

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency supports equitable pathways to quality jobs through workforce development strategies. The May Revision continues investments aimed at expanding workforce development opportunities.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Unemployment Insurance Trust Fund Loan Interest**—An increase of \$8.5 million one-time General Fund in 2025-26 to align with updated estimates for the annual interest payment on the state's Unemployment Insurance loan balance. This adjustment will bring the total estimated interest payment for 2025-26 to \$642.8 million General Fund when combined with the estimated payment included in the Governor's Budget.
- **Workforce Innovation and Opportunity Act-May Revision Update**—An increase of \$20.4 million one-time in 2024-25 and an increase of \$119.6 million one-time in 2025-26 to align with anticipated federal Workforce Innovation and Opportunity Act funding that will be available to support various workforce development programs.
- **Department of Industrial Relations (DIR) Apprenticeship Training Grant Expansion**—An increase of \$18.2 million one-time from the Apprenticeship Training Contribution Fund for DIR to support apprenticeship training in construction and related trades. This funding is in addition to the \$3 million included in the Governor's Budget for this purpose.

- **DIR Public Works Information Technology System Enhancements**—An increase of \$19.1 million Labor and Workforce Development Fund to continue modernization of DIR's Public Works information technology system.

Subsequent Injuries Benefits Trust Fund

The May Revision maintains \$2.7 million Special Fund and 15 positions for the DIR Division of Workers' Compensation to support the rising workload in the Subsequent Injuries Benefits Trust Fund program, which has seen claims payments expand dramatically in recent years. Without changes to the program, claim payments are expected to increase from \$87 million in 2019-20 to \$1.3 billion in 2029-30 and the impact to the employer assessment is expected to grow from \$112 million to \$1.5 billion. Additionally, DIR projects an increasing workload and a need for future resources to address the growing caseloads. While 18 states have eliminated similar subsequent benefits programs, creating efficiencies through statutory changes could address the rapid expansion and mitigate DIR workload, and are appropriate given the program's projected impacts absent modifications.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the May Revision includes General Fund solutions to achieve a balanced budget. These include:

- **Labor and Workforce Development Fund Loan**—A loan of \$400 million from the Labor and Workforce Development Fund to the General Fund from resources not currently projected to be used for operational and programmatic purposes.
- **Regional Coordination for Career Education**—A reduction of \$3 million one-time General Fund for the Labor and Workforce Development Agency (LWDA) in 2025-26. The Governor's Budget included \$4 million in one-time General Fund for the LWDA to support evaluation of the expansion of regional coordination models to support implementation of the Master Plan for Career Education. The May Revision proposes to reduce the amount available for this purpose to \$1 million one-time General Fund. See the Higher Education and General Government and Statewide Issues Chapters for more information on investments in the Master Plan for Career Education.