

AMENDED IN ASSEMBLY MAY 30, 2012

AMENDED IN SENATE APRIL 18, 2012

**SENATE BILL**

**No. 1401**

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**Introduced by Senator Lieu**

February 24, 2012

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An act to amend Sections 14000, 14005, 14010, 14013, and 14020 of the Unemployment Insurance Code, relating to unemployment insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1401, as amended, Lieu. Unemployment insurance: education and workforce investment systems.

Existing law provides that the California Workforce Investment Board is responsible for assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system. Existing law further provides that the board must assist the Governor in targeting resources to specified high-wage industry sectors and providing guidance to ensure that services reflect the needs of those sectors.

This bill would provide that the board is also responsible for assisting the Governor in the alignment of the education and workforce investment systems to the needs of the 21st century workforce and the promotion and development of a well-educated and highly skilled 21st century economy and workforce. This bill would require the board to assist the Governor in targeting resources to specified ~~high-wage~~ industry clusters *that provide economic security* and leverage state and federal funds to ensure that resources are invested in activities that meet the needs of specified industry sectors and advance the education and

employment of students and workers so they can meet the specified needs of the state, its regional economies, and leading industry sectors.

Existing law requires the board, in collaboration with specified state and local partners, and the local workforce investment boards to develop a specified strategic workforce plan, updated at least every 5 years, to address the state’s economic, demographic, and workplace needs and to meet the single state plan requirement of the Workforce Investment Act of 1998.

This bill would require, as part of the strategic workforce plan, the creation of a California Industry Sector Initiative that will accomplish specified tasks, including aligning and leveraging federal, state, and local Workforce Investment Act funding streams, identifying specified industry sectors and clusters, providing skills-gap analysis, and establishing specified eligibility criteria for the Workforce Investment Act eligible training provider list.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
 State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 14000 of the Unemployment Insurance
- 2 Code is amended to read:
- 3 14000. (a) The Legislature finds and declares that, in order
- 4 for California to remain prosperous and globally competitive, it
- 5 needs to have a well-educated and highly skilled workforce.
- 6 (b) The Legislature finds and declares that the following
- 7 principles shall guide the state’s workforce investment system:
- 8 (1) Workforce investment programs and services shall be
- 9 responsive to the needs of employers, workers, and students by
- 10 accomplishing the following:
- 11 (A) Preparing California’s students and workers with the skills
- 12 necessary to successfully compete in the global economy.
- 13 (B) Producing greater numbers of individuals who obtain
- 14 industry-recognized certificates and degrees in competitive and
- 15 emerging industry sectors and filling critical labor market skills
- 16 gaps.
- 17 (C) Adapting to rapidly changing local and regional labor
- 18 markets as specific workforce skill requirements change over time.
- 19 (D) Preparing workers for good-paying jobs that foster economic
- 20 security and upward mobility.

1 (2) State and local workforce investment boards are encouraged  
2 to collaborate with other public and private institutions, including  
3 businesses, unions, nonprofit organizations, kindergarten and  
4 grades 1 to 12, inclusive, career technical education programs,  
5 adult basic education programs, community college career technical  
6 education and basic skills programs, the California Community  
7 Colleges Economic and Workforce Development Program, and  
8 the Employment Training Panel, to better align resources across  
9 workforce education and training service delivery systems and  
10 build a well-articulated workforce investment system by  
11 accomplishing the following:

12 (A) Adopting local and regional training and education strategies  
13 that build on the strengths and fill the gaps in the education and  
14 workforce development pipeline in order to address the needs of  
15 job seekers, workers, and employers within regional labor markets  
16 by supporting sector strategies.

17 (B) Leveraging resources across education and workforce  
18 training delivery systems to build career pathways and fill critical  
19 skills gaps.

20 (3) Workforce investment programs and services shall be data  
21 driven and evidence based when setting priorities, investing  
22 resources, and adopting practices.

23 (4) Workforce investment programs and services shall develop  
24 strong partnerships with the private sector, ensuring industry  
25 involvement in needs assessment, planning, and program  
26 evaluation, and by encouraging industry involvement by developing  
27 strong partnerships with an industry's employers and the unions  
28 that represent the industry's workers.

29 (5) Workforce investment programs and services shall be  
30 outcome oriented and accountable, measuring results for program  
31 participants, including, but not limited to, outcomes related to  
32 program completion, employment, and earnings.

33 (6) Programs and services shall be accessible to employers,  
34 workers, and students who may benefit from their operation,  
35 including individuals with employment barriers, such as persons  
36 with economic, physical, or other barriers to employment.

37 SEC. 2. Section 14005 of the Unemployment Insurance Code  
38 is amended to read:

39 14005. For purposes of this division:

1 (a) “Board” shall mean the California Workforce Investment  
2 Board.

3 (b) “Agency” means the Labor and Workforce Development  
4 Agency.

5 (c) “Career pathways,” “career ladders,” or “career lattices”  
6 mean an identified series of positions, work experiences, or  
7 educational benchmarks or credentials with multiple access points  
8 that offer occupational and financial advancement within a  
9 specified career field or related fields over time.

10 (d) “Cluster-based sector strategies” means methods of focusing  
11 workforce and economic development on those sectors that have  
12 demonstrated a capacity for economic growth and job creation in  
13 a particular geographic area.

14 (e) *“Data driven” means a process of making decisions about*  
15 *investments and policies based on systematic analysis of data,*  
16 *which may include data pertaining to labor markets.*

17 ~~(e)~~

18 (f) “Economic security” means, with respect to a worker, earning  
19 a wage sufficient to support a family adequately, and, over time,  
20 to save for emergency expenses and adequate retirement income,  
21 based on factors such as household size, the cost of living in the  
22 worker’s community, and other factors that may vary by region.

23 (g) *“Evidence-based” means making use of policy research as*  
24 *a basis for determining best policy practices. Evidence-based*  
25 *policy makers adopt policies that research has shown to produce*  
26 *positive outcomes, in a variety of settings, for a variety of*  
27 *populations over time. Successful, evidence-based programs deliver*  
28 *quantifiable and sustainable results. Evidence-based practices*  
29 *differ from approaches that are based on tradition, belief,*  
30 *convention, or anecdotal evidence.*

31 ~~(f)~~

32 (h) “High-priority occupations” mean occupations that have a  
33 significant presence in a targeted industry sector or industry cluster,  
34 are in demand by employers, and pay or lead to payment of ~~high~~  
35 ~~wage~~ *a wage that provides economic security.*

36 ~~(g)~~

37 (i) “Individual with employment barriers” means an individual  
38 with any characteristic that substantially limits an individual’s  
39 ability to obtain employment, including indicators of poor work  
40 history, lack of work experience, or access to employment in

1 nontraditional occupations, long-term unemployment, lack of  
2 educational; or occupational skills attainment, dislocation from  
3 high-wage and high-benefit employment, low levels of literacy or  
4 English proficiency, disability status, or welfare dependency.

5 ~~(h)~~

6 (j) “Industry cluster” means a geographic concentration or  
7 emerging concentration of interdependent industries with direct  
8 service, supplier, and research relationships, or independent  
9 industries that share common resources in a given regional  
10 economy or labor market. An industry cluster is a group of  
11 employers closely linked by common product or services,  
12 workforce needs, similar technologies, and supply chains in a given  
13 regional economy or labor market.

14 (k) (1) “Industry or sector partnership” means a workforce  
15 collaborative that organizes key stakeholders in a targeted industry  
16 cluster into a working group that focuses on the workforce needs  
17 of the targeted industry cluster. An industry or sector partnership  
18 organizes the stakeholders connected with a specific local or  
19 regional industry—multiple firms, labor groups, education and  
20 training providers, and workforce and education systems—to  
21 develop workforce development strategies within the industry.  
22 Successful sector partnerships leverage partner resources to  
23 address both short-term and long-term human capital needs of a  
24 particular sector, including by analyzing current labor markets  
25 and identifying barriers to employment within the industry,  
26 developing cross-firm skill standards, curricula, and training  
27 programs, and developing occupational career ladders to ensure  
28 workers of all skill levels can advance within the industry.

29 (2) Industry or sector partnerships include, at the appropriate  
30 stage of development of the partnership, all of the following:

31 (A) Representatives of multiple firms or employers in the  
32 targeted industry cluster, including small-sized and medium-sized  
33 employers when practicable.

34 (B) One or more representatives of state labor organizations,  
35 central labor coalitions, or other labor organizations, except in  
36 instances where no labor representations exists.

37 (C) One or more representatives of local workforce investment  
38 boards.

39 (D) One or more representatives of kindergarten and grades 1  
40 to 12, inclusive, and postsecondary educational institutions or

1 *other training providers, including, but not limited to, career*  
 2 *technical educators.*

3 *(E) One or more representatives of state workforce agencies or*  
 4 *other entities providing employment services.*

5 *(3) An industry or sector partnership may also include*  
 6 *representatives from the following:*

7 *(A) State or local government.*

8 *(B) State or local economic development agencies.*

9 *(C) Other state or local agencies.*

10 *(D) Chambers of commerce.*

11 *(E) Nonprofit organizations.*

12 *(F) Philanthropic organizations.*

13 *(G) Economic development organizations.*

14 *(H) Industry associations.*

15 *(I) Other organizations, as determined necessary by the*  
 16 *members comprising the industry or sector partnership.*

17 ~~(i)~~

18 *(l) “Industry sector” means those firms that produce similar*  
 19 *products or provide similar services using somewhat similar*  
 20 *business processes, and are closely linked by workforce needs,*  
 21 *within a regional labor market.*

22 ~~(j)~~

23 *(m) “Local labor federation” means a central labor council that*  
 24 *is an organization of local unions affiliated with the California*  
 25 *Labor Federation or a local building and construction trades council*  
 26 *affiliated with the State Building and Construction Trades Council.*

27 ~~(k)~~

28 *(n) “Sector strategies” means methods of prioritizing*  
 29 *investments in competitive and emerging industry sectors and*  
 30 *industry clusters on the basis of labor market and other economic*  
 31 *data indicating strategic growth potential, especially with regard*  
 32 *to jobs and income, and exhibit the following characteristics:*

33 *(1) Focus workforce investment in education and workforce*  
 34 *training programs that are likely to lead to ~~high-wage~~ jobs*  
 35 *providing economic security or to an entry-level job with a*  
 36 *well-articulated career pathway into a ~~high-wage~~ job providing*  
 37 *economic security.*

38 *(2) Effectively boost labor productivity or reduce business*  
 39 *barriers to growth and expansion stemming from workforce supply*  
 40 *problems, including skills gaps; and occupational shortages by*

1 directing resources and making investments to plug skills gaps  
2 and provide education and training programs for high-priority  
3 occupations.

4 (3) May be implemented using articulated career pathways or  
5 lattices and a system of stackable credentials.

6 (4) May target underserved communities, disconnected youths,  
7 incumbent workers, and recently separated military veterans.

8 (5) *Frequently are implemented using industry or sector*  
9 *partnerships.*

10 (f)

11 (o) “Workforce Investment Act of 1998” means the federal act  
12 enacted as Public Law 105-220.

13 SEC. 3. Section 14010 of the Unemployment Insurance Code  
14 is amended to read:

15 14010. The California Workforce Investment Board is the body  
16 responsible for assisting the Governor in the development,  
17 oversight, and continuous improvement of California’s workforce  
18 investment system and the alignment of the education and  
19 workforce investment systems to the needs of the 21st century  
20 economy and workforce.

21 SEC. 4. Section 14013 of the Unemployment Insurance Code  
22 is amended to read:

23 14013. The board shall assist the Governor in the following:

24 (a) Promoting the development of a well-educated and highly  
25 skilled 21st century workforce.

26 (b) Developing the State Workforce Investment Plan.

27 (c) Developing guidelines for the continuous improvement and  
28 operation of the workforce investment system, including:

29 (1) Developing policies to guide the one-stop system.

30 (2) Providing technical assistance for the continuous  
31 improvement of the one-stop system.

32 (3) Recommending state investments in the one-stop system.

33 (4) Targeting resources to ~~high-wage~~ competitive and emerging  
34 industry sectors and industry clusters that *provide economic*  
35 *security and* are either high-growth sectors or critical to  
36 California’s economy, or both. These industry sectors and clusters  
37 shall have significant economic impacts on the state and its regional  
38 and local areas, have immediate education and workforce  
39 development needs, and have documented career opportunities.

- 1 (d) Developing and continuously improving the statewide  
2 workforce investment system as delivered via the one-stop delivery  
3 system and via other programs and services supported by funding  
4 from the federal Workforce Investment Act of 1998, including:
- 5 (1) Developing linkages in order to assure coordination and  
6 nonduplication among workforce programs and activities.
- 7 (2) Reviewing local workforce investment plans.
- 8 (3) Leveraging state and federal funds to ensure that resources  
9 are invested in activities that meet the needs of the state's  
10 competitive and emerging industry sectors and advance the  
11 education and employment needs of students and workers so they  
12 can keep pace with the education and skill needs of the state, its  
13 regional economies, and leading industry sectors.
- 14 (e) Commenting, at least once annually, on the measures taken  
15 pursuant to the Carl D. Perkins Vocational and Applied Technology  
16 Education Act Amendments of 1990 (Public Law 101-392; 20  
17 U.S.C. Sec. 2301 et seq.).
- 18 (f) Designating local workforce investment areas within the  
19 state based on information derived from all of the following:
- 20 (1) Consultations with the Governor.
- 21 (2) Consultations with the chief local elected officials.
- 22 (3) Consideration of comments received through the public  
23 comment process, as described in Section 112(b)(9) of the federal  
24 Workforce Investment Act of 1998.
- 25 (g) Developing and modifying allocation formulas, as necessary,  
26 for the distribution of funds for adult employment and training  
27 activities, for youth activities to local workforce investment areas,  
28 and dislocated worker employment and training activities, as  
29 permitted by federal law.
- 30 (h) Coordinating the development and continuous improvement  
31 of comprehensive state performance measures, including state  
32 adjusted levels of performance, to assess the effectiveness of the  
33 workforce investment activities in the state.
- 34 (i) Preparing the annual report to the United States Secretary of  
35 Labor.
- 36 (j) Recommending policy for the development of the statewide  
37 employment statistics system, including workforce and economic  
38 data, as described in Section 15 of Title 29 of the United States  
39 Code, and using, to the fullest extent possible, the Employment

1 Development Department’s existing labor market information  
2 systems.

3 (k) Recommending strategies to the Governor for strategic  
4 training investments of the Governor’s 15-percent discretionary  
5 funds.

6 (l) Developing and recommending waivers, in conjunction with  
7 local workforce investment boards, to the Governor as provided  
8 for in the federal Workforce Investment Act of 1998.

9 (m) Recommending policy to the Governor for the use of the  
10 25-percent rapid response funds, as authorized under the federal  
11 Workforce Investment Act of 1998.

12 (n) Developing an application to the United States Department  
13 of Labor for an incentive grant under Section 9273 of Title 20 of  
14 the United States Code.

15 SEC. 5. Section 14020 of the Unemployment Insurance Code  
16 is amended to read:

17 14020. (a) The California Workforce Investment Board, in  
18 collaboration with state and local partners, including the Chancellor  
19 of the California Community Colleges, the State Department of  
20 Education, other appropriate state agencies, and local workforce  
21 investment boards, shall develop a strategic workforce plan to  
22 serve as a framework for the development of public policy, fiscal  
23 investment, and operation of all state labor exchange, workforce  
24 education, and training programs to address the state’s economic,  
25 demographic, and workforce needs. The strategic workforce plan  
26 shall also serve as the framework for the single state plan required  
27 by the federal Workforce Investment Act of 1998. The plan shall  
28 be updated at least every five years.

29 (b) The state shall develop a California Industry Sector Initiative  
30 that will serve as the cornerstone of the state plan and provide a  
31 framework for state workforce investments and support for sector  
32 strategies.

33 (c) The California Workforce Investment Board shall work  
34 collaboratively with state and local partners to identify ways to  
35 eliminate systemwide barriers and better align and leverage federal,  
36 ~~state, and state,~~ and local Workforce Investment Act funding  
37 streams and policies to develop, support, and sustain regional  
38 alliances of employers and workforce and education professionals  
39 who are working to improve the educational pipeline, establish  
40 well-articulated career pathways, provide industry-recognized

1 credentials and certificates, and address the career advancement  
2 needs of current and future workers in competitive and emergent  
3 industry sectors and clusters. The California Workforce Investment  
4 Board and its partners shall work collaboratively to maximize state  
5 and local investments and pursue other resources to address the  
6 skills-gap needs identified pursuant to paragraph (3) of subdivision  
7 (d).

8 (d) In order to support the requirement of the plans in  
9 subdivision (a), the California Workforce Investment Board shall  
10 do the following:

11 (1) Annually identify industry sectors and industry clusters that  
12 have a competitive economic advantage and demonstrated  
13 economic importance to the state and its regional economies. In  
14 developing this analysis, the California Workforce Investment  
15 Board shall consider the expertise of local workforce investment  
16 boards in the state's respective regional economies and shall  
17 encourage the local workforce investment boards to identify  
18 industry sectors and industry clusters that have a competitive  
19 economic advantage and demonstrated economic importance in  
20 their respective local workforce investment areas.

21 (2) Annually identify new dynamic emergent industry sectors  
22 and industry clusters with substantial potential to generate new  
23 jobs and income growth for the state and its regional economies.  
24 In developing this analysis, the California Workforce Investment  
25 Board shall consider the expertise of local workforce investment  
26 boards in the state's respective regional economies and shall  
27 encourage the local workforce investment boards to identify new  
28 dynamic emergent industry sectors and industry clusters with  
29 substantial potential to generate new jobs and income growth in  
30 their respective local workforce investment areas.

31 (3) Provide an annual skills-gap analysis enumerating  
32 occupational and skills shortages in the industry sectors and  
33 industry clusters identified as having strategic importance to the  
34 state's economy and its regional economies. In developing this  
35 analysis, the California Workforce Investment Board shall consider  
36 the expertise of local workforce investment boards in the state's  
37 respective regional economies and shall encourage the local  
38 workforce investment boards to conduct skills-gap analysis for  
39 their respective local workforce investment areas. Skills-gap  
40 analysis for the state and its regional economies shall use labor

1 market data to specify a list of high-priority, in-demand occupations  
2 for the state and its regional economies. This list shall be used to  
3 inform investment decisions and eligible training provider policies.

4 (4) Establish, with input from local workforce investment boards  
5 and other stakeholders, initial and subsequent eligibility criteria  
6 for the *federal Workforce Investment Act of 1998* eligible training  
7 provider list that effectively directs training resources into training  
8 programs leading to employment in high-demand, high-priority,  
9 and ~~high-wage~~ occupations *that provide economic security*,  
10 particularly those facing a shortage of skilled workers. The  
11 subsequent eligibility criteria, to the extent feasible, shall use  
12 performance and outcome measures to determine whether a  
13 provider is qualified to remain on the list. At a minimum, initial  
14 and subsequent eligibility criteria shall consider the following:

15 (A) The relevance of the training program to the workforce  
16 needs of the state’s strategic industry sectors and industry clusters.

17 (B) The need to plug skills gaps and skills shortages in the  
18 economy, including skills gaps and skills shortages at the state and  
19 regional level.

20 (C) The need to plug skills gaps and skills shortages in local  
21 workforce investment areas.

22 (D) The likelihood that the training program will lead to job  
23 placement in a ~~high-wage~~ job *providing economic security* or job  
24 placement in an entry-level job that has a well-articulated career  
25 pathway or career ladder to a ~~high-wage~~ job *providing economic*  
26 *security*.

27 (E) The need for basic skills and bridge training programs that  
28 provide access to occupational skills training for individuals with  
29 barriers to employment and those who would otherwise be unable  
30 to enter occupational skills training.

31 (F) To the extent feasible, utilize criteria that measure training  
32 and education provider performance, including, but not limited to,  
33 the following:

34 (i) Measures of skills or competency attainment.

35 (ii) Measures relevant to program completion, including  
36 measures of course, certificate, degree, licensure, and program of  
37 study rate of completion.

38 (iii) For those entering the labor market, measures of  
39 employment placement and retention.

1 (iv) For those continuing in training or education, measures of  
2 educational or training progression.

3 (v) For those who have entered the labor market, measures of  
4 income, including wage measures.

5 *(G) The division of labor for making initial and subsequent*  
6 *eligibility determinations under this division shall be modeled on*  
7 *the division of labor envisioned in the federal Workforce Investment*  
8 *Act of 1998 in that the state board shall establish, with input from*  
9 *local workforce investment boards and other stakeholders, the*  
10 *initial and subsequent eligibility procedures and criteria utilized*  
11 *by local workforce investment boards to assess training provider*  
12 *performance. The local boards shall have the authority to place*  
13 *and retain training providers on the list, and shall provide relevant*  
14 *performance data pertaining to the training provider criteria*  
15 *established pursuant to this division to a state agency designated*  
16 *by the Governor. The relevant state agency shall also have the*  
17 *authority to remove training providers for nonperformance,*  
18 *provided they do not meet the performance criteria established*  
19 *pursuant to this division.*

20 ~~(G)~~

21 *(H) If the state receives a waiver from the federal subsequent*  
22 *eligibility provisions specified in the federal Workforce Investment*  
23 *Act of 1998, the state workforce investment board shall establish*  
24 *its own subsequent eligibility criteria that take into account all of*  
25 *the criteria specified in subparagraphs (A), (B), (C), (D), (E), and*  
26 *(F), and (G).*

O