

LABOR AND WORKFORCE DEVELOPMENT

Despite marked economic improvements in recent months, the state's labor market continues to be impacted by the negative effects of the COVID-19 Pandemic—especially in certain sectors and populations. Hiring has begun to recover across the state and California's unemployment rate has improved to 8.3 percent in March 2021, down from a high of 16 percent in April 2020.

To help continue this trend toward recovery, the May Revision includes a \$1.1 billion Jobs Package—an investment in regions and local collaboratives to support communities across California in planning and implementing economic and workforce development strategies that support the state. This will assist the state as it recovers from the economic impacts of the pandemic, while meeting the state's commitments to equity, carbon neutrality, sustainable economic growth, and the creation of high road jobs.

Continued investment in programs supporting jobs is needed given the continued unemployment levels resulting from the pandemic. And given the experience with unemployment insurance claims, the May Revision also includes significant one-time resources to help address challenges facing the Employment Development Department (EDD).

BUILDING ECONOMIC RESILIENCE

As regions across the state recover from the economic impacts of the pandemic, it is critically important that they have the tools and financial support to move California toward a more sustainable, resilient, and inclusive future. Transitioning regional economies to meet a climate-resilient, carbon neutral, and equitable economic future requires strong state support for bottom-up planning and implementation of high road economic growth strategies that recognize and build on existing industries, regional diversity, and current and emerging workforce.

Supporting regions in the high road transition toward a more sustainable, resilient, and inclusive economy is foundational to the state's economic security, the ability to manage climate risks and capture opportunities in leading on the broader climate agenda, and equity and prosperity for all Californians.

The entire Jobs Package leverages the significant climate-smart infrastructure investment proposed in other sections of the May Revision, including for zero-emission vehicles (ZEV) infrastructure, climate resilience, transit systems, advanced biomass projects, and oil well capping and remediation.

COMMUNITY ECONOMIC RESILIENCE FUND

The May Revision includes \$750 million one-time federal American Rescue Plan Act of 2021 (ARPA) funds for the Community Economic Resilience Fund (Fund), which will be established to support regional and local planning and implementation of strategies to adapt to and seize the opportunities that come with a changing economy.

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

The Fund will include dedicated planning and implementation funding for High Road Transition Collaboratives across California's diverse regions. These collaboratives will bring communities together through an inclusive process to produce a roadmap for economic growth that prioritizes the creation of accessible, high-quality jobs in future-looking industries. These include but are not limited to jobs in "advanced energy" industries such as renewable energy, ZEVs, or energy efficiency; in future-looking

industries such as carbon removal, advanced manufacturing and agriculture, climate restoration and resilience; and a wide range of other industries critical to the state's long-term economic growth.

The Fund will focus on High Road Transition Implementation Grants so that planning results in action. Strategies will be tied to the Budget's direct infrastructure investments across multiple categories—housing, transportation, advanced energy, broadband, and natural resources—all of which will prioritize the creation of high quality jobs for regions across the state. And they will work, within each of those industries, through the High Road Training Partnerships included in this package.

WORKFORCE TRAINING AND INDUSTRY PARTNERSHIPS

Getting Californians back to work is the key to a broad based and equitable labor market recovery. The pandemic resulted in record unemployment rates, and the impacts to the state's labor market will be realized for years. Particularly at risk are those at the edge of the labor market, such as young adults, women, people of color, and those with barriers to employment. These groups are typically the first to experience the effects of an economic downturn and the last to recover.

The May Revision focuses on one-time investments for the Labor and Workforce Development Agency (Labor Agency) that build on previous initiatives to support sustainable projects in infrastructure, education, and job creation. The package also includes new investments for the California Workforce Development Board (Workforce Board) to align programs with the California Community Colleges and expand direct workforce training and job placement services for approximately 50,000 additional Californians over the next five years.

SKILLS TRAINING

The May Revision includes significant resources to expand the state's workforce development programs and partnerships. These proposals center around a commitment to expanding “earn-and-learn” and other industry-based training strategies to allow Californians to advance their skills and earning potential without having to forego income necessary to support themselves and their families. The May Revision includes \$160 million for these purposes:

- **Employment Training Panel**—\$50 million one-time General Fund for the Employment Training Panel (ETP) to support training opportunities for new and incumbent workers and address skills gaps in economically disadvantaged regions. These resources will

allow the ETP program to provide training resources to industries it traditionally has not addressed, including health care, information technology, advanced manufacturing, as well as training targeted toward public sector jobs.

- **High Road Training Partnerships**—\$90 million for the Workforce Board to fund additional High Road Training Partnership (H RTP) opportunities. This builds upon the \$25 million proposed in the Governor's Budget, totaling \$115 million for H RTPs. These training partnerships up-skill the current workforce while creating pathways for new hires and prioritize workers from disadvantaged communities, including justice-involved and disconnected and at-risk older youth.
- **Construction Apprenticeships**—\$20 million for the Workforce Board to develop apprenticeships in residential construction. These apprenticeships will be the result of a partnership between the state and local workforce boards, the University of California and California Community Colleges, philanthropic organizations, and the housing industry, and will build upon existing programs to ensure these opportunities can be deployed quickly.

Many of these programs will target those industries hit hardest by the pandemic, such as hospitality and property services. These sectors were among the first to experience the hardships and economic impact of the pandemic, and include workers in hotels, convention centers, sports arenas, airports, and office buildings. These industries employ significant numbers of women, immigrants, and people of color. Other partnerships will target industries in transition, such as advanced manufacturing, or those critical to the state's other policy efforts, including healthcare; trade, transportation, and logistics; forestry and agriculture; and construction, including residential construction.

STRENGTHENING CALIFORNIA COMMUNITY COLLEGES WORKFORCE DEVELOPMENT STRATEGIES

In addition to the Workforce Board's skill training programs for workers impacted by the pandemic, the May Revision provides \$157 million one-time General Fund to foster new cooperative efforts between workforce programs and the California Community Colleges (CCCs).

The CCCs serve nearly 2.1 million students annually and play a critical role in educating and training the skilled workforce needed for the state to meet its changing needs. The May Revision provides one-time investments for collaboration between the CCCs and the Workforce Board:

- \$50 million one-time General Fund for the Workforce Board to create industry-based and worker focused programs in healthcare, cybersecurity, and other growing sectors. These will establish HRTPs on an accelerated timeline to align with community college pathways to bridge California students into good jobs. These flexible programs will give workers the skills they need to compete in the coming decades. In addition, the May Revision proposes \$10 million Proposition 98 General Fund for CCCs to align their programs with these HRTPs.
- \$50 million one-time General Fund to the Workforce Board to fund regional equity and recovery partnerships between regional community college consortia and regionally organized workforce boards. Working from existing regional and industry planning, successful partnerships will assess regional hiring demand for good quality jobs and then design short-term targeted education, training, and job placement. The May Revision also includes an additional \$10 million Proposition 98 General Fund for the CCCs to participate in these efforts.
- \$42 million General Fund to the ETP to leverage existing community college contract education units to provide small businesses with new and incumbent employee training and accelerate their recovery.
- \$15 million one-time General Fund for building a shared data infrastructure between the Chancellor's Office and the Labor Agency as a foundational piece of this relationship. This infrastructure will simplify collaboration, job outcomes, and other data gathering elements.

In addition, the May Revision includes \$20 million one-time Proposition 98 General Fund for the community colleges to pilot a competency-based education model and expand work-based learning and programs for targeted industries.

OTHER WORKFORCE INVESTMENTS

As referenced in the Higher Education Chapter, the May Revision:

- Proposes \$1 billion in one-time American Rescue Plan Act of 2021 funds for the California Student Aid Commission to establish a one-time grant program to support displaced workers seeking reskilling and up-skilling opportunities, educational opportunities, or to support some of the costs to start a business.
- Allocates the \$250 million one-time General Fund set-aside in the Governor's Budget to support linkages between higher education and employment to establish a grant

program to support between five and eight regional collaboratives, modeled after the Fresno K-16 Education Collaborative.

EMPLOYMENT DEVELOPMENT DEPARTMENT

During the pandemic, the federal government enacted temporary wage replacement programs for workers typically ineligible for unemployment insurance (UI) benefits. As the pandemic continued, federal legislation provided unemployed workers additional time to regain employment by maintaining extended UI benefits. As a result, over the last 14 months, UI claims increased as Californians filed over 22 million claims with the EDD, which issued over \$140 billion in benefits.

As EDD worked to manage this unprecedented level of claims, it also began implementing the recommendations from the EDD Strike Team, which the Governor had tasked with creating a blueprint for improvements to and modernization of the UI program. The EDD took steps to address the top four priorities, creating dashboards that measured the daily UI claims processes, procuring an identity verification solution, adopting and implementing plans to address claims, and providing a document upload system for applicants. EDD has continued to work on the implementation of the additional Strike Team and audit related recommendations.

However, deferred workloads, benefit renewal workload, and other administrative issues remain. The May Revision includes \$305.4 million in 2021-22 and an additional \$14.7 million in 2022-23, as detailed below, to address the immediate challenges EDD faces while also building long-term, sustainable, and flexible processes that will modernize and strengthen the Department's efforts, allowing it to best serve the people of California.

ADDRESSING DEFERRED AND PROSPECTIVE WORKLOADS

The May Revision includes \$276.3 million one-time General Fund to enable the EDD to address deferred workloads and the ongoing work associated with claim volume and benefit renewals, extensions, and recertifications. Absent additional resources, EDD estimates that there are over 11 million work items—including determinations, employer protests, screening benefit crossmatch data, and identity documentation—to be addressed that will take approximately 3.5 years to complete. The May Revision includes resources for contract services to complete the workload in approximately 12 months.

IMPROVING ACCESS TO EDD SERVICES

The pandemic has exposed many of EDD's antiquated processes and outdated infrastructure, resulting in a delay or inability for many Californians to access UI benefits. This has been especially true for those in hard-to-reach communities, including the seven million non-English speaking Californians. The May Revision includes the following investments to improve EDD's infrastructure and claimants' experiences:

- **Language Access**—\$21 million over two years to improve education and outreach in communities requiring multilingual access to EDD services and programs by:
 - Dedicating resources to translation services to create a multilingual access portal to EDD's website and to translate forms and notices.
 - Establishing a multilingual access unit and expanding existing interpretive services.
 - Providing grants to community-based organizations for outreach and education to Limited English Proficient communities.
- **Unemployment Insurance Navigators**—\$11.4 million in 2021-22 and 2022-23 to support trained staff in the America's Job Centers of California. These staff will provide in person guidance to individuals filing benefit claims, particularly helping those without the technology or ability to access the EDD's online resources.
- **Direct Deposit**—\$11 million over two years for the EDD to develop and implement a direct deposit option for Unemployment Insurance, Disability Insurance, and Paid Family Leave claimants. This option will make the disbursement of benefits faster and simpler for claimants, who will avoid the extra process needed to transfer funds between a debit card and bank account.

RE-IMAGINING BENEFIT SYSTEMS MODERNIZATION

EDD has spent years preparing to modernize its benefit systems. The pandemic has emphasized the importance of these efforts while also informing a future approach that considers the lessons learned from the pandemic to improve services. The May Revision includes \$11.8 million one-time General Fund to reengage the planning and modernization of the Department's information technology systems. This revised effort will focus on improving the experience of those filing for unemployment benefits.

UNEMPLOYMENT INSURANCE TRUST FUND

Although the federal government has funded many emergency benefits, the core of the UI program is state funded. The federal Families First Act allowed states to borrow from the federal UI trust fund with no interest until December 31, 2020. Subsequently, the Continued Assistance Act further waived interest through March 14, 2021, and the federal American Rescue Plan Act of 2021 again waived interest payments until September 6, 2021. In addition, based on the improving economic conditions and the decreasing unemployment rate, the EDD estimates that California will have a \$24.3 billion UI deficit at the end of 2021, down from a projected \$48.3 billion at the Governor's Budget. This, along with federal interest rate postponements, reduces the estimated UI loan interest payment to a projected \$36 million for federal fiscal year 2021.