

The 2022-23 Budget:

Analysis of the Care Economy Workforce Development Package

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Summary. This budget post provides (1) an overview of the Governor’s budget proposal to provide \$1.7 billion (mostly General Fund) across three years for several workforce development augmentations collectively known as the Care Economy Workforce Development package, (2) an assessment of the Governor’s proposed package, and (3) recommendations for the Legislature to consider for this proposed package.

BACKGROUND

Care Economy Workforce

What Is the Care Economy? There is no standard definition for which exact professions and services comprise the care economy. In some cases, this term is meant to refer specifically to caregiving occupations such as nurses, home health aides, and child care providers. In other cases, it is defined to include a broader set of health professions such as social workers, physicians, and psychiatrists (in addition to the caregiving occupations just mentioned). For the purposes of this post, we define the care economy according to the latter approach, encompassing a broad range of health and human services professions.

Some Evidence for Existing Shortage of Certain Care Economy Providers, Especially Within Certain Geographic Regions. There is some evidence that California is experiencing a shortage of certain care economy providers. For example, in 2021, the California Health Care Foundation interviewed health care leaders in seven different regions statewide on local capacity to deliver behavioral health care. Participants in all regions reported an insufficient supply of behavioral health providers (who are included among care economy professions). In addition, this analysis also found that the distribution of psychiatrists, licensed marriage and family therapists (LMFTs),

and licensed clinical social workers (LCSWs) is uneven statewide, with certain geographic regions having significantly fewer providers per capita, suggesting potential shortages in those regions. (For example, in 2020, the San Joaquin Valley had 6.5 psychiatrists per 100,000 population compared to 18.7 psychiatrists per 100,000 population in the San Francisco Bay Area.) University of California at San Francisco (UCSF) researchers also have projected—absent changes in the workforce pipeline—that the state will have half as many psychiatrists as needed by 2028. (These projections also found the state would need roughly 30 percent more psychologists, LMFTs, and LCSWs.)

Impacts of Pandemic Yet to Be Known.

Much of the data about workforce shortages pre-date the onset of the COVID-19 pandemic, however, some information is available. For example, in 2021, UCSF researchers found that the state currently is experiencing a shortage of registered nurses due to the impacts of the COVID-19 pandemic. However, these researchers also project that this shortage will be eliminated by 2026 due to increasing enrollment in registered nurse education programs. Overall, however, a comprehensive understanding of the extent of care economy workforce shortages—both prior to the pandemic and today—is not available.

Some Care Economy Workforce Does Not Reflect Demographics of California.

For certain care economy professions, the overall workforce does not reflect the demographics of California. For example, relative to their share of the state’s population, Latino Californians are underrepresented within certain professions, such as physicians. (Latino Californians comprise about 40 percent of the state’s population, but only make up roughly 5 percent of physicians.)

Workforce Development Programs

What Is Workforce Development? Workforce development can include the provision of education and training to connect individuals with jobs. These education and training activities can be intended to either (1) increase the number of workers in a given occupation or in certain geographic regions—by providing grants, scholarships, loan repayment, or outreach and engagement to increase the number of people pursuing certain occupations—or (2) “upskilling” existing workers to perform new functions or fulfill areas of need. The length of time for workforce development activities varies, ranging from training that can be provided in a few weeks to education that requires years of study.

Several State Health and Labor Entities Administer Workforce Development Programs, Including Some Targeted at Care Economy Professions. In addition to education provided by state colleges and universities, several state health and labor entities administer workforce development programs. Some of these programs are targeted specifically at care economy professions. Below, we describe these entities.

- **Department of Health Care Access and Information (HCAI).** HCAI develops policies and programs to (1) promote access to the health care workforce, particularly in underserved areas of the state; (2) provide health care quality and cost information; and (3) regulate financing opportunities for health care facility construction. Accordingly, HCAI administers a variety of health care workforce development programs—generally providing grants, scholarships, and loan repayment—targeted at a variety of health care careers.
- **California Workforce Development Board.** Although not solely focused on the care economy workforce, the Board sets statewide workforce development strategy and oversees state operations of federal workforce initiatives. The Board also runs various state workforce development grant programs, primarily in the building and construction trades but also, more recently, in healthcare, janitorial, information technology, and climate-related industries.

- **Employment Development Department (EDD).** EDD operates America’s Job Centers of California—commonly referred to as one-stop job centers—throughout the state as required under the federal Workforce Innovation and Opportunity Act. The department also runs the state’s employment insurance benefit programs, including Unemployment Insurance, Paid Family Leave, and Disability Insurance, and collects state payroll taxes that workers and employers pay. Within EDD, the Employment Training Panel (ETP) is a quasi-independent entity that distributes training grants to businesses for the employer to set up programs to train existing, incumbent workers. Historically, a small statewide payroll tax provided funding for ETP grants but, in recent years, the state has supplemented this longstanding funding source with General Fund monies for targeted training grants. Notably, the programs administered by EDD do not focus solely on the care economy workforce.

Providers Offer Training in Entry-Level Health Care Occupations Through Adult Education Program. Adult education focuses on providing precollegiate-level instruction and short-term training in various program areas. These areas include various health care occupations—such as certified nursing assistants and home health aides—as well as English courses for English as a second language students. Through the state’s Adult Education Program (AEP), more than 350 adult education providers—primarily school districts (through their adult schools) and community colleges—are organized into 71 regional consortia. The consortia have developed plans to coordinate and deliver adult education in their regions. In 2021-22, the state is providing \$566 million ongoing Proposition 98 General Fund for AEP. Statute provides this level of funding regardless of the number of students served or the type of instruction provided. In addition, the state is providing in 2021-22 about \$300 million Proposition 98 General Fund directly to community colleges for noncredit (adult education) instruction, which also includes health care training programs and English as a second language classes.

Recent State Investments in Care Economy Workforce

In Recent Years, State Has Made Substantial Investments for Care Economy Workforce Development. **Figure 1** shows recent major state funding for care economy workforce development. For example, as part of the 2021-22 budget, HCAI received \$800 million General Fund to increase the number of behavioral health providers statewide focusing on children and youth treatment. In addition, the 2021-22 budget provided HCAI with \$60 million General Fund to support the Song-Brown Program, intended to increase the number of primary care providers statewide by funding primary care residency training slots.

Since the bulk of this funding has only recently been made available, information on how the funding has been used and the results therefrom is relatively limited. However, some award information is available. For example, in 2021, the Song-Brown Program awarded funding to support 231 primary care residency slots.

PROPOSAL

The Care Economy Workforce Development Package. The Governor proposes \$1.7 billion (across three years) for the Care Economy Workforce Development package. This package consists of a variety of distinct proposed augmentations across several state health and

Figure 1

Recent Major State Funding for Care Economy Workforce Development

One-Time General Fund, Unless Otherwise Noted (In Millions)

Augmentation	Funding	Description
2019-20		
Medi-Cal Student Loan Repayment Program	\$120.0 ^a	Provide loan repayment for physicians and dentists who commit to treating Medi-Cal patients.
Mental Health Workforce Development	110.0 ^b	Provide funding for loan repayment and scholarships to mental health practitioners, mental health training for primary care clinicians, and local mental health workforce initiatives.
2020-21		
Expand Medical School Enrollment	\$40.0 ^c	Increase enrollment at UC Riverside School of Medicine and UC San Francisco campus at Fresno.
2021-22		
Children and Youth Behavioral Health Workforce Development	\$427.0 (across two years)	As part of broader Children and Youth Behavioral Health Initiative, provide grants to a variety of entities to increase number of behavioral health providers (including social workers) treating children and youth.
School Behavioral Health Counselors and Coaches	338.0 (across five years)	As part of broader Children and Youth Behavioral Health Initiative, provide grants to a variety of entities to increase number of behavioral health counselors, coaches, and peer support specialists in schools.
Song-Brown Program	60.0	Provide additional funding to Song-Brown Program, to support primary care residency slots and registered nursing training programs.
Children and Youth Behavioral Health Training	50.0 ^d	As part of broader Children and Youth Behavioral Health Initiative, provide training in children and youth behavioral health issues to pediatric, primary care, and other health care providers.
Certified Nursing Assistants	45.5	Provide scholarships and stipends to increase Certified Nursing Assistant workforce, and provide funding to support health career pathway program for youth.
UC Programs in Medical Education (PRIME)	12.9 ^c	Provide training to promote diversity in the physician workforce and increase number of physicians in underserved areas of the state.

^a Proposition 56 Funds.

^b Combined General Fund and Mental Health Services Fund.

^c Ongoing funding.

^d Funding for 2022-23.

labor entities. The vast majority of proposed funding would come from the General Fund with a few exceptions (such as Proposition 98 funds). This proposed package intends to (1) increase the number of care economy providers, particularly in underserved areas of the state; (2) provide additional training for existing care economy providers; and (3) increase diversity and cultural

competency within care economy professions statewide. The various components of the proposed Care Economy Workforce Development package are summarized in **Figure 2** below.

Proposed Package Provides Funding to Increase Number of Care Economy Providers...
Most of the augmentations included in the package are intended to increase the number of care

Figure 2

Care Economy Workforce Development Proposals

General Fund, Unless Otherwise Noted (In Millions)

Proposal	Description	Funding	
		2022-23	Three-Year Total
HCAI			
Community Health Workers	Recruit, train, and certify new community health workers.	\$50	\$350
Comprehensive Nursing Initiative	Increase the number of nursing professionals.	90	270
Expanding Social Workers	Provide stipends and scholarships to increase the number of social workers and increase diversity among social workers.	70	210
Behavioral Health Workforce	Increase the number of behavioral health providers, including by supporting psychiatric residency programs.	40	120
Multilingual Health Initiatives	Provide scholarships and loan repayment for multilingual applicants among health care professionals.	20	60
Opioid Treatment	Increase the number of substance use disorder treatment professionals and train substance use disorder treatment professionals on how to provide employment services to clients.	26 ^a	26 ^a
Reproductive Health Clinical Infrastructure	Provide loan repayment and scholarships to health care providers that commit to pursuing reproductive health care careers.	20	20
Workforce Council for Health Care Training	Research health care workforce shortages and best practices to build a diverse health care workforce.	3	3
CWDB			
High Road Training Partnerships	Provide funding for training programs among a variety of entities (including community-based organizations, labor unions, and employers) to build career pathways for health care professions.	\$120	\$340
CCC			
English Language Learners Health Careers	Provide funding for health care vocational pathways for English language learners.	\$130 ^b	\$130 ^b
EDD			
Employment Training Panel	Provide grants to employers to upskill existing health care professionals.	\$90	\$90
Emergency Medical Services Corps	Increase the number of Emergency Medical Technicians.	20	60
DHCS			
Indian Health Program Grants	Restore grant funding to Indian Health Program.	\$12	\$12
Totals		\$691	\$1,691

^a Opioid Settlement Fund.

^b Proposition 98 General Fund.

HCAI = Department of Health Care Access and Information; CWDB = California Workforce Development Board; EDD = Employment Development Department; and DHCS = Department of Health Care Services.

economy providers in certain fields. For example, the proposed package includes a combined \$972 million (across three years) to (1) increase the number of nursing providers, social workers, and behavioral health providers by funding loan repayment, scholarships, psychiatric residency slots, and outreach and engagement to encourage individuals to pursue these careers, and (2) increase the number of community health workers—a relatively new care economy provider type—statewide. (Community health workers are trained health educators who work directly with individuals who may have difficulty understanding or interacting with health care providers due to cultural or language barriers to increase their engagement with the health care system.)

...And for Additional Training for Existing Care Economy Providers. Several of the augmentations included in the Care Economy Workforce Development package are intended to provide additional training to existing health care providers. For example, the proposed package includes a combined \$94 million (across three years) to (1) ETP to provide grants to care economy employers to upskill existing employees and (2) HCAI to upskill behavioral health providers.

Proposed Package Includes Funding to Increase Diversity Among Care Economy Professionals. The package also includes augmentations intended to increase diversity among care economy professionals. For example, the proposed package includes a combined \$190 million (across three years) to support health care vocational pathways for English language learners, as well as to provide scholarships and loan repayment for multilingual care economy providers.

Some Funding Within Proposed Package for Health Care Workforce Research. The package also includes additional funding to HCAI to research health care workforce shortages and best practices for developing a diverse workforce.

ASSESSMENT

Proposed Package Largely Conceptual, With Key Details Not Yet Developed. The proposed package is largely conceptual. While the proposal includes funding objectives, allocations, and high-level descriptions of how funding could

be used, the administration has not specified how those objectives and allocations would be implemented. Consequently, we do not have sufficient information to evaluate the proposal fully. For several of the proposals, the ultimate set of specific provider types that would be targeted is unclear. (For example, the proposal to provide funding to increase the number of behavioral health providers does not specify what share of funding would be allocated by provider type within the broad category of behavioral health providers.) In addition, while we understand that the administration intends to provide this funding within the structure of existing programs, how this would be accomplished for several of the proposed augmentations is unclear as some existing programs do not align with the proposed augmentations.

Proposed Package Lacks Clear Problem Definition... As noted earlier, studies have identified different workforce needs in the care economy both before the pandemic and more recently. While the administration references these workforce needs as part of its proposal, the administration does not provide a comprehensive assessment of statewide workforce needs across the care economy. Moreover, the administration does not offer an assessment as to why the state faces these workforce shortages and what interventions could address them.

...And Fails to Align Proposed Solutions With Identified Problems. The administration's proposal focuses on training opportunities, particularly for community health workers and nurses. However, the administration does not provide an assessment as to why these occupations should be targeted first. (For example, as discussed earlier, UCSF researchers project that the state's current shortage of registered nurses will be eliminated by 2026 due to increasing enrollment in registered nurse education programs.) Moreover, workforce shortages across the care economy could be occurring for many reasons including lack of training opportunities, insufficient pay, and working conditions. Whether the administration's proposal to focus largely on one facet of these issues would be effective is unclear.

Workforce Development Targets Unclear.

While the administration has provided estimates of how many awards would be made for some proposals within the package—for example, the administration anticipates that this proposed package would result in 4,509 loan repayments and 1,666 scholarships annually (across three years) for nursing professionals—other proposed augmentations within the package do not come with similar estimates. (For example, there is no accompanying estimate for how many awards would be made for behavioral health providers other than psychiatrists and for specific types of nursing professionals.) Without this information, and without information on what additional number of care economy providers—by provider type—is necessary to fulfill statewide need, assessing what workforce gaps would be addressed by the proposed package and the extent to which particular workforce gaps would be filled is difficult.

Whether Additional Workforce Training Is Best Approach to Address Immediate State Workforce Shortages Is Unclear.

The additional care economy professionals created as a result of the proposed package’s education and training augmentations will take some time to materialize. While this may help the state meet projected shortfalls of care economy providers in the future, it will likely not provide immediate relief for workforce shortages to the extent they persist now.

How Proposed Package Would Complement Prior State Workforce Development Investments Is Unclear.

As discussed earlier, in recent years the state has made substantial investments in workforce development, including for care economy professions that also are targeted in this proposal, particularly in the area of behavioral health. The state’s recent investments in these areas should, in concept, result in additional care economy providers, which will help the state address projected shortfalls in these occupations. These recent augmentations also should affect the ultimate need for additional providers. However, how the proposed package would build upon—and not duplicate—these efforts is unclear. In addition, how any evaluation of the proposed package would be coordinated with the required evaluation components of prior state investments also is unclear.

ETP Grants Could Support Upskilling, but Not Are Likely to Grow or Diversify Workforce...

ETP provides grants to businesses to train their existing workers. ETP grants do not directly encourage businesses to hire new workers or do so in a way that diversifies their workforce. As a result, ETP training grants may be consistent with one goal of the care economy package—upskilling the workforce—but likely would not contribute to the package’s other goals, including increasing the number of workers and diversifying the workforce.

...And Recent Expansion at ETP Raises Capacity Questions. Although ETP grants may be one tool to upskill workers, the \$90 million proposal in the package would almost double grant funding made by ETP in recent years (the panel distributed a total of \$97 million in grants in 2020-21). Further, the \$90 million proposal would be in addition to a one-time increase in ETP grants of \$65 million that was included as part of the 2021-22 budget. Such a large increase in funding could prove challenging to administer, especially given that ETP would need to target these grants specifically to health care industry employers and organizations.

Proposed Adult Education Funding Is Not Justified Given Existing Excess Capacity.

In 2020-21, AEP providers enrolled about one-third fewer students in their programs compared with 2018-19—a loss of about 50,000 full-time equivalent students. This significant decline was due to the effects of the pandemic. Based on preliminary information, enrollment is recovering slightly in 2021-22 but is still well below pre-pandemic levels. Despite these enrollment declines, because of the way AEP and community colleges are funded, adult education providers have not seen reductions in their funding. As a result, AEP consortium members likely have significant capacity next year to serve more students without the Governor’s proposed augmentation. As noted earlier, AEP consortia have the authority to decide what programs to offer, including for training in health care fields and in English as a second language. Accordingly, if AEP consortia wish to provide these training opportunities they can elect to do so.

Provisional Budget Bill Language Limits Legislative Input on Development of Package.

The administration is proposing provisional budget bill language (as opposed to trailer bill legislation) to implement the package, under the rationale that funding would be administered entirely through the structure of existing programs. However, as discussed earlier, how several augmentations within the proposed package would fit within the structure of existing workforce development programs is unclear. Accordingly, new workforce development programs may need to be created to administer some of the funding in this proposed package. The lack of proposed trailer bill legislation to implement this proposed package limits the Legislature's input on the development of this package, since it removes an opportunity for the Legislature to specify its intent and terms for the proposed funding.

RECOMMENDATIONS

Consider Deferring Action on Funding Until Fully Fleshed Out Plan Developed.

As discussed earlier, the proposed Care Economy Workforce Development package is at a conceptual stage, with key details outstanding. Furthermore, there are two major pieces of missing information which are key to supporting the rationale for this proposed package. These pieces of information include: (1) the specific workforce gaps by care economy provider type that exist (accounting for major recent state investments that should produce additional care economy providers) and the extent to which the proposed package serves to fill these gaps and (2) whether increasing funding for workforce education and training is the right intervention to address identified workforce gaps. (For example, if pay levels are a major reason for workforce gaps, then alternative interventions may be warranted.) Given these key outstanding pieces of information, the Legislature could provide planning dollars in this year's budget for the administration to undertake an assessment of workforce gaps and determine the underlying issues that most impact participation in those professions. The Legislature could then evaluate providing full funding for a fleshed out care economy workforce development plan from the administration next year. This approach would provide the Legislature with more control over determining what the appropriate state-level interventions are to address care economy workforce gaps.

Alternatively, Gather More Information and Adopt Trailer Bill Legislation.

If the Legislature approves of this proposed package in concept and wishes to provide funding in the 2022-23 budget, it could ask the administration to provide further information on the proposed package at May Revision. Specifically, the Legislature may wish to request information from the administration on (1) how funding would be allocated across specific provider types (such as for behavioral health and nursing providers), (2) which specific existing workforce development programs would administer each component of this proposed package, (3) how many care economy providers (by provider type) are needed to fulfill statewide need, and (4) how this proposed package would complement prior state workforce development investments. In addition (as discussed earlier), we find that the lack of proposed trailer bill legislation to implement this proposed package limits the Legislature's input on the package. Should the Legislature wish to provide funding in the 2022-23 budget, we recommend adopting trailer bill language to ensure input into key details of the proposed package (such as what balance of funding should go toward specific provider types). We also provide a few recommendations for specific components of the proposed package below.

Reconsider Whether to Fund Training Grants at ETP.

New ETP grants would help some businesses pay for training for their existing workers, but would not directly grow or diversify the workforce and could prove challenging to administer. If the Legislature approves of the proposed package in concept, we recommend it consider whether a smaller grant increase at ETP is warranted and, if so, whether those freed-up funds should go toward alternative training programs or some other aspect of the proposal altogether.

Reject Proposed Funding for Adult Education Program.

Due to the significant amount of ongoing funding adult education providers currently have to serve more students, we recommend the Legislature reject the Governor's proposed \$130 million one-time funding for this purpose. Instead, the Legislature could redirect the funds to higher-priority Proposition 98 purposes.

LAO PUBLICATIONS

This post was prepared by Corey Hashida, Chas Alamo, and Paul Steenhausen, and reviewed by Mark C. Newton and Carolyn Chu. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.