
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No: AB 2300 **Hearing Date:** July 1, 2026
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Urgency: No **Fiscal:** Yes
Consultant: Jazmin Marroquin

SUBJECT: Workforce development: applicable law

KEY ISSUE

This bill (1) exempts grants or subgrants awarded by the Employment Development Department (EDD), as defined, to the local workforce development boards (LWDBs), as specified, from state contracting requirements, the State Administrative Manual, and from review or approval of the Department of General Services (DGS); (2) requires that funds disbursed by EDD to LWDBs or the fiscal agents of local workforce development areas are subject to the same financial reporting, recordkeeping, and auditing requirements applicable to federal funds under the Workforce Innovation and Opportunity Act (WIOA), as specified; and (3) exempts workforce directives, bulletins, or other written guidance issued by the EDD to administer workforce development programs, as specified, from the rulemaking provisions of the Administrative Procedure Act (APA).

ANALYSIS

Existing federal law:

- 1) Establishes the Workforce Innovation and Opportunity Act (WIOA) to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. (29 USC §3101-3361)
- 2) Defines the designation of “fiscal agents” who, among other things, are responsible for ensuring fiscal integrity and accountability for expenditures of WIOA funds. (20 CFR § 679.420)

Existing state law:

- 1) Establishes the Employment Development Department (EDD) within the Labor and Workforce Development Agency (LWDA) and makes it responsible for administering the state's unemployment insurance, disability insurance, and workforce development programs. (Unemployment Insurance Code § 301 et seq.)
- 2) Creates the California Workforce Innovation and Opportunity Act to make programs and services available to individuals with employment barriers. (Unemployment Insurance Code §14000 et seq.)
- 3) Establishes the California Workforce Development Board (CWDB), under the purview of the LWDA, as the body responsible for assisting the Governor in the development, oversight,

and continuous improvement of California's workforce system, including its alignment to the needs of the economy and the workforce. (Unemployment Insurance Code §14010 et seq.)

- 4) Establishes the Consolidated Work Program Fund in the State Treasury, for the receipt of all moneys deposited pursuant to the federal WIOA, and requires moneys in the fund to be made available, upon appropriation by the Legislature, to EDD for expenditure consistent with the purposes of the federal WIOA and the State Plan. (Unemployment Insurance Code §14004.5 et seq.)
- 5) Requires the establishment of a local workforce development board (LWDB) in each local workforce development area of the state to, among other things, plan and oversee the workforce investment system. (Unemployment Insurance Code §§14200-14211)
- 6) Requires all contracts entered into by any state agency for the acquisition of goods or elementary school textbooks; services, whether or not the services involve the furnishing or use of goods or are performed by an independent contractor; the construction, alteration, improvement, repair, or maintenance of property, real or personal; or, the performance of work or services by the state agency for or in cooperation with any person, or public body, are void unless and until approved by the Department of General Services (DGS), as specified, and provides specified exemptions to this requirement. (Public Contract Code §10295)
- 7) Establishes the Administrative Procedure Act (APA), which requires state agencies to follow specific procedures for rulemaking, adjudications, and public participation. Key requirements include public notice, public comment periods, and review by the Office of Administrative Law (OAL). (Government Code §11340 et seq.)

This bill:

- 1) Defines the following:
 - a) "Fiscal agent" means the entity designated to serve as a local fiscal agent pursuant to Section 679.420 of Title 20 of the Code of Federal Regulations.
 - b) "Grants or subgrants" means allocations of both federal- and state-source funds awarded by EDD to 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) Specifies that grants or subgrants, as defined, are exempt from the Public Contract Code, the State Administrative Manual, and are exempt from the review or approval of any division of the Department of General Services (DGS).
- 3) Requires all funds disbursed by the Employment Development Department (EDD) to local workforce development boards (LWDBs) or the fiscal agents of local workforce development areas to be subject to the same financial reporting, recordkeeping, and auditing requirements applicable to federal funds under WIOA. Provides that all records related to the disbursement and expenditure of these funds must be retained, as specified.

- a) Requires subrecipients to maintain separate accounting for each state grant code and utilize the EDD's automated reporting systems to ensure full accountability and transparency.
 - b) Specifies that this section will not be interpreted to limit any reporting, recordkeeping, or auditing requirements imposed by state law applicable to funds disbursed under this division.
- 4) Specifies that workforce directives, bulletins, or other written guidance issued by EDD to implement, interpret, or make specific the administration of workforce development programs under this division or federal law are not subject to the rulemaking provisions of the APA.
- a) Requires guidance issued pursuant to this section to be publicly available and to identify the statutory or federal authority upon which it is based.
 - b) Authorizes guidance issued pursuant to this section to be relied upon by EDD and LWDBs unless and until superseded by regulations adopted pursuant to the APA.

COMMENTS

1. Background:

Workforce development

The California Workforce Development Board (CWDB) is the state entity tasked with assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system. Among other things, the CWDB is tasked with developing, implementing, and modifying California's Unified Strategic State Plan (State Plan) to serve as the comprehensive framework and coordinated plan for the aligned investment of all federal and state workforce training and employment services funding streams and programs. CWDB works closely with local workforce development boards (LWDBs) to ensure statewide workforce efforts align with regional priorities and community needs.

The State has 45 LWDBs, each with their unique local context. Members of private sector business, organized labor, community-based organizations, local government agencies, and local education agencies comprise a LWDB's membership. EDD in partnership with LWDBs oversee America's Job Center of California (AJCC). AJCC is a one-stop shop for no-cost job and training services that helps connect employers with job openings to people who are looking for work. The AJCC is a network of local and state organizations, as well as private and public groups, working together to provide these services at no cost. Adults and displaced workers receive an initial assessment, job search and placement assistance, and career counseling at LWDBs.

Federal WIOA funds and state workforce funds

In 2014, the federal WIOA was signed into law, which was designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. 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.

As the Assembly Labor Committee analysis states, 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. 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. State contracting law generally requires any contract entered into by a state agency for the acquisition of specified goods or services to be void unless and until approved by Department of General Services (DGS). The State Administrative Manual (SAM) is a resource for statewide policies, procedures, requirements and information. The SAM was created to provide management communication among state departments.

This bill, AB 2300, would exempt grants or subgrants awarded by EDD to LWDBs for workforce development programs from state contracting requirements and the State Administrative Manual, as well as exempting these grants or subgrants from the review or approval of DGS. This bill would instead require all funds disbursed by EDD to LWDBs or their fiscal agents to be subject to the same financial reporting, recordkeeping, and auditing requirements applicable to federal funds under the federal WIOA.

Workforce directives, bulletins, and other guidance issued by EDD and the APA

EDD issues Workforce Services Directives to LWDBs and other workforce partners to establish official policy and guidance for administering WIOA programs. EDD's Directives provide policy and guidance about various program requirements, funding, and activities to ensure state and federal compliance.

When adopting regulations, every department, division, office, officer, bureau, board or commission in the executive branch of the California state government must follow the rulemaking procedures in the Administrative Procedure Act (APA) and regulations adopted by the Office of Administrative Law (OAL), unless expressly exempted by statute from some or all of these requirements. The APA requirements are designed to provide the public with a meaningful opportunity to participate in the adoption of regulations or rules that have the force of law by California state agencies and to ensure the creation of an adequate record for the OAL and judicial review. The APA has certain specified time periods for proposal review that includes a minimum 45-day public comment period after notice of publication, and a mandatory 30 working day review by the OAL before filing. State agency response to comments received during the process can take multiple months. Regulations, once approved, are valid indefinitely.

This bill, AB 2300, would exempt EDD's Workforce Services Directives, bulletins, and similar written guidance to implement, interpret, or administer workforce development programs from the rulemaking provisions of the APA. The author argues that recent legal interpretations have required EDD to issue Workforce Services Directives through the APA rulemaking process. They argue that this process can take months or longer, limiting the

state's ability to provide timely operational guidance necessary to implement federal changes, respond to layoffs, and administer workforce programs effectively.

2. Need for this bill?

According to the author, "California's workforce development system is currently constrained by inconsistent administrative frameworks governing the distribution of workforce funds and the issuance of program guidance, which delays service delivery and limits system responsiveness.

Under existing practice, federal Workforce Innovation and Opportunity Act (WIOA) funds are distributed by the Employment Development Department (EDD) to Local Workforce Development Boards (LWDBs) through subgrant agreements, recognizing LWDBs as public partners implementing workforce programs. In contrast, state workforce funds are treated as procurement contracts, requiring compliance with the Public Contract Code and approval by the Department of General Services (DGS).

This distinction results in:

- Delayed distribution of workforce funds, particularly during layoffs and economic transitions
- Increased administrative burden and costs for both the state and local workforce boards
- Inconsistent treatment of similar workforce programs, depending on funding source
- Reduced ability for the workforce system to respond quickly to economic disruptions and employer needs

In addition, recent legal interpretations have required EDD to issue workforce directives through the Administrative Procedure Act (APA) rulemaking process. This process can take months or longer, limiting the state's ability to provide timely operational guidance necessary to implement federal changes, respond to layoffs, and administer workforce programs effectively.

Together, these administrative constraints create inefficiencies that hinder the timely and effective delivery of workforce services across California."

3. Proponent Arguments:

According to the sponsors of the bill, the California Workforce Association:

"Currently, California's workforce system operates under two different administrative structures. Federal Workforce Innovation and Opportunity Act (WIOA) funds are distributed through a streamlined subgrant process that typically delivers resources to local boards within 2 weeks to 2 months, while state workforce funds must comply with the Public Contract Code and require approval from the Department of General Services that can take 4 to 6 months to complete. 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. By aligning state processes with the existing federal model, this measure will reduce delays and allow workforce programs to operate more efficiently while maintaining transparency and accountability. State workforce funds disbursed under this unified structure would remain subject to the same financial reporting, recordkeeping, and auditing requirements that already apply to federal WIOA funds.

The bill also allows the Employment Development Department (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. Under the current APA process, a single directive could take 12 to 18 months to issue; under AB 2300, comparable guidance could be released in 4 to 8 weeks. By modernizing these processes, AB 2300 will improve the speed and effectiveness of workforce program delivery while preserving oversight, stakeholder engagement, and statewide consistency.”

4. Opponent Arguments:

None received.

5. Prior/Related Legislation:

AB 35 (Alvarez, 2025) would exempt the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, approved by the voters as Proposition 4, from the APA. *In the Assembly, pending concurrence in Senate amendments.*

AB 1270 (Eduardo Garcia, Chapter, 94, Statutes of 2015) made necessary changes to existing workforce development statutes to conform to the new federal guidelines under the WIOA while preserving core elements of California's workforce development policies. This bill updated statutory references to the Workforce Investment Act of 1998 to instead refer to the WIOA and make related conforming changes. This bill also renamed the California Workforce Investment Board (CWIB) the California Workforce Development Board and revised the membership of the board. Finally, this bill renamed the local boards as local workforce development boards and revised their duties consistent with the federal WIOA.

SB 118 (Lieu, Chapter 562, Statutes of 2013) required the former CWIB, now called CWDB, to incorporate specific principles into the State Plan that align the education and workforce investment systems of the state to the needs of the 21st century economy and promotes a well-educated and highly skilled workforce to meet the future workforce needs.

SB 698 (Lieu, Chapter 497, Statutes of 2011) required the Governor to establish, through the CWIB, standards for certification of high-performance local workforce investment boards, in accordance with specified criteria. The bill also required the Governor and the Legislature, in consultation with the CWIB, to reserve specified federal discretionary funds for high-performing local workforce investment boards.

SUPPORT

California Workforce Association (Sponsor)
Association of California Goodwills
City of Long Beach

County of Los Angeles
Redefine Alliance.
Sacramento Employment and Training Agency
South Bay Workforce Investment Board

OPPOSITION

None received

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