

GOVERNOR'S VETO
AB 1457 (Cervantes and Reyes)
As Enrolled September 1, 2020
2/3 vote

SUMMARY:

This bill would have established a pilot project, administered through the Employment Training Panel (ETP), to leverage the expertise of the state's regionally focused statewide network of Community College Contract Education Centers to provide short term training courses to new and incumbent workers. Business training needs are identified through direct consultation with local businesses and a regional skills gap analysis to be developed by the Community College Centers of Excellence.

Governor's Veto Message:

I am returning Assembly Bill 1457 without my signature.

This bill would require the Employment Training Panel to establish a pilot project to enhance a regional business training center network of community college contract education centers to partner with other assistance providers servicing small businesses.

While I am highly supportive of training programs that lead to quality jobs and support businesses, particularly in the midst of our current economic climate, this bill does not have the dedicated funding to support the pilot program and could divert funding from other core workforce training programs.

Moreover, this bill is duplicative of current planning efforts by the California Community Colleges and Workforce Development Boards to create a better integrated workforce development system. I look forward to working with these partners, and the Legislature, on achieving that shared goal.

COMMENTS:

- 1) *Worker and Small Business Challenges During the Coronavirus Pandemic*: Economic developers, finance professionals, and even the Office of the Legislative Analyst agree that small businesses and their workers have been particularly impacted by the coronavirus pandemic. According to a national survey and separate report on the impacts of COVID-19 on small and medium-size businesses and their workers, both published by McKinsey in April 2020:
 - a) Seventy percent of businesses are delaying purchases, reducing current spending, and holding back on making major investments. [*While not an unexpected outcome, this level of delayed spending has significant multiplier effects as its impacts move throughout the economy.*]
 - b) Fifty percent of workers at small businesses with less than 100 employees are at risk of losing their jobs due to the pandemic. This is a higher percentage of job losses than those projected for larger private sector employers.

- c) Forty percent of the vulnerable small business jobs fall within two occupational categories: food service, and customer service and sales.
- d) Sixty percent of the vulnerable small business jobs do not require a four-year degree, meaning that displaced workers will likely not have formally recognized skills to help them get their next job.
- e) Fifty-five percent of businesses felt that the economic impacts of the coronavirus were going to last over one year, with 29% responding the impacts were going to be felt for three years.
- f) Twenty-five percent of businesses said they would be filing for bankruptcy within six months.

The McKinsey report ranks California among the top states in which small businesses are and will be impacted by the COVID-19 emergency. The report finds that 92% of workers in small businesses engaged in the accommodation and food sectors are at risk. For workers at small construction firms, the report states that 54% are vulnerable, which is still a significant impact.

- 2) *California Unemployment During the Pandemic:* According to the most recent Employment Development Department data, California's seasonally adjusted unemployment rate for July 2020 was 13.3% with an estimated 2.5 million people unemployed, representing a 225% increase in unemployment from the prior year.

Even with this high level of unemployment, unemployment was significantly higher among certain population groups. July 2020 unemployment among Blacks (9.2%) and Latinx (8.6%) were substantially higher than the comparable statewide rate of 7.7%. Based on age, individuals between 16 and 19 (21.1%) and 20 and 24 (12.9%) years of age experienced the highest rates of unemployment. EDD uses a not seasonally adjusted 12-month moving average when reporting unemployment by race, ethnicity, and age in its monthly California Labor Market Review.

- 3) *Background on ETP:* The ETP currently contracts with 10 Contract Education Centers to support upskilling of new and incumbent workers in certain businesses that are mandated to pay a special payroll tax. These Contract Education Centers are part of local Community Colleges who then partner with another 19 to 24 Community Colleges to provide training across the state.

This bill will enhance these activities by both a) Allowing other businesses and nonprofits to participate in training activities, and b) Expanding the types of training available, industry sectors served, and number of businesses and workers who can receive training.

The type of training provided will be determined by regional occupation skills gap assessments reflective of our current COVID-19 economic situation. By building on the existing ETP program, this bill will also support small businesses that have been especially hard hit in this pandemic by strengthening the relationship between the Contract Education Centers and the state's network of 80+ small business technical assistance centers, including Small Business Development Centers, Women's Business Centers, and Minority Business Development Centers, among others.

The goal of this bill is to train unemployed and underemployed workers to fill vacancies of in-demand jobs in essential industry sectors during the COVID-19 pandemic and in the emerging and dominant industry sectors in the post COVID-19 economy.

According to the Author:

AB 1457 establishes a pilot project to support the enhancement of a regional training center network, which can work hand-in-hand with business owners, small business service providers, and other workforce partners to get people back to work.

Over 8.6 million unemployment assistance claims were filed in California between March 14 and August 15, 2020. Many of the industry sectors most impacted during the pandemic are not expected to return to pre-pandemic levels of economic activity for several years, including businesses in the hospitality, accommodation, and tourism sectors. Even in those industry sectors that are anticipated to recover more quickly, many lower skill jobs will be permanently replaced or significantly modified through automation and e-commerce business models.

A significant number of the individuals who have experienced negative economic impacts due to the pandemic are women and people of color with limited education and training beyond high school. AB 1457 leverages an existing program and competencies to respond to these COVID-19 unemployment challenges quickly and help get people back to work.

Arguments in Support:

Generally, the 80+ supporters of this bill maintain that the pilot project "will provide short-term training programs that will help workers displaced due to COVID-19 obtain the skills necessary to succeed in essential and emerging industries."

Authors' Response to Opposition: In regard to the concern raised by the opposition about duplicating services, the authors point out that amendments adopted in the Senate specifically state that the pilot is to avoid duplication, and to supplement and expand only where needed to meet employer training needs.

In regard to the concern raised by the opposition regarding duplicative planning efforts, the authors highlight that (1) those workforce planning efforts will not begin until sometime in the spring of 2021, (2) those regional plans will not be identifying skill gaps – only occupation/industry-level changes, and (3) amendments adopted in the Senate require all data used to identify the regional skill gaps be shared with local workforce boards.

In regard to the need for longer term credentialing, the authors recognize that addressing the pandemic-induced unemployment will require an array of workforce solutions. AB 1457 is one part of what must be a larger economic recovery strategy.

Arguments in Opposition:

The California Workforce Association (CWA) writes in opposition: "this bill...may result in fiscal pressures on existing workforce development and Employment Training Program programs. AB 1457's regional skills mapping provision implements a duplicative planning processes that unnecessarily replicates existing LWDB initiatives and publications, and wastes valuable time and resources during an unprecedented budget situation."

According to the CWA, the bill also "does not take into account the costs of existing valuable regional planning processes. During this time of unprecedented economic conditions, direct

partnership between workforce entities must be clear, and AB 1457 provides no guidance as to how this new, unfunded integration will roll out."

The California EDGE Coalition writes in their opposition letter that "while short-term credentials are likely needed during the pandemic, and there is an urgency around ensuring people can get back to work, we also know that longer-term credentials have better labor market payoff, both immediately and over time."

FISCAL COMMENTS:

- 1) ETP and LWDA's fiscal impacts from the bill are still be determined; however, these costs would likely be significant (Employment Training Fund), especially for ETP as the lead agency on the pilot project.
- 2) CCC would require two half-time positions, for a total annual General Fund cost of \$120,000, to implement its provisions in the bill.
- 3) GO-Biz and EDD would incur minor and absorbable costs.

VOTES:

ASM LOCAL GOVERNMENT: 7-0-1

YES: Aguiar-Curry, Bloom, Boerner Horvath, Ramos, Luz Rivas, Robert Rivas, Voepel

ABS, ABST OR NV: Lackey

ASM TRANSPORTATION: 12-0-3

YES: Frazier, Aguiar-Curry, Berman, Chu, Daly, Diep, Friedman, Gipson, Grayson, Medina, Nazarian, O'Donnell

ABS, ABST OR NV: Fong, Bigelow, Cunningham

ASM APPROPRIATIONS: 14-0-4

YES: Gonzalez, Bloom, Bonta, Calderon, Carrillo, Chau, Diep, Eggman, Gabriel, Maienschein, Obernolte, Petrie-Norris, Quirk, Robert Rivas

ABS, ABST OR NV: Bigelow, Brough, Fong, Eduardo Garcia

ASSEMBLY FLOOR: 65-2-13

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Berman, Bloom, Bonta, Brough, Burke, Calderon, Carrillo, Chau, Chen, Chiu, Chu, Cooper, Cunningham, Daly, Diep, Eggman, Frazier, Friedman, Gabriel, Cristina Garcia, Gipson, Gloria, Gonzalez, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kamlager-Dove, Lackey, Levine, Limón, Low, Maienschein, Mathis, McCarty, Medina, Melendez, Mullin, Muratsuchi, Nazarian, O'Donnell, Obernolte, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Santiago, Smith, Mark Stone, Voepel, Waldron, Weber, Wicks, Wood, Rendon

NO: Cervantes, Salas

ABS, ABST OR NV: Bigelow, Boerner Horvath, Choi, Cooley, Dahle, Flora, Fong, Gallagher, Eduardo Garcia, Gray, Kiley, Mayes, Ting

SENATE FLOOR: 38-0-2

YES: Allen, Archuleta, Atkins, Bates, Beall, Borgeas, Bradford, Caballero, Chang, Dahle, Dodd, Durazo, Galgiani, Glazer, Lena Gonzalez, Grove, Hertzberg, Hill, Hueso, Hurtado, Jackson, Leyva, McGuire, Melendez, Mitchell, Monning, Moorlach, Morrell, Nielsen, Pan, Portantino, Roth, Rubio, Skinner, Umberg, Wieckowski, Wiener, Wilk

ABS, ABST OR NV: Jones, Stern

ASM JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY: 7-0-0

YES: Cervantes, Cunningham, Chau, Chen, Quirk-Silva, Ramos, Luz Rivas

ASSEMBLY FLOOR: 73-0-6

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Berman, Bigelow, Bloom, Boerner Horvath, Bonta, Brough, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Chu, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Diep, Flora, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gloria, Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kamlager, Kiley, Lackey, Levine, Limón, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Obernolte, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Smith, Mark Stone, Ting, Waldron, Weber, Wood, Rendon

ABS, ABST OR NV: Burke, Eggman, Frazier, Gipson, Voepel, Wicks

UPDATED:

VERSION: September 1, 2020

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