to develop more varied apprenticeship programs in an effort to establish a pipeline for job applicants who historically have been underrepresented in certain job classifications.
- ***Update CalCareers (Three Positions).*** CalCareers is the online portal used by job applicants to search and apply for state jobs. Under the proposal, CalHR would make a number of updates to the system intended to make the system more user-friendly, secure, and accessible.
- ***Statewide Employee Engagement Program (Three Positions).*** Employee engagement is important because it improves employee morale and general job satisfaction. The administration proposes developing a statewide employee engagement program.
- ***Establish Equal Employment and Opportunity Academy (Four Positions).*** In an effort to keep equal employment opportunity professionals in state government apprised of employment and civil rights laws, the administration proposes establishing an academy that will provide trainings to these individuals and provide ongoing guidance to departments on departmental policies. The proposal highlights seven specific training courses that CalHR would develop and provide.

Improvements to Data Collection and Systems. The proposal includes components, discussed below, intended to improve state human resources data collection, maintenance, and analysis.

- ***Create New Unit to Collect and Analyze Data (Seven Positions).*** The administration proposes establishing a new unit under CalHR's Financial Management Division. The unit would focus on collecting and analyzing demographic and other data to support the administration's efforts to establish a diverse and inclusive workforce. In the short term, the unit would focus on gender and racial pay equity issues across all classifications and all departments.
- ***Improving Statewide Tracking of Training (Three Positions).*** Currently, a centralized record of what trainings an employee has received during their state service is not accessible to all departments. The administration proposes creating a system that would allow all departments to share and access employee training history.

Development of Diversity, Equity, and Inclusion Strategic Plan (Five Positions). The administration intends to use much of the lessons it learns through the establishment of the above described initiatives to develop a statewide strategic plan aimed at making the state a diverse, equitable, and inclusive place to work. As this plan is developed, the LAO anticipates that the administration would submit more budget requests to the Legislature.

<u>Legislative Analyst's Office Analysis and Recommendations</u>

Proposal Reflects Start of a Multipronged and Multiyear Initiative to Address Big Issue. This request is a major budgetary request for CalHR and initiates a process for major policy changes in the department's role in overseeing the state's workforce. The request attempts to improve or establish a variety of state programs with the overarching aim of making the state a better employer and making the state workforce more representative of the public that it serves. Especially considering the sheer size of state government along with the more rigid and bureaucratic nature of the state civil service, taking a multipronged approach to address diversity, equity, and inclusion in the state workplace makes sense.

The Administration's intention of making this an iterative process also makes sense. Much of the work proposed under this request could inform future policies and initiatives to advance the overall goal of making the state a better place to work. From the perspective of legislative oversight, this has an added benefit of giving the Legislature multiple opportunities to evaluate the progress the administration is making towards its goals. The LAO's comments below focus on the data collection efforts under the proposal because the LAO thinks that any successful effort to establish a statewide diversity, equity, and inclusion strategy would require significant improvements to the data currently collected.

Existing Data Are Problematic… Federal law (Public Law 88-352, Title VII of the Civil Rights Act of 1964) requires each state and local government to maintain specific demographic data on its workforce to report these data to the U.S. Equal Employment Opportunity Commission. The data that CalHR currently collects and makes public about the demographic composition of the state civil service are collected using a form (known as CalHR Form 1070) designed to comply with federal law. This form asks employees to identify their gender—either "male" or "female"—and their race/ethnicity. When identifying their race/ethnicity, employees may only select one option from among 20 categories, including "multiple races (non-Hispanic or Latino)." There is no "other" or "not listed" option. In addition, an employee can choose to not self-identify. However, the form specifies that, if an employee does not self-identify, "the department is required to visually identify under federal law." The data collected using this form are problematic for a few reasons. First, the race/ethnicity and gender options available might not reflect how the employee actually identifies. For example, there is no option for an employee who identifies their gender to be non-binary or for an employee to identify their race/ethnicity as Middle Eastern/North African. Second, there is no standardized guidance given to departments as to how they should visually identify employees. The form states that "if you elect not to provide the information requested, CalHR will not be able to effectively evaluate the representation of the state civil service workforce." The administration indicates that, as of January 31, 2022, 14 percent of state employees' race/ethnicity was visually identified by management.

…But Identify Potential Issues of Diversity in the Workforce. Notwithstanding the problematic origins of some of the demographic data collected by CalHR, a number of observations can be made that suggest the state can improve racial/ethnic and gender representation in the state service. Overall, the state workforce is not representative of the demographic composition of the state population. For example, although Hispanic or Latino people accounted for 37 percent of the state working-age population in 2021, only 26 percent of state employees were identified to be Hispanic or Latino at that time. Some classifications have higher concentrations of different racial/ethnic groups than others. For example, although 40 percent of the entire state workforce was White in 2021, 68 percent of the state's firefighters were White at that time. Similarly, although 26 percent of the state workforce was identified as Hispanic or Latino in 2021, 49 percent of correctional officers were Hispanic or Latino at that time.

There also is significant variation in gender diversity by classification. Specifically, certain classifications are more or less likely to be filled by men or women. For example, in 2021, 75 percent of the 31,347 state jobs that were considered to be office and administrative support occupations were filled by women while 86 percent of the 43,980 state jobs that were considered to be protective service occupations were filled by men. Because compensation in state employment is determined by an employee's classification, the fact that demographic trends vary across state classifications means that compensation varies across state employees, depending on their race/ethnicity and gender. For example, the most recent Women's Earnings in State Civil Service report identified that the median woman in state service earns about 14 percent less than the median man in state service. The report explains that this pay gap exists primarily because women tend to work in classifications that are lower paid than the classifications that men dominate.

Administration's Proposal Should Allow for Better Data and Analyses Going Forward to Inform State Policy. A major feature of this proposal is that it should allow the state to collect better data. These improved data would allow the state to better identify where there might be diversity issues with the state's recruiting, hiring, and promoting processes. This proposal in and of itself would not lead to the implementation of a plan to address any diversity, equity, and inclusion issues, however. Instead, the LAO understands that this proposal would lead to improved data collection and analysis that would, in turn, identify issues—either within certain classifications or more broadly—and inform future proposals submitted to the Legislature by the administration. In other words, this is the first in likely a series of requests from the administration to implement a broader, yet to be fully defined, initiative to improve the diversity, equity, and inclusivity of the state workforce.

LAO Recommendation:* *Approve Proposal. The LAO raises no objections to the merits of the proposal and think that it is a reasonable first step in identifying and addressing diversity, equity, and inclusion issues in the state workforce. However, the Administration's work in developing this diversity, equity, and inclusion policy is in its infancy. As such, as the LAO discusses below, the LAO thinks that legislative oversight of the process as CalHR more fully develops the state's specific policies in this area will be very important.

LAO Recommendation: Provide Legislative Oversight of Process. This proposal, in conjunction with four other proposals to augment CalHR's budget, constitute a significant increase in CalHR's resources and staffing levels in 2022-23. Relative to 2021-22, these proposals would increase CalHR's appropriation authority by 15 percent and its position authority by 22 percent—a large and fast increase in staffing. While the LAO understands the proposal is informed by the findings of the California Leads as an Employer taskforce, because the full taskforce report is not publicly available, assessing how the administration decided to pursue certain policy recommendations from the report over others is difficult. Because the proposal is to fund the initial stages of what ultimately would be a more developed initiative, the LAO anticipates that the Administration will submit additional proposals related to diversity, equity, and inclusion in the state workforce over the next several years. The policies that will be developed in the future as a result of this proposal likely will have significant implications for the state as an employer. As such, the LAO thinks it is important that the Legislature actively oversee the development of this policy going forward.

Due to the iterative nature of this initiative—and its current early stage of development—going forward, the LAO recommends that the Legislature require regular, reporting on its progress. Specifically, the LAO recommends that the Legislature require the Administration to report to the Legislature on or before January 10, 2023 (1) its progress in filling the positions requested for 2022-23; (2) its progress in developing a diversity, equity, and inclusion strategy; (3) any changes it would recommend to existing legislative reporting requirements of CalHR regarding the demographic makeup of the state workforce in light of new data made available from the implementation of this proposal; (4) any challenges it experiences in the implementation of the initial stages of the initiative; and (5) what the administration sees as its next steps in its overarching plan to make the state a better employer. Going forward, the LAO recommends that the Legislature continue to require the administration to provide regular reporting on the progress of this initiative.

Suggested Questions

- We ask CalHR to respond to the LAO's recommendations.
- How do programmatic issues like the Cal HR hiring timeline and not having materials in multiple languages impact the diversity of the potential candidate pools for state agencies? How does CalHR plan to address these issues?
- Has CalHR contemplated ways to connect the incarcerated and reentry population to civil service jobs?
- Which/ Are there specific agencies that CalHR is targeting for the apprenticeships?
- Is there a specific outreach plan for disadvantaged communities?
- Are there specific milestones or goals that CalHR is seeking to hit with this proposal? For example, are you planning for a reduction in application timeline or process due to the improvements to CalCareers?

Staff Recommendation. Hold Open.