

Date of Hearing: April 2, 2025

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT

Liz Ortega, Chair

AB 765 (Flora) – As Introduced February 18, 2025

SUBJECT: Employment Training Fund: federal loan interest payments

SUMMARY: Prohibits money in the Employment Training Fund to be used to pay interest charged on federal loans to the Unemployment Fund, or related liabilities, without the approval of the Legislature and a public report justifying the necessity.

EXISTING LAW:

- 1) Establishes the Employment Training Panel (ETP) within the Employment Development Department and charges it with performing certain duties including soliciting proposals and writing contracts for the purpose of providing employment training. Unemployment Insurance Code § 10202.
- 2) Establishes the Employment Training Fund in the State Treasury, and requires specified contributions collected from employers to be deposited in or transferred to this fund. Unemployment Insurance Code § 1610.
- 3) Requires that moneys in the fund be expended only for the purposes of the ETP, except as provided. Unemployment Insurance Code § 1611.
- 4) Authorizes, with approval of the Legislature, the fund or contributions to it to be used to pay interest charged on federal loans to the Unemployment Fund. Unemployment Insurance Code § 1611(a).
- 5) Requires any moneys allocated to the ETP in a fiscal year that are not encumbered by the panel in that fiscal year to revert to the Unemployment Insurance Fund. Unemployment Insurance Code § 1611(b).
- 6) Provides that it is the intent of the Legislature that the ETP closely monitor program performance and expenditures for employment training programs administered by the ETP, and expeditiously disencumber funds that are not needed for employment training program completion. Requires those moneys that are disencumbered during the fiscal year that are not reencumbered during the same fiscal year to revert to the Unemployment Insurance Fund. Unemployment Insurance Code § 1611(c).
- 7) Authorizes the Controller to use the moneys in the Employment Training Fund for loans to the General Fund as provided, but requires interest to be paid on all moneys loaned to the General Fund from the Employment Training Fund, as specified. Unemployment Insurance Code § 1611(d).
- 8) Authorizes the Legislature to appropriate from the Employment Training Fund an amount specified in the annual Budget Act to fund the local assistance portion of welfare-to-work activities under the CalWORKs program, as provided. Unemployment Insurance Code § 1611.5.

FISCAL EFFECT: Unknown

COMMENTS: The ETP is a joint labor-business state agency funded by an Employment Training Tax paid by California employers. The proceeds of this tax are aggregated into the Employment Training Fund, which the ETP administers. The ETP reimburses the cost of employer-driven training for incumbent workers, as well as funds training to assist unemployed workers in re-entering the workforce.

As stated on the ETP's website, "ETP's role in the economy is derived from its initial mandate in 1982 of moving large numbers of unemployed workers quickly into employment and saving the jobs of workers threatened with displacement. The program has expanded that role over the years to include an increased support of retraining incumbent workers of businesses in basic industries challenged by out-of-state competition (primarily the manufacturing and high technology sectors). Today, ETP focuses on supporting job creation and business attraction, retention, and expansion, as well as the re-employment and retention of workers."

The ETP program is performance-based, requiring employers to provide proof that training hours have been completed and trainees have been retrained in well-paying jobs for a specific period of time at a specified wage before the ETP reimburses payment.

In the 2024-25 fiscal year when the state was facing a significant deficit, the Governor's and Legislature's Early Action Agreement shifted \$100 million from the Employment Training Fund to pay interest on federal loans to the Unemployment Fund. Subsequently, another \$50 million from the Employment Training Fund was earmarked in the final budget agreement to pay down additional interest on federal loans to the Unemployment Fund in the 2025-26 fiscal year.

According to the author, "This bill would prohibit moneys in the fund from being diverted, transferred, or otherwise used to pay interest charged on federal loans to the Unemployment Fund, or related liabilities, without the approval of the Legislature by statute and a public report justifying the necessity for the diversion, transfer, or use. The bill would also make related findings and declarations."

With regards to how the bill promotes equity solutions and maximizes benefits for underserved and marginalized communities, the author adds that "By preventing the diversion of funds from the Employment Training Fund without legislative approval and public justification, the bill helps safeguard critical job training and workforce development programs. Among other groups, these programs benefit low-income individuals, workers of color, and other underserved populations by providing pathways to stable employment and economic mobility."

Prior Legislation

AB 1808 (Committee on Budget) Chapter 75, Statutes of 2006 extended to any annual Budget Act the authorization to appropriate a specified amount from the Employment Training Fund to fund the local assistance portion of welfare-to-work activities under the CalWORKs program.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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