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## 2024 California Policy Recommendations

### Employment Social Enterprise: An Evidence-Based Solution

Employment Social Enterprises (ESEs) are businesses achieving transformative social impact – providing jobs, training, and support to people breaking through barriers to employment. There are almost 200 ESEs in California.

ESE employees are those who the traditional public workforce system often does not serve or serve effectively, including individuals who have experienced incarceration, homelessness, or mental health and/or substance use challenges. ESEs help their employees stabilize their lives through supportive services, build marketable skills, and develop a work history. The ESE model leads to greater economic security and mobility for its employees and yields a social return on investment of [\\$2.23 in benefits for every \\$1.00](#) invested.

As California makes investments aligned with the Governor’s [California Comeback Plan](#), and the federal government makes historic investments in infrastructure and economic recovery, we are seeing policy movement towards building an inclusive workforce. In partnership with the State of California, we have a unique opportunity to drive resources to ESEs and their employees, catalyzing social change and building an economy where *all* Californians can access quality employment. REDF recommends the following plan to create an economy that works for all Californians because true recovery requires everyone’s contributions.

### Recommendation #1 – Build an Inclusive Economy

- [Invest into the Clean California Initiative’s Back 2 Work \(B2W\) Program](#): B2W is an innovative partnership with Butte County Office of Education and California Department of Transportation (Caltrans), has been operating a high-impact employment initiative since 2009 that targets individuals breaking through barriers to employment – providing them with work skills and incomes so that they can stabilize their lives and interrupt what can otherwise become costly cycles of joblessness, homelessness, and incarceration. The B2W program has grown to annually employ 6,409 individuals in 40 California counties. We urge the State to invest \$50 million into B2W.
- [Invest into Breaking Barrier to Employment Initiative](#): The Breaking Barriers to Employment Initiative provides individuals from underserved communities with supplemental, supportive, and wraparound services they need to successfully enter, participate in, and complete workforce and education programs to obtain meaningful and family-sustaining jobs. We urge the State to invest \$10 million for the Breaking Barriers to Employment Initiative.
- [Invest into the California Employee Ownership Hub](#): The Employee Ownership Hub was created with unanimous bipartisan support through [SB 1407](#) (Becker, 2022), the



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California Employee Ownership Act, yet there was no appropriation to implement the Act. Employee-owned businesses, commonly formed as Employee Stock Ownership Plans (ESOPs) or Worker Cooperatives (co-ops), provide proven benefits to businesses, workers, and society. These include stronger business performance, quality jobs and wealth building opportunities for employees, and stronger local economies. We urge the State to invest \$1.5 million to fund the Hub Manager position and essential programming for the first three years.

- [Reject funding delay to the California Jobs First \(formerly Community Economic Resilience Fund\)](#): California Jobs First is an inter-agency partnership to support new strategies to diversify local economies and develop industries that create high-quality, broadly accessible jobs for all Californians in the transition to a carbon-neutral economy. The budget proposes to delay \$300 million from this program and maintains \$100 million General Fund annually in 2024-25 through 2026-27 for the program. We urge the State to reject this delay.
- [Sustain California Regional Initiative for Social Enterprise \(CA RISE\)](#): With \$25 million allocated in the Fiscal Year 2022-23 budget, GO-Biz oversees the CA RISE Program to provide financial and technical assistance to ESEs. CA RISE provides equitable access to capital and technical assistance to ESEs and accelerate the economic mobility of CA RISE participants, preparing them for jobs in growth industries. We urge the State to sustain CA RISE.
- [Sustain the Helping Justice-Involved Reenter Employment \(HIRE\) Initiative](#): The 2022-23 State of California Budget also included a \$50 million program to help justice-involved individuals find gainful employment and have the necessary means to thrive. This HIRE initiative will provide dedicated, multi-year state funding to community-based organizations to expand reentry services capacity. We urge the State to sustain the HIRE Initiative.

## Recommendation #2 – Reform Government Compliance with Unintended Consequences

- [Reform Private Attorney Generals Act \(PAGA\)](#): Under the Labor Code, PAGA authorizes aggrieved employees to file lawsuits to recover civil penalties on behalf of themselves, other employees, and the State of California for Labor Code violations. PAGA (enacted in 2004) moved labor and wage violation compliance from the California Attorney General to private attorneys, ultimately to the detriment of those workers intended to be protected by labor law. There is no cure process; if an employer violates, private attorneys can immediately go into litigation. PAGA should be reformed specifically for nonprofit ESEs to create a cure process for an ESE to remedy its violations. [AB 2288](#) could be a vehicle for reformation.
- [Support the California Nonprofit Equity Initiative](#): Many ESEs are incorporated as 501(c)3s and partner with government to provide the best possible service to people breaking through barriers to employment. [SB 1246](#) would ensure that nonprofits are paid timely by state agencies, critical to operational costs. We urge the State to pass SB 1246.



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### **Recommendation #3 – Implementation of Infrastructure Investment Jobs Act (IIJA) and Inflation Reduction Act (IRA)**

When State and local agencies are applying for IIJA and IRA funds, they should use a [Checklist for a Strong Workforce and Labor Plan](#). Both the U.S. Department of Transportation and the Department of Labor worked together to produce [FAQs](#) on how state transportation agencies can support, expand, and diversify apprenticeship for infrastructure projects. Both workforce and infrastructure [state agencies can 1\) deepen cross-agency coordination, 2\) augment workforce program funding, and 3\) embed job inclusion and quality into infrastructure and energy procurement.](#)

Passing [AB 1198](#) would be a good first step in ensuring that there is an intersection between the execution of energy infrastructure projects and workforce development programs, with a requirement of participation by businesses owned by women, minorities, disabled individuals, veterans, and individuals from disadvantaged communities. AB 1198 could specifically name ESEs as a participating business as well.

Clean California is an excellent example of preparing an inclusive infrastructure workforce. Within the much-acclaimed \$1.5 billion [Clean California Initiative to transform public spaces](#), there is a \$170 million investment that has primarily flow into ESEs via the B2W Program mentioned above. The Clean California Initiative will fuel the [creation of an estimated 15,000 jobs](#), including for ESE employees – individuals who aspire for a quality job while they are overcoming steep barriers to work including incarceration and homelessness. In Clean California’s implementation, Caltrans is contracting or subcontracting with ESEs to expand or create new business lines that support the transformation of public spaces and highways and create an onramp to quality jobs for individuals overcoming barriers to employment. Facing a large budget deficit, Caltrans needs to use their [504\(e\) allowances](#) that were expanded with IIJA. The 504(e) funding allows for pre-apprenticeships, apprenticeships, and career opportunities for on-the-job training, which are critical activities for ESE employees.

#### **About REDF**

REDF (Roberts Enterprise Development Fund) invests in employment social enterprises (ESEs) – businesses that provide jobs, training, and support to people breaking through barriers to employment. REDF partners with these businesses and the entrepreneurs who lead them – providing capital, capacity, and community – to amplify their transformative impact. Since 1997, REDF has invested in over 140 ESEs in the State. To date, those businesses have earned over \$876 million in revenue that they have reinvested to employ and build the skills of 40,000 Californians, including nearly 20,000 in the last five years alone, creating a ripple effect that strengthens families and communities and helps build an economy that works. For everyone.