
**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Richard Roth, Chair
2021 - 2022 Regular

Bill No: AB 1106
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Fiscal: Yes

Subject: Employment Training Panel: pilot program: employment training needs

NOTE: *Double-referral to Committee on Labor, Public Employment, and Retirement, Second*

SUMMARY: Requires the Employment Training Panel (ETP) to establish a pilot project to serve the employment training needs of small businesses, leveraging the capacity of the existing statewide network of community college contract education centers operating with multiple employer contracts.

Existing law:

- 1) Establishes the ETP within the Employment Development Department (EDD). (Unemployment Insurance Code (UIC) § 10202(a))
- 2) Charges the panel with performing various duties, including establishing a 3-year plan based on the demand of employers for trained workers, changes in the state's economy and labor markets, and continuous reviews of the effectiveness of panel training contracts. (UIC § 10205(a))
- 3) Establishes the California Community Colleges Economic and Workforce Development Program with the purpose of, among other things, using labor market information to advise the chancellor's office and regional community college bodies on the workforce needs of the state's competitive and emerging industry sectors, and collaborating and coordinating investment with other state, regional, or local agencies involved in education and workforce training in California. (Education Code (EDC) §§ 88600 et seq.)
- 4) Authorizes the governing board of any community college district to contract education programs by agreement with any public or private agency, corporation, association, or any other person or body, to provide specific educational programs or training to meet the specific needs of those bodies. (EDC § 78021)
- 5) States that community college districts are encouraged to expedite the development of targeted credit or noncredit short-term workforce training programs as specified, including short-term workforce training programs that focus on economic recovery and result in job placement and short-term workforce training programs that focus on reskilling and upskilling of individuals. (EDC § 88821(g))

- 6) Defines “short-term workforce training program” to mean a 4-12 week program with a proven employer partner designated for targeted reskilling and upskilling that results in job placement. (EDC § 88822(q))
- 7) Establishes the GO-Biz within the Governor’s Office for the purpose of serving as the lead state agency for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth. (Government Code (GOV) §§ 12096-12098.5)
- 8) Requires GO-Biz to serve as the Governor’s lead entity for economic strategy and the marketing of California on issues related to business development, private sector investment, and economic growth. (GOV § 12096.3)
- 9) Establishes the Office of the Small Business Advocate (OSBA) within the GO-Biz and outlines the duties and functions of the Director of OSBA including representing the views and interests of small businesses before other state agencies whose policies and activities may affect small businesses. (GOV §§ 12098-12098.9)

This bill:

- 1) Requires the ETP to establish a pilot project to serve the employment training needs of small businesses, leveraging the capacity of the existing statewide network of community college contract education centers operating with multiple employer contracts.
- 2) States that the purpose of the pilot project is to: support the upskilling of the regional workforce to meet the demand for jobs in essential industry sectors during the COVID-19 pandemic and in the emerging and dominant industry sectors in the post COVID-19 economy; strengthen the linkages between higher education institutions and employers; enhance the linkages between regional education and training system partners and the regional small business financial and technical assistance centers; gain real-time information on the coursework small businesses are requesting and accessing to meet their workforce development needs. Requires this information shall be used to help inform community college districts and local workforce development boards in their development of career pathways, including the selection of not-for-credit and noncredit coursework that can be applied towards credit course requirements for a degree or professional certification.
- 3) Requires the ETP to consult with key workforce and economic development partners, including, but not limited to, the Chancellor’s Office of the California Community Colleges, GO-Biz, the Labor and Workforce Development Agency, and the California Workforce Development Board.
- 4) Permits that ETP may establish one or more ad hoc advisory groups of stakeholders, including, but not limited to, businesses, workers, economic developers, chambers of commerce, local workforce boards, small business technical assistance centers, and public entities.
- 5) Requires ETP, its partners, and stakeholders to discuss how:

- a) Demand-driven coursework can be used to propel workers along a career pathway that allows them to stack their learnings and credentials to help them further their progress to a degree or higher skilled credentials;
 - b) Demand-driven workforce training course data can better inform the development of new and modification of existing career pathways, which includes, but is not limited to, the selection of which not-for-credit and noncredit work shall be applied towards credit course requirements for a longer term certificate or degree program; and
 - c) Where known, a worker shall be informed as to how the training offered through the pilot is aligned with one or more career pathways and what, if any, additional steps are necessary for the worker to earn a certificate or credential, or receive academic credit.
- 6) Requires the ETP submit two reports: a progress report on the implementation of the program, six months from initial funding; a report on program activities since the prior report, on or before October 1, 2022.
- 7) Reports outlined in #6 above shall include:
- a) A description of how the funding complemented the work of, and integrated the employers and individuals being served with, the broader workforce, education, and employment system.
 - b) A description of how the funding complemented the work of, and, where appropriate, introduced the employers to the services available through the network of small business technical and financial assistance centers and other local and regional business development partners.
 - c) A description of how the training influenced the development of career pathways within the region and the selection of not-for-credit and noncredit coursework that is or will be included within career pathways and converted to credit.
 - d) A profile on businesses and workers participating in the pilot, which shall include all of the following:
 - i) The number and percentage of workers who enroll and complete course and program training by race, gender, region, and age.
 - ii) Outcomes of training participants, including employment, wages, and industry of employment.
 - e) Participation of small businesses, including size, region, and sector of business.
 - f) An evaluation on the effectiveness of the pilot project in meeting small business rapid reemployment training needs, upskilling of workers, and assisting workers in accessing longer-term career pathways. The evaluation shall also include specific recommendations for strategies to improve the effectiveness of the program.

- 8) Requires this section shall become operative only upon the Legislature making an appropriation to implement the provisions of this section.
- 9) Requires the statute shall remain in effect only until January 1, 2026, and as of that date is repealed
- 10) Makes findings and declarations to the following:
 - a) California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$3.1 trillion economy;
 - b) Two separate studies, one by the United States Census Bureau and another by a nationally recognized think tank, found that net job growth was strongest among businesses with less than 20 employees. California firms represented 12.6 percent of all businesses in the United States in 2015, with 88.3 percent of firms having less than 20 employees;
 - c) Supporting small business development has shown to be a successful inclusive economic growth strategy advantaging businesses throughout the state, including historically underserved business groups such as minority-, women-, and veteran-owned businesses, and hard to serve areas of the state such as low wealth, rural, and disaster-impacted communities.
- 11) States it is the intent of the Legislature to facilitate the alignment and, where appropriate, the integration of the statewide network of workforce training centers administered by the community college contract education centers within the existing network of small business technical and financial assistance centers. States training provided through these centers can serve as an important access point for small business employers and higher education.
- 12) States it is the intent of the Legislature to build upon existing coordination efforts between successful programs at the Employment Training Panel, the California Community Colleges, and California's local workforce development boards. States recovering from the economic impacts of the COVID-19 pandemic is placing increased pressure to upskill unemployed and incumbent workers. States a more robust regional education and training system is better able to meet the range of workforce needs of business and industry.

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel. According to the Assembly Committee on Appropriations, the bill will result in ongoing General Fund (GF) costs of an unknown amount to fund the pilot program. If the pilot program provided 25% of the funding currently provided to the current ETP program, costs would be about \$1.6 million annually; ongoing GF costs in the low hundreds of thousands of dollar annually to ETP, housed within the California Labor and Workforce Development Agency, to hire several staff to administer the pilot program; and minor GF costs to various workforce development entities to collaborate with ETP in developing the program."

COMMENTS:

1. **Purpose.** The Assembly Committee on Jobs, Economic Development, and the Economy is the Source of this bill. According to the Authors, “In addressing the significant health risk of the COVID-19 pandemic, governments placed restrictions on a wide range of business activities. In California, unemployment went from a record low of 3.9 percent in February 2020 to a record high of 16.4% in the following months. Over 26.5 million initial claims have been filed for Unemployment Insurance and Pandemic Unemployment Assistance since mid-March 2020. A significant number of these individuals are women and people of color with limited education and training beyond high school....Currently unemployed and underemployed individuals need immediate training opportunities if they are going to successfully transition to employment in business sectors that do require workers. AB 1106 establishes a pilot project to immediately fund short-term training courses for new and incumbent workers.”
2. **Background.**

Employment Training Panel. Established in 1982 by the Legislature, the Employment Training Panel is a California state program that has provided support in job creation and retention through training for over 30 years. Unlike other programs that focus on pre-employment training, ETP fulfills its mission by reimbursing the cost of employer-driven training for incumbent workers and funding the type of training needed by unemployed workers to re-enter the workforce, particularly for those workers on the frontlines, rather than highly technical or professional occupations. According to ETP’s website, the program is structured so that employers make decisions about the training program and are involved in every aspect of the training. Today, the program focuses on supporting job creation and business attraction, retention, and expansion, as well as the re-employment and retention of workers.

ETP is funded by a special tax on California employers called the Employment Training Tax (ETT), and only those employers who pay the tax may benefit from the program. Those employers include single employers subject to the unemployment tax insurance, groups of employers, such as the chambers of commerce, joint apprenticeship training committees, trade associations, or economic development corporations, training agencies, such as community colleges and community college districts, workforce development boards, and Workforce Innovation and Opportunity Act recipients. In the last few years, however, ETP has received additional funding for alternative programs designed to train unemployed workers for jobs in the recovering economy. Additional funding primarily comes through distributions from the Employment Development Department and the California Energy Commission. According to its website, ETP anticipates ongoing commitments for additional funding.

COVID-19 and its Economic Impact. According to the Authors, “In California, unemployment went from a record low of 3.9 percent in February 2020 to a record high of 16.4% in the following months. Over 26.5 million initial claims have been filed for Unemployment Insurance and Pandemic Unemployment Assistance since

mid-March 2020. A significant number of these individuals are women and people of color with limited education and training beyond high school.

Many of the industry sectors hardest impacted during the pandemic are not expected to return to the same level of economic activity as pre-COVID-19 for several years, including businesses in the hospitality, accommodation, and tourism sectors. Even in those industry sectors that are anticipated to recover quickly, many lower skill jobs will be permanently replaced through automation and ecommerce business solutions.

Currently unemployed and underemployed individuals need immediate training opportunities if they are going to successfully transition to employment in business sectors that do require workers. AB 1106 establishes a pilot project to immediately fund short-term training courses for new and incumbent workers.” The Authors go on to share that “The Governor [is] including \$42 million in the May Revision Budget. We are awaiting a final workout of the specific workforce provisions in the Budget Act and trailer bills being approved by the Senate and Assembly.”

Community College Contract Education Centers and ETP. Community College Contract Education Centers are currently partnering with ETP. They provide consulting and not-for-credit customized upskill training services for employers and entered into contracts with the state’s ETP to help retrain employed (incumbent) workers. During the COVID-19 pandemic, Community College Contract Education Centers through various colleges utilized existing partnerships to: 1) create new online not-for-credit transportation courses and adapted its tracking management system for Bay Area Rapid Transit (BART) and Long Beach Transit, and launched a new transit workers safety course, *Safety Training for Frontline Workers & Supervisors in a COVID-19 World*; 2) deliver 88 virtual employer training courses, serving 1,125 employees on various topics, including COVID-19 updates to attorney labor law, remote working business skills, excel computer skills, and OSHA10 safety; and 3) deliver 164 days of training through 21 different courses and serving 3,500 unique participants.

3. **Prior Related Legislation.** AB 1457 (Cervantes, 2020) would have required the ETP to establish a pilot project to create a regional business training center network of at least 10 sites through a partnership with the California Community Colleges, GO-Biz, and the Labor and Workforce Development Agency in response to COVID-19. (*Status: The bill was Vetoed by Governor Newsom.*)
4. **Arguments in Support.** Butte College writes in support: “On behalf of the employers in our region, this bill supports including employers in our training programs who current do not qualify for ETP funds. We can increase our outreach and training services as we work toward economic recovery.”

California Network for Manufacturing Innovation writes in support: “CNMI promotes manufacturing competitiveness in California through a collaboration of industry, national laboratories, technical assistance, government agencies, academia, workforce and economic development organizations. CNMI is designed to help California’s small and medium-sized manufacturers adopt advanced manufacturing

technology to help them grow and compete in the global marketplace. This bill will help manufacturers train their workforce so they can adopt these technologies.”

California Organization of Associate Degree Nursing writes in support: “This bill will support additional training for various health care organizations that have been highly impacted by COVID-19. Currently non-profit organizations (including many in health care) do not qualify for ETP funding. Therefore this bill is extremely important for full economic recovery.”

California Association of Micro Enterprise Opportunity (Cameo) writes in support: “The COVID-19 pandemic has presented a significant challenge to small businesses, employers, and employees. An August survey conducted by Small Business Majority indicated that 44% of small businesses are at risk of closing, leaving its workers unemployed. The number of active businesses owned by African Americans dropped by 41%, Latinx by 32%, Asians by 25%, and immigrants by 36%. SB 1106 (Cervantes and Reyes) will support small business development for minorities, women, and veteran owned businesses.

El Camino Community College District writes in support: “El Camino is well-known for academic excellence, consistently high transfer rates to four-year colleges and universities, and exceptional career training programs. Many of these training program support upskilling of industry and we feel this bill is needed to help to displaced workers prepare for jobs in high demand industries.”

Greater Riverside Chambers of Commerce writes in support: “While the state’s economy continues to recover and re-open, many workers have been left behind either by the permanent closure of their employer’s business or by the changing environment of the workplace. Indeed, many businesses have been forced to pivot their operations and experience a need to retrain employees or hire those with relevant work experience. AB 1106 helps to bridge this gap by equipping workers with the skillsets needed to successfully adapt and thrive in the new economy.”

NextGen California writes in support: “Small businesses play a vital role in California’s \$3.1 trillion economy and are a key driver of its growth. A recent U.S. Census Bureau study found that net job growth was the strongest among businesses with fewer than 20 employees. To strengthen the economic development capability of California’s small business sector, the state must provide additional training opportunities to improve the skills of small business workers to compete in the post-COVID-19 economic environment. This program will also help unemployed and underemployed workers in industries hit hard by the pandemic transition into other economic sectors with high job demand.”

Glendale Community College writes in support: “We are committed to train companies to new levels of productivity and help employees achieve their career goals. AB 1106 is critical in increasing access to professional development, technical skills training, and COVID-10 safety training for individuals seeking to obtain jobs and re-enter the workforce.”

San Bernadino Community College District writes in support: “At the San Bernardino Community College District, for example, in April and May 2020, our

contract education division delivered 1,789 virtual training hours to 83 business partners in the manufacturing and supply chain industries. We believe that AB 1106 will allow us to train more individuals and help accelerate California's economic recovery by providing our local families the essential job skills to make ends meet."

San Bernadino Community College District, Economic Development & Corporate Training writes in support: "On behalf of the employers in our region, this bill supports including employers in our training programs who current do not qualify for ETP funds. We can increase our outreach and training services as we work toward economic recovery."

Steve Harrison & Linda Zorn Foundation writes in support: "Our foundation is very concerned about upskilling workers from low-paying jobs to more moderate income levels. This specific aspect of economic development receives very little attention. We believe AB 1106 can help address this issue."

The Riverside Community College District writes in support: "RCCD appreciates the authors intention to support the community colleges contract education services throughout the state by encouraging the Employment Training Panel to strengthen the linkages between higher education institutions, employers, workforce and economic development partners, Governor's Office of Business and Economic Development, the Labor Workforce Development Agency and the California Workforce Development Board."

The Smart Manufacturing Institute writes in support: "CESMII provides resources to help manufacturers adopt Smart Manufacturing (SM). As a membership organization, CESMII creates an environment for members to collaborate, learn and share best practices, provide access to an open and secure digital infrastructure, research and development, implementation services, workforce training resources and a solution marketplace all orchestrated to accelerate the adoption of SM. SM enables manufacturers to drive performance for manufacturers. This bill would enable manufacturers to train their worker so they can adopt SM tools."

UpSkill California writes in support: "This bill supports the expansion of the UpSkill California Regional Business Training Centers capabilities to ensure California businesses have access to incumbent worker training for the skilled workforce far beyond the current COVID-19 crisis building on a foundation that provides a sustainable economy, solid growth, and prepares us for future economic downturns. This bill will allow individuals to gain and maintain the skills necessary to remain competitive in the workforce and attain a high standard of living."

SUPPORT AND OPPOSITION:

Support:

Butte College the Training Place
California Network for Manufacturing Innovation
California Organization of Associate Degree Nursing Programs
Cameo - California Association for Micro Enterprise Opportunity
Cesmii-the Smart Manufacturing Institute

El Camino Community College
Greater Riverside Chambers of Commerce
Nextgen California
Professional Development Center of Glendale Community College
Riverside Community College District
San Bernardino Community College District
San Bernardino Community College District Economic Development and Corporate
Training
Steve Harrison and Linda Zorn Foundation
Upskill California

Opposition:

None received

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