

**Introduced by Senator Steinberg**February 22, 2013

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An act to add Part 38 (commencing with Section 64200) to Division 4 of Title 2 of the Education Code, and to add Sections 17057.6 and 23610.6 to the Revenue and Taxation Code, relating to education.

## LEGISLATIVE COUNSEL'S DIGEST

SB 594, as introduced, Steinberg. California Career Pathways Investment.

The Personal Income Tax Law and The Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill, in accordance with legislative findings contained in this bill and for calendar years beginning on or after January 1, 2014, would, for a business entity, as described, that provides career technical education, authorize a credit against those taxes, subject to specified limitations, in an amount equal to that allocated by the California Career Pathways Investment Committee, a committee established by this bill. This bill would require each school district and community district to create a Career Pathways Investment Trust Fund, the funds in which would be used for the purposes of financing program and administrative costs relating to the operation of career pathways programs, as provided.

This bill would impose specified duties on school districts with regard to career pathways programs.

Existing law authorizes the governing board of a community college district to establish contract education programs within or outside the state by agreement with any public or private agency, corporation, association, or any other person or body, to provide specific educational programs or training to meet the specific needs of these bodies. Existing law authorizes the governing board of any school district to initiate and

carry on any program or activity, or may otherwise act in any manner that is not in conflict with or inconsistent with, or preempted by, any law and that is not in conflict with the purposes for which school districts are established.

This bill would authorize a school district or a community college district to enter into social impact bonds, as defined, in accordance with applicable laws, to fund career pathways programs, as defined.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement shall be made pursuant to these statutory provisions for costs mandated by the state pursuant to this act, but would recognize that local agencies and school districts may pursue any available remedies to seek reimbursement for these costs.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Part 38 (commencing with Section 64200) is  
2 added to Division 4 of Title 2 of the Education Code, to read:

3  
4 PART 38. CAREER PATHWAYS INVESTMENT CREDIT  
5 AND TRUST FUND  
6

7 64200. (a) The Legislature finds and declares the following:

8 (1) After five years of deep recession and high rates of  
9 unemployment, the California economy has begun to recover.

10 (2) One of the most important actions California can take to  
11 hasten that recovery is to invest in the development of a skilled  
12 workforce to perform well-paying jobs in growing and emerging  
13 sectors of its regional economies.

14 (3) The fastest growing occupations are expected to be those  
15 that require scientific, technical, engineering, or mathematics  
16 (STEM) skills, such as jobs in biotechnology, digital media arts,  
17 green technology, or computer-related and health-related fields.

18 (4) California’s systems of public education, which includes  
19 primary and secondary schools, technical training, apprenticeship,  
20 two-year and four-year colleges, and graduate schools, play a

1 critical role in workforce preparation, one that could be  
2 significantly strengthened by a tighter focus on education and  
3 training that delivers the skills and capacities most called for in  
4 high-opportunity sectors.

5 (5) This kind of workforce preparation is best accomplished in  
6 concert with regional business and industry, so that students receive  
7 the most current and relevant education that prepares them to  
8 compete for good jobs in their communities after graduation from  
9 high school or postsecondary education and training.

10 (6) Work-based educational and training opportunities enhance  
11 the employment prospects of low- and moderate-income  
12 individuals and contribute to the stability and economic  
13 development of their communities.

14 (b) It is the intent of the Legislature that federal bank regulators,  
15 specifically, the Federal Reserve Bank, the Office of the  
16 Comptroller of the Currency, the Federal Deposit Insurance  
17 Corporation, and the Office of Thrift Supervision, give credit to  
18 federally insured banks and thrifts on their compliance exams  
19 under the Community Reinvestment Act of 1977 for grants,  
20 investments, and loans to educational institutions, nonprofit  
21 organizations, and businesses in support of career pathways  
22 programs.

23 (c) It is the intent of the Legislature to establish fiscal incentives,  
24 such as tax credits, that encourage California businesses and  
25 industry to enter into partnerships with schools and community  
26 colleges that strengthen the nature and quality of education  
27 provided by those institutions. These partnerships will connect  
28 high school pupils and teachers, and college students and faculty,  
29 to real world experience that provides sustained exposure to applied  
30 academics, skill development, work-related experience, and  
31 potential future employment. This experience will keep students  
32 on track to graduation, further education, and productive careers.

33 (d) The dissolution of redevelopment agencies will increase  
34 property tax revenues to K-14 school and community college  
35 districts, including the one-time distribution of redevelopment  
36 agency cash assets expected to occur in the 2012–13 and 2013–14  
37 fiscal years. It is the intent of the Legislature that school and  
38 community college districts capitalize the Career Pathways Trust  
39 Funds established pursuant to this act for the purposes of funding

1 grants and loans to businesses and offsetting administrative costs  
2 of the program.

3 64201. For the purposes of this part:

4 (a) “Applicant” means a business entity that enters into a  
5 contract or memorandum of understanding with a local educational  
6 agency, community college, or workforce investment board to  
7 provide career technical education that connects pupils to  
8 real-world experience and provides sustained exposure to applied  
9 academics, skill development, work-related education, and potential  
10 future employment, and that applies to the committee for the Career  
11 Pathways Investment Credit.

12 (b) “Authentic application” means an activity in the context of  
13 a middle, high school, or community college course that requires  
14 pupils to work actively with academic and technical concepts,  
15 facts, and skills in a realistic, work-like setting that emulates the  
16 problems encountered by professionals and the practices they use  
17 to address them. These applications typically require pupils to  
18 examine a task from a variety of perspectives, to draw upon  
19 multiple resources, to collaborate with others, and to accomplish  
20 tasks and projects by working in teams rather than individually.

21 (c) “Budget” means an estimate of all qualified expenditures to  
22 be paid or incurred in providing the career pathways program over  
23 the period for which the applicant is applying for the career  
24 pathways investment credit.

25 (d) “Career pathways programs” means programs that support  
26 the following:

27 (1) High school pathways programs delivered through high  
28 schools, regional occupation centers or programs, California  
29 Partnership Academies and other career academies, alternative  
30 education programs, including continuation schools and programs  
31 administered by county offices of education, or adult education  
32 programs, that integrate academic and technical learning to prepare  
33 pupils for both postsecondary education and careers in high-growth  
34 or high-need sectors of the economy. These programs include core  
35 academic courses emphasizing authentic applications, sequences  
36 or clusters of three or more courses that align with the State Board  
37 of Education approved career technical education standards and  
38 frameworks that also integrate key academic concepts and skills,  
39 work-based learning opportunities, additional services like

1 counseling or supplementary instruction in reading, writing, and  
2 mathematics.

3 (2) Curriculum and professional development.

4 (3) Middle school career exploration activities.

5 (4) Externship opportunities that expose middle school and high  
6 school teachers to the skills and competencies that pupils need for  
7 successful employment in high-growth sectors of the California  
8 economy.

9 (5) Active engagement by business and industry in pathway  
10 design and implementation, work-based learning, assessment of  
11 student work, and other aspects of effective preparation for success  
12 in further postsecondary education and careers.

13 (e) “Committee” means the California Career Pathways  
14 Investment Committee.

15 (f) “Qualified expenditures” includes the following:

16 (1) Paid jobs or internships for high school pupils or community  
17 college students that are related to course work in a career pathway  
18 program.

19 (2) Support and supervision for unpaid internships or other  
20 work-based learning opportunities that give pupils the opportunity  
21 to connect what they are learning in high school or community  
22 college to its application in the real world.

23 (3) Teacher or faculty externships.

24 (4) Contributions to programs administered by postsecondary  
25 institutions that provide support to middle school, high school, or  
26 community college career pathways programs. This support may  
27 include, but shall not be limited to, teacher training, curriculum  
28 development, and other forms of technical assistance.

29 (5) Equipment and instructional materials, including equipment  
30 and software to support technology-based instruction that provides  
31 all of the following:

32 (A) Accelerated learning opportunities.

33 (B) Identification of skill and knowledge gaps.

34 (C) Targeted remediation to prepare pupils for college and  
35 careers.

36 (6) Employees to provide instruction, in partnership with  
37 credentialed teachers employed by the school district or faculty  
38 employed by the community college, at the school site or college  
39 campus.

1 (7) Contributions to support staff who link career pathway  
2 programs with regional business entities and assist in the  
3 development of the memoranda of understanding provided in  
4 subdivision (f) of Section 64203. The staff may be employed by  
5 local education agencies, community colleges, or regional  
6 intermediary organizations.

7 (g) “Social impact bond” means a contract between a school  
8 district or a community college district and private investors who  
9 provide capital in exchange for a share of governmental payments  
10 that become available if performance targets are met. Financial  
11 returns to investors may vary pursuant to the measured level of  
12 performance. The bond issuer may use operating funds from the  
13 sale of the bonds to contract with service providers to deliver the  
14 services necessary to meet the performance targets.

15 64202. A school district or community college district may  
16 enter into social impact bonds, in accordance with applicable laws,  
17 to fund career pathways programs.

18 64203. (a) The California Career Pathways Investment  
19 Committee is hereby established in state government.

20 (b) The committee shall be composed of the following members:

21 (1) The Chancellor of the California Community Colleges, or  
22 his or her designee, who will serve as the chairperson of the  
23 committee.

24 (2) The Chancellor of the California Community Colleges, or  
25 his or her designee.

26 (3) The Chair of the California Workforce Investment Board,  
27 or his or her designee.

28 (4) One appointee of the Senate Committee on Rules, who will  
29 serve a four-year term.

30 (5) One appointee of the Speaker of the Assembly, who will  
31 serve a four-year term.

32 (c) The committee is granted the sole authority to allocate to  
33 applicants the Career Pathways Investment Credits authorized in  
34 the annual Budget Act, pursuant to Section 64205.

35 (d) The committee shall establish criteria and guidelines for  
36 evaluating applications for Career Pathways Investment Credits,  
37 including requirements for commitments of financial or other  
38 resources by applicants or a local education agency, community  
39 college, or workforce investment board.

1 (e) The committee may prepare forms, establish procedures, set  
2 priorities, assess, and perform other administrative functions as  
3 necessary.

4 (f) The Superintendent of Public Instruction, the Chancellor of  
5 the Community Colleges, and the California Workforce Investment  
6 Board shall enter into a memorandum of understanding to allocate  
7 staff resources to the committee. The costs to these entities shall  
8 be offset by fees charged to applicants for Career Pathways Tax  
9 Credits.

10 64204. Moneys in the Career Pathways Investment Trust Fund  
11 shall be used for any of the following purposes:

12 (a) Qualified expenditures.

13 (b) Administrative costs.

14 (c) Grants, loans, and program costs associated with career  
15 pathways programs.

16 64205. For calendar years beginning on or after January 1,  
17 2014, the committee shall allocate the Career Pathways Investment  
18 Credit in an amount authorized in the Budget Act for that calendar  
19 year. For purposes of this section, the committee shall do all of  
20 the following:

21 (a) Allocate the career pathways investment credit for up to 5  
22 calendar years for each application the committee approves, as  
23 long as the amount allocated does not exceed the amount authorized  
24 in the Budget Act.

25 (b) (1) Give priority in allocating tax credits to the following:

26 (A) Applicants that have entered into a contract or memorandum  
27 of understanding with local educational agencies, community  
28 colleges, or workforce investment boards in communities that have  
29 an unemployment rate higher than the statewide unemployment  
30 rate, as determined by the United States Census, and a high school  
31 graduation rate lower than the statewide high school graduation  
32 rate, as determined by the committee using the California  
33 Longitudinal Pupil Achievement Data System.

34 (B) Applicants that have entered into a contract or memorandum  
35 of understanding with local educational agencies, community  
36 colleges, or workforce investment boards with proportions of  
37 private funding support that exceed the one-to-one match  
38 requirement described in paragraph (1) of subdivision (e).

39 (C) Applicants that have entered into a contract or memorandum  
40 of understanding with local educational agencies or community

1 colleges that offer articulated pathways connecting high school  
2 and postsecondary certificate and degree programs in their region.

3 (D) Applicants that are not seeking tax credits for existing  
4 activities. However, priority shall be given to applicants that seek  
5 to expand or augment existing investments in career pathway  
6 programs.

7 (2) To the maximum extent practicable, subject to paragraph  
8 (1), give priority in allocating career pathways investment credits  
9 to applicants that seek to expand or augment existing investments  
10 in career pathway programs.

11 (3) The committee shall not give priority to any applicant by  
12 virtue of the date of submission of its application, except to allocate  
13 credits where two or more applicants have the same rating.

14 (c) An applicant shall enter into an enforceable contract or  
15 memorandum of understanding with the committee to comply with  
16 the requirements of this part, Sections 17057.6 and 23610.6 of the  
17 Revenue and Taxation Code, any applicable state laws, and any  
18 additional requirements the department deems necessary or  
19 appropriate to serve the purposes of this part. The contract or  
20 memorandum of understanding shall also provide for legal action  
21 to obtain specified performance or monetary damages for breach  
22 of contract and shall require regular programmatic audits.

23 (d) Adopt criteria that awards credits to applicants that  
24 demonstrate that either the applicant or the local educational  
25 agency, community college, or workforce investment board meets  
26 the following criteria:

27 (1) The effectiveness of the career pathway program toward  
28 preparing students for productive, high-wage employment in  
29 growing or high-need sectors of the California economy.  
30 Effectiveness criteria shall include:

- 31 (A) Pathway completion rates.
- 32 (B) High school graduation rates or community college  
33 completion rates, as appropriate.
- 34 (C) Percentages of students attaining an industry certification.
- 35 (D) Percentages of students transitioning successfully to  
36 postsecondary education or apprenticeship.
- 37 (E) Employment and earnings after high school.

38 (2) The level of the applicant’s investment in, oversight of, and  
39 ability to leverage and sustain current career pathways programs  
40 and current career technical education programs.

1 (e) Develop and provide forms for the purposes of informing  
2 potential applicants of the purposes of this part.

3 (f) The amount of the credit reserved for a calendar year shall  
4 not exceed 50 percent of the qualified expenditures estimated by  
5 the applicant for the calendar year.

6 (g) The committee shall report to the Franchise Tax Board, once  
7 each year, the identity of the qualified taxpayers for whom the  
8 career pathways credits are allocated each year.

9 (h) The committee may, in its discretion, consult with the  
10 Treasurer and the California Tax Credit Allocation Committee  
11 regarding the allocation of tax credits. If a request for consultation  
12 is made, the Treasurer and the California Tax Credit Allocation  
13 Committee shall aid the committee.

14 (i) Establish audit requirements. The committee may share  
15 information established during an audit with the Franchise Tax  
16 Board.

17 64206. A Career Pathways Investment Trust Fund is hereby  
18 established in each school or community college district for the  
19 purpose of financing program and administrative costs relating to  
20 the operation of career pathways programs. The trust fund may  
21 accept revenues from any source, including one-time property tax  
22 revenues resulting from the dissolution of the assets of the former  
23 redevelopment agencies, proceeds from the sale of social impact  
24 bonds, other tax revenues, grants, loans, and contributions or  
25 employment training funds made available through the employment  
26 training panel or workforce investment boards. The trust fund shall  
27 be administered by each school or community college district.

28 SEC. 2. Section 17057.6 is added to the Revenue and Taxation  
29 Code, to read:

30 17057.6. (a) For each taxable year beginning on or after  
31 January 1, 2014, there shall be allowed to a qualified taxpayer as  
32 a credit against the “net tax,” as defined in Section 17039, an  
33 amount equal to that allocated to a qualified taxpayer by the  
34 California Career Pathways Investment Committee pursuant to  
35 Section 64204 of the Education Code.

36 (b) For purposes of this section a “qualified taxpayer” means  
37 an applicant, as defined in Section 64201 of the Education Code,  
38 who is either the sole owner if an individual, partners if the  
39 taxpayer is a partnership, or shareholders if the taxpayer is an “S”  
40 corporation, and who was awarded an allocation of the career

1 pathways investment credit by the California Career Pathways  
2 Investment Committee.

3 (c) In the case where the credit allowed under this section  
4 exceeds the “net tax,” the excess credit may be carried over to  
5 reduce the “net tax” in the following taxable year, and succeeding  
6 taxable years, if necessary, until the credit has been exhausted.

7 (d) If a qualified taxpayer fails to comply with the requirements  
8 of this section or with Part 38 (commencing with Section 64200)  
9 of Division 4 of Title 2 of the Education Code, the credit shall be  
10 disallowed and assessed and collected under Section 19051 until  
11 the requirements are satisfied.

12 SEC. 3. Section 23610.6 is added to the Revenue and Taxation  
13 Code, to read:

14 23610.6. (a) For each taxable year beginning on or after  
15 January 1, 2014, there shall be allowed to a qualified taxpayer as  
16 a credit against the “tax,” as defined in Section 23036, an amount  
17 equal to that allocated to a qualified taxpayer by the California  
18 Career Pathways Investment Committee pursuant to Section 64204  
19 of the Education Code.

20 (b) For purposes of this section a “qualified taxpayer” means  
21 an applicant, as defined in Section 64201 of the Education Code,  
22 that is subject to the taxes imposed by this part.

23 (c) In the case where the credit allowed under this section  
24 exceeds the “tax,” the excess credit may be carried over to reduce  
25 the “tax” in the following taxable year, and succeeding taxable  
26 years, if necessary, until the credit has been exhausted.

27 (d) If a qualified taxpayer fails to comply with the requirements  
28 of this section or with Part 38 (commencing with Section 64200)  
29 of Division 4 of Title 2 of the Education Code, the credit shall be  
30 disallowed and assessed and collected under Section 19051 until  
31 the requirements are satisfied.

32 SEC. 4. No reimbursement shall be made pursuant to Part 7  
33 (commencing with Section 17500) of Division 4 of Title 2 of the  
34 Government Code for costs mandated by the state pursuant to this  
35 act. It is recognized, however, that a local agency or school district  
36 may pursue any remedies to obtain reimbursement available to it  
37 under Part 7 (commencing with Section 17500) and any other  
38 provisions of law.

O