

ASSEMBLY THIRD READING
AB 2300 (Arambula)
As Amended May 18, 2026
Majority vote

SUMMARY

- 1) Exempts grants and subgrants, as defined, from specified state contracting and State Administrative Manual requirements, as well as from the review or approval of any division of the Department of General Services (DGS).
 - a) Defines "grants or subgrants" to mean allocations of both federal- and state-source funds awarded by the Employment Development Department (EDD) to local workforce development boards (LWDBs) or the fiscal agents of local workforce development areas for the purpose of implementing workforce development programs administered by the department, treated as grants or subventions for public purposes.
- 2) Provides that funds disbursed by the EDD to LWDBs or the fiscal agents of local workforce development areas shall be subject to the same financial reporting, recordkeeping, and auditing requirements applicable to federal funds under the Workforce Innovation and Opportunity Act (WIOA), as specified.
- 3) Exempts from the rulemaking provisions of the Administrative Procedure Act (APA) workforce directives, bulletins, or other written guidance issued by the EDD to implement, interpret, or make specific the administration of workforce development programs under state or federal law, as specified.
- 4) Defines certain terms.

Major Provisions

See summary.

COMMENTS

Background on federal WIOA and state workforce funding:

The federal WIOA was signed into law in 2014 and funds programs to help individuals get training, education, and job support services so they can succeed in the modern labor market. WIOA-funded services include job search assistance, workforce preparation, career development services, and training services including both classroom and work-based learning opportunities. In addition to supporting job seekers, these programs help businesses find the skilled workers they need by referring qualified job seekers and filling job orders, and through tailored work-based learning strategies.

The WIOA authorizes LWDBs to manage these federal funds and provide strategic direction for workforce initiatives. WIOA funding is passed from the federal government to states, and then to LWDBs. In California there are 45 LWDBs and their responsibilities include:

- 1) Establishing strategic partnerships with education, economic development organizations, and public agencies, to help ensure that workforce services meet the unique regional needs of job seekers and businesses.
- 2) Overseeing America's Job Centers, which are local career centers that provide employment services, training, and job search assistance.
- 3) Creating local plans aligned with the California State Plan to address regional labor market needs.
- 4) Partnering with local businesses to determine skill gaps and training needs.
- 5) Providing services for adults, youth, and dislocated workers, including training, education, and career services.

LWDBs also receive state workforce funding from the EDD and the CWDB through state-level programs such as the Workforce Accelerator Fund, High Road Training Partnerships and Breaking Barriers to Employment.

When WIOA funding is disbursed by the federal government to the state, it is automatically distributed by the EDD to LWDBs through subgrant agreements. In contrast, state workforce funds are treated as procurement contracts, requiring compliance with the Public Contract Code and approval by the DGS. The author argues that the inconsistent administrative frameworks limit system responsiveness, and result in service delivery delays and increased costs.

EDD Workforce Services Directives:

The EDD issues Workforce Services Directives to LWDBs and other workforce partners to establish official policies, rules, and guidelines for administering WIOA programs. These directives cover eligibility, funding, and operational procedures to ensure compliance with state and federal regulations.

The author asserts that recent legal interpretations have required the EDD to issue workforce directives through the APA rulemaking process. Key requirements for rulemaking include a minimum 45-day public comment period after notice of publication, agency review and response to public comments (which can take weeks to months), and a mandatory 30-day working day review by the OAL before filing. The average timeframe for rulemaking under the APA varies, but generally takes about 12-18 months to complete, depending on complexity, public input, and OAL efficiency.

The author argues that this limits the state's ability to provide timely operational guidance necessary to implement federal changes, respond to layoffs, and administer workforce programs effectively.

According to the Author

"California's workforce development system plays a vital role in connecting individuals to employment and helping businesses meet their workforce needs. However, outdated administrative processes can delay the delivery of critical services. AB 2300 modernizes how workforce funds are distributed and how guidance is issued, ensuring that our workforce system

can respond more quickly and effectively to the needs of workers, employers, and local communities."

The author adds that, per HR 39 (Gipson, 2021), "AB 2300 promotes equity by improving the timeliness, accessibility, and effectiveness of workforce services delivered to individuals who face the highest barriers to employment, including low-income individuals, communities of color, opportunity youth, English language learners, and justice-involved individuals.

By enabling workforce funds to be distributed more efficiently and ensuring that guidance can be issued without delay, the bill strengthens the workforce system's ability to respond quickly to layoffs, economic disruptions, and community needs. Delays in funding and program implementation disproportionately impact underserved populations; reducing these delays improves access to training, employment services, and supportive resources.

Additionally, by aligning state and federal administrative practices, the bill supports a more consistent and coordinated system, improving service delivery for communities that rely most on workforce programs."

Arguments in Support

The California Workforce Association, sponsor of this measure, writes that "Currently, California's workforce system operates under two different administrative structures. Federal WIOA funds are distributed through a streamlined subgrant process, while state workforce funds must comply with the Public Contract Code and require approval from the Department of General Services. This dual system creates unnecessary administrative burdens, increases costs, and delays the delivery of services to workers and employers. AB 2300 addresses these challenges by authorizing a unified subgrant mechanism for both state and federal workforce development funds provided to local workforce development boards."

"...The bill also allows the EDD to issue operational directives and guidance outside of the Administrative Procedure Act process when appropriate. Similar to the Department of Social Services "All County Letters", this approach will enable EDD to communicate timely guidance to local boards in response to federal policy changes, economic disruptions, layoffs, or new legislative initiatives."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Minor and absorbable costs to EDD to modify any state fund disbursement rules inconsistent with WIOA rules and likely minor cost savings related to the PCC and APA exemptions.
- 2) Minor and absorbable costs to DGS to update the State Contracting Manual and related materials with this bill's exemptions for federal grants.

However, if such exemptions are enacted, DGS would no longer review exempt contracts between EDD and an LWDB or LWDA. DGS generally notes that the value of its contract oversight is to ensure a state agency appropriately awards the contract inclusive of statutorily

required terms and conditions and that the potential fiscal impact of failing to include terms that protect the state from liabilities or other monetary harm can be substantial to the awarding agency. In this case, EDD essentially serves as the pass-through intermediary for an LWDB or LWDA to implement federal workforce development programs with federal funds, so the risk of liabilities and monetary harm to EDD is likely minor. However, this bill also applies to state workforce development programs funded exclusively by the state. Thus, in this case, this bill could result in costs of an unknown, but potentially significant amount, in excess of \$150,000, to the state (General Fund (GF) or special fund).

- 3) By requiring an LWDB or LWDA to modify certain financial reporting, recordkeeping, and auditing practices, this bill may create a state-mandated local program. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, an LWDB or LWDA could seek reimbursement from the state. However, such costs are likely minor and non-reimbursable by the state because the state's 45 publicly funded LWDBs and their partners, represented by the California Workforce Association, requested this legislation within the meaning of Section 17556 of the Government Code and Section 6 of Article XIII B of the California Constitution.

VOTES

ASM LABOR AND EMPLOYMENT: 5-0-2

YES: Ortega, Elhawary, Kalra, Lee, Ward

ABS, ABST OR NV: Alanis, Chen

ASM APPROPRIATIONS: 11-2-2

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Tangipa

ABS, ABST OR NV: Dixon, Ta

UPDATED

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