

## GOVERNOR DAVIS' PROPOSED LABOR AGENCY REORGANIZATION PLAN

Governor Gray Davis has proposed to reorganize several existing departments and boards to form a new Labor Agency as of July 1, 2002. The new agency would include the current Employment Development Department (EDD), Department of Industrial Relations (DIR), Workforce Investment Board (WIB), and Agricultural Labor Relations Board (ALRB). The proposal, officially titled *Governor's Reorganization Plan No. 1 of 2002: The California Labor and Workforce Development Agency*, aims to improve the coordination and effectiveness of state workforce development activities. The Little Hoover Commission, an independent state oversight agency, is currently reviewing the Reorganization Plan, and the Governor will soon submit the Plan to the Legislature for consideration.<sup>1</sup>

Policymakers should consider some important logistical and policy issues when reviewing the Reorganization Plan. Although consolidation and coordination of state job training programs is consistent with recommendations included in the California Budget Project's (CBP) report on state economic development spending, it is unclear whether the Reorganization Plan will achieve this goal.<sup>2</sup> The proposed reorganization provides an opportunity both to build a better system and highlight the importance of workforce development in California's economy.

### THE REORGANIZATION PROCESS

State law specifies an Executive Reorganization Process for any transfer of agency jurisdiction or control. First, Section 8523 of the Government Code requires the Governor to submit any reorganization plan to the Little Hoover Commission at least 30 days prior to submitting it to the Legislature for review. On March 1, the Plan was submitted to the Commission, where it is undergoing evaluation and review. The Commission is required to report to the Legislature within 30 days of the date that the Plan is submitted to the Legislature, which is expected to occur in early April. Government Code Section 12080.5 dictates that a reorganization plan becomes effective on the 61st day after the Governor submits it to the Legislature, unless either house passes a resolution rejecting the plan and referring it to a legislative committee. SB 1236 (Alarcon) provides a vehicle for legislative input to the Governor's Reorganization Plan.<sup>3</sup> The current version of this bill contains implementation language for the Plan as required by Government Code Section 12081.

### ISSUES FOR POLICYMAKERS TO CONSIDER

#### Coordination Of Labor Agency Programs With CalWORKs

Although the primary stated goal of the Reorganization Plan is coordination of programs and services, the current proposal focuses only on coordination among programs *within* the new agency. The Reorganization Plan does not address how workforce development programs under the new Labor Agency will interact with related programs in other agencies, such as CalWORKs' employment services programs. Currently, the Health and Human Services (HHS) Agency provides policy oversight and direction to workforce development programs administered by the EDD, WIB, and Employment Training

Panel, all of which are proposed to become part of the new agency. In addition, the HHS Agency currently provides policy oversight and direction to employment services administered by the California Department of Social Services (CDSS) through the CalWORKs program and the Department of Rehabilitation. The CBP estimates that state spending for workforce development programs under the DIR and the EDD totaled approximately \$118 million in 2000-01. In comparison, CalWORKs' employment services spending of approximately \$1.0 billion will remain in the CDSS under the HHS Agency.

As currently structured, the proposed reorganization could exacerbate the lack of coordination between the workforce development programs administered by the proposed agency and, in particular, those administered by the CDSS by dividing policy planning and oversight responsibilities for the workforce development programs between the two agencies. Coordination between workforce development programs and CalWORKs at the state and local level has been uneven at best, even where programs target the same or similar populations, such as the federal Welfare to Work grant program, administered by the EDD, and the CalWORKs program. The lack of coordination is exemplified by disparate utilization of the two funding streams at the local level. During fiscal year 2000-01, counties spent essentially all (97.6 percent) of the allocation they received for CalWORKs' employment and related services, while local Workforce Investment Boards had expended only 71 percent of their allotment of federal Welfare to Work grant funds, despite having a multi-year period to spend these dollars.<sup>4</sup>

The Reorganization Plan does not address how coordination between these programs will be maintained and improved. This issue is critical to the efficient and effective use of state dollars and should be thoroughly considered before this proposal moves forward. In particular, public deliberations should involve appropriate stakeholders from county welfare departments and advocacy and policy organizations concerned with the populations currently served by CalWORKs and related programs.

### **Coordination Of The Labor Agency With Other Agencies**

Coordination between the Labor Agency and external programs should not be limited to CalWORKs' employment services. The proposal should also address how workforce development programs will be coordinated with workforce and economic development programs under the California Community Colleges (CCC), the adult and vocational education programs administered by the California Department of Education (CDE), and economic development programs throughout all state agencies. The state spent \$4.7 billion (\$2.7 billion General Fund) for the CCC in 2000-01, and state spending for vocational and adult education programs under the CDE reached approximately \$935 million in the same year.<sup>5</sup> These programs account for a far greater share of the dollars available for workforce development than would be administered by the new agency.

In this endeavor, policymakers may wish to draw upon deliberations of the Joint Committee to Develop a Master Plan for Education. The final report of the Committee's workforce preparation working group declares that "workforce preparation programs across all levels of education must be aligned and have some linkage to workforce training programs in the state and the labor market."<sup>6</sup> In addition, since workforce development is a key component of the state's economy, workforce development programs under the new Labor Agency should also be coordinated with other state economic development programs. Policymakers may wish to charge the newly reactivated Economic Strategy Panel with determining how best to facilitate such an interaction.

### **Improved Management And Coordination Of Labor Market Data**

While the *Governor's Budget Summary* recognizes that "Coordination between the existing labor units in the EDD and DIR will result in more comprehensive information and data," the proposed reorganization

offers an opportunity to go further by improving data collection and analysis systems. The Reorganization Plan should address the need for a mechanism for coordinating data collection and analysis between the programs that would be administered by the new agency and related programs in other agencies. In particular, the potential for improved coordination among the EDD's Labor Market Information programs, CDSS-administered data systems, California Community Colleges system, Adult Education systems, and Department of Finance's Demographic Research section, merits attention.

While the state provides a range of information through the Labor Market Information Division of EDD and the Department of Finance, there are notable gaps with respect to information that would be useful for workforce development program evaluation and planning. For example, the state does not currently collect information on hours worked or hourly earnings for workers covered by the state's Unemployment Insurance system. The lack of this information makes it difficult to track outcomes of participants in state workforce programs or individuals who have left welfare for work over time. Such information could improve the state's ability to assess the effectiveness of various training programs and to compare the performance of programs across systems (i.e., welfare to work as compared to adult education or community colleges). Moreover, there are a number of considerations that may influence the choice of location for enhanced data collection capacity, such as confidentiality concerns and federal restrictions on the release of certain types of student information. The proposed reorganization provides an opportunity to link labor market and economic data in a way that is accessible to employers, workforce development practitioners, and job seekers. SB 1137 (Vasconcellos) of 1999, which was vetoed by Governor Davis, outlines a framework for such a system.

### **Consolidation Of Overlapping Program Responsibilities**

The proposed reorganization presents an opportunity to consider the desirability of consolidating departments, commissions, boards, and authorities with overlapping workforce development responsibilities. Although the *Governor's Budget Summary* calls the proposed new Labor Agency a "consolidation of all existing job training programs," the Reorganization Plan only reorganizes program responsibility under a new agency structure. The Plan does not provide for actual consolidation of programs by altering program administration at the department or commission level. The Legislature and the Governor should take this opportunity to evaluate the programs that will be placed under the new agency and consider whether further streamlining should occur by consolidating entities providing similar services to similar constituencies.

### **Organizational Structure Of The Labor Agency**

The proposed reorganization provides an opportunity for policymakers to review organizational relationships within the new agency and determine whether the proposed configuration is the most effective and efficient. For example, the Legislature and the Governor should consider whether the current hierarchy is the most effective or whether certain programs should report to different departments or boards. In particular, policymakers should examine the primary role of each department and board, as well as key functions within existing departments, and determine whether further alignment of reporting relationships would be appropriate.

### **Interaction Of Legislative Deliberations And The Governor's Taskforce**

As noted earlier, the Governor is expected to submit the Reorganization Plan to the Legislature in early April. Meanwhile, the Governor's Workforce Development Review and Reform Taskforce, headed by former state Senator Patrick Johnston, has been accepting public comments on its initial recommendations and is expected to hold public hearings this spring. Unlike the Little Hoover Commission, which is

required to provide recommendations to the Legislature, it is unclear whether the Taskforce will complete its deliberations in time to provide the Legislature with the benefit of its findings. Legislators may want to consider establishing a formal relationship with the Taskforce in order to avoid duplication of efforts and analysis.

## CONCLUSION

The creation of the new Labor and Workforce Development Agency sends an important signal with respect to the value of workforce development to the California economy. Accordingly, the Reorganization Plan, which proposes major changes in the state's workforce development system, warrants careful deliberation by the Legislature and the Governor. In particular, policymakers should consider the issues of coordination before moving forward with the Plan. Although the Reorganization Plan succeeds in consolidating oversight of labor-related programs within a single agency, it would divide workforce development programs between the HHS Agency and the new agency. In addition, the Plan does not address how Labor Agency programs will be coordinated with the CCC system, the adult and vocational education programs administered by the CDE and the CCC system, or the economic development programs under the Technology, Trade, and Commerce Agency and throughout state government.

The Reorganization Plan also provides opportunities that should not be overlooked by policymakers. The Plan should specifically address the need for better coordination and management of labor market data among workforce development and related programs. Policymakers should also take this opportunity to consider whether actual consolidation is warranted for any workforce development or related programs, as well as whether current reporting relationships between the affected programs, boards, and departments are the most effective. Finally, legislative deliberations should be coordinated with review by other entities such as the Governor's Taskforce. Through careful consideration, debate, and planning, California can move toward a workforce development system that is more effective, efficient, and accessible.

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*The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications and individual contributions. Erin Riches prepared this Brief. Please visit the CBP's web site at [www.cbpp.org](http://www.cbpp.org).*

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## ENDNOTES

<sup>1</sup> The Little Hoover Commission, formally known as the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy, was created in 1962. Its mission is to investigate state government operations and promote efficiency, economy, and improved service. The Commission is a bipartisan board of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators, and two Assemblymembers.

<sup>2</sup> *Maximizing Returns: A Proposal for Improving the Accountability of California’s Investments in Economic Development* (California Budget Project: January 2002) finds that California lacks a structural framework for economic development spending, and recommends that the Governor and Legislature work together to formulate a strategy for coordinating and overseeing all of the state’s economic development programs and spending.

<sup>3</sup> SB 25 (Alarcon), which proposed to create a Labor and Civil Rights Agency, included the EDD, DIR, and ALRB, as well as the Department of Fair Employment and Housing, the Fair Employment and Housing Commission, and the Public Employment Relations Board. Governor Davis vetoed SB 25 last year, stating that the Department of Industrial Relations would study the issue and make a recommendation to him by the end of the year. Senator Alarcon introduced SB 1236 at the request of the Governor.

<sup>4</sup> California Budget Project, *TANF and CalWORKs: California Spends Available Funds* (Sacramento: October 2001) and personal communication with Employment Development Department (March 12, 2002).

<sup>5</sup> Department of Finance, *Governor’s Budget 2002-03* (January 2002) and California Budget Project, *Maximizing Returns: A Proposal for Improving the Accountability of California’s Investments in Economic Development* (January 2002).

<sup>6</sup> Joint Committee to Develop a Master Plan for Education - Kindergarten through University, *Workforce Preparation and Business Linkages Strategic Planning Working Group Final Report* (Sacramento: March 2002), p. i.