

The 2021-22 Budget: Creating a New Department of Better Jobs and Higher Wages

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The Governor’s budget for 2021-22 proposes to consolidate state workforce programs under a new Department of Better Jobs and Higher Wages. Specifically, the Governor proposes to consolidate employment, training, and data collection services currently conducted at various entities—workforce services at the Employment Development Department (EDD), workforce training at the California Workforce Development Board, apprenticeship programs at the Division of Apprenticeship Standards within the Department of Industrial Relations, and employer-sponsored training programs at the Employment Training Panel. Currently, these entities all reside within the state’s Labor and Workforce Development Agency, which integrates policy to align the state’s workforce programs.

Proposal

Governor Proposes to Create New Department Using Statutory Process. According to the administration, the new department is needed in order to “integrate policy development and workforce innovation with existing employment, training, and data collection services.” The Governor has proposed to establish the new department using the state’s statutory process, rather than the executive branch reorganization process outlined in the State Constitution. The executive branch process requires a review by the Little Hoover Commission—an independent state oversight agency tasked with reviewing proposed reorganization plans—and is subject to review by relevant policy committees of the Legislature and approval of the Legislature. Reorganizations pursued through the statutory process, on the other hand, are exempt from the reviews required under the executive reorganization process and instead most follow the current rules associated with passing budget trailer bill legislation.

Legislature Rejected the Same Proposal Last Year. The Governor first proposed to create the Department of Better Jobs and Higher Wages last year as part of the 2020-21 budget process. At that time, Legislative budget subcommittee hearings were consolidated due to the coronavirus disease 2019 (COVID-19) pandemic. Staff raised concerns that the Legislature would not have sufficient time to adequately review the Governor’s proposal for the new department. As a result of this and other concerns, the Legislature rejected the new department during the 2020-21 budget process.

Analysis

Framework for Evaluating Reorganization Proposals. When the Department of Better Jobs and Higher Wages was proposed along with several other departmental reorganizations last year, our office developed a [broad framework](#) for considering proposals based on best practices identified from other governmental agencies. We developed the following questions for the Legislature to consider when evaluating these proposals:

- Would the reorganization make programs more effective?
- Would the reorganization improve efficiency?
- Would the new structure improve accountability?
- Is the reorganization based upon a policy rationale?
- Does the reorganization reflect legislative priorities?
- Do the potential benefits outweigh the potential costs?
- Is the reorganization well planned?
- How should the reorganization be implemented?

Labor Agency Serves Similar Functions as Proposed New Department. According to the administration's budget change proposal for the new department, released last year, consolidating the entities will (1) improve equity for all workforce participants, (2) provide efficiency by bringing the programs together, and (3) enhance customer service for workers and employers. However, each of these entities resides currently within the Labor and Workforce Development Agency (LWDA). The LWDA was created in 2002 to (1) improve accountability and access to services, (2) eliminate program duplication, and (3) achieve cost-effectiveness. Achieving the objectives identified for the new department appears well within the original and ongoing responsibilities of the LWDA.

Not Clear What Problem the Reorganization Is Intended to Solve. To the extent that problems exist within the current structure that prevent LWDA entities from aligning resources, decision-making, and policy, we are unsure how creating a new department addresses these problems. Without a clear problem definition, the Legislature may

find it difficult to judge the proposal or establish accountability and expectations for the new department.

Reorganizing EDD During Unemployment Insurance Challenges Poses Risks. To create the new department, the administration proposes to shift about 1,600 staff from EDD to the new department. These staff currently work within EDD's workforce services branch and therefore are not responsible for the day-to-day administration of the state's unemployment insurance program. Nevertheless, a reorganization presents logistical and personnel challenges that call for considerable focus from EDD and Labor Agency leadership at a time when the state's urgent goal is to eliminate the backlog of unemployment insurance claims and prevent further fraud. In our view, the administration's decision to move forward with a complex reorganization during the pandemic poses a potentially serious risk to the state's ongoing efforts to eliminate the backlog of unemployment insurance claims.

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