



March 14, 2002

Michael E. Alpert, Chairman  
Little Hoover Commission  
925 L Street, Suite 805  
Sacramento, CA 95814

Dear Mr. Alpert:

You may be aware that the California Budget Project (CBP) recently released a report on the state's economic development spending, *Maximizing Returns: A Proposal for Improving the Accountability of California's Investments in Economic Development* (January 2002). This report 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.

The consolidation and coordination of state job training programs proposed in the *Governor's Reorganization Plan No. 1 of 2002* is consistent with CBP recommendations. However, we would like to raise some issues for the Commission's consideration.

**1. The Reorganization Plan's proposal to move workforce development programs out of the Health and Human Services Agency (HHS) may exacerbate the current lack of coordination between workforce development and CalWORKs employment services programs.**

Under the current structure, HHS provides policy oversight and direction to workforce development programs administered by the Employment Development Department (EDD), California Workforce Investment Board, and Employment Training Panel, as well as to employment services administered by the California Department of Social Services (CDSS) through the CalWORKs program. Coordination 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.

We are concerned that the proposed reorganization will exacerbate the lack of coordination between the workforce development programs administered by the proposed agency and those administered by the CDSS by dividing policy planning and oversight responsibilities for the workforce development programs between the two agencies. The Governor's Reorganization Plan does not address how coordination 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, we recommend that 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. In addition, the Governor's Reorganization Plan should address how workforce development programs under the new agency will be coordinated with workforce and economic development programs under the California Community Colleges, as well as the adult and vocational education programs administered by the California Department of Education.

**2. The proposed reorganization presents an opportunity to consolidate departments, commissions, boards, and authorities with overlapping workforce development responsibilities.**

Although the *Governor's Budget Summary* calls the proposed new Labor and Workforce Development Agency a "consolidation of all existing job training programs," the Governor's 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 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.

**3. The proposed reorganization does not address existing data gaps or offer direction for improving the collection and coordination of labor market data systems.**

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. For example, the state does not currently collect information on hours worked or hourly earnings for workers covered by the Unemployment Insurance system. This lack of information makes it impossible to accurately and systematically track the earnings of individuals who have moved from welfare to work or who have received services through other state workforce development programs. We recommend that the Governor's Reorganization Plan 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 and Adult Education systems, and Department of Finance's Demographic Research section, merits attention.

The Governor's Reorganization Plan succeeds in consolidating oversight of labor-related programs within a single agency, but would divide workforce development programs between the HHS and the new agency. The HHS would retain responsibility for the bulk of state employment services dollars. We estimate that state spending for workforce development programs under the Department of Industrial Relations and the EDD reached approximately \$118 million in 2000-01. In comparison, CalWORKs employment services spending of approximately \$1.0 billion will remain in the Health and Human Services Agency under the CDSS. In addition, the restructuring plan does not address how these programs will be coordinated with the California Community Colleges system or the adult and vocational education programs administered by the California Department of Education. These programs also account for a far greater share of the dollars available for workforce development than would be administered by the new agency. We are **not** recommending further program reorganization, but rather that the Governor's Reorganization Plan should address the issues of coordination before moving forward.

Thank you for your consideration of the CBP's concerns. If you have any questions, please do not hesitate to contact me or Erin Riches at (916) 444-0500.

Sincerely,

Jean Ross  
Executive Director

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