

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency
Coastal Hearing Room, 2nd Floor
1001 I Street
Sacramento, California 95814
February 27, 2003

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Aram Hodess
Vice Chair

Barry Broad
Member

Joan Dean
Member

Tyrone Freeman
Member

Robert Lennox
Member

Tom Rankin
Member

Executive Staff

Peter McNamee
Executive Director

Steve Suchil
Assistant Executive Director

Pamela Haynes
Assistant Executive Director

Peter DeMauro
General Counsel

Ada Carrillo
Chief of Staff

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I. PUBLIC PANEL MEETING CALL TO ORDER

Aram Hodess, Co-Chair, called the public Panel meeting to order at 9:30 a.m. Mr. Hodess stated that until a quorum is present, the Panel would be acting as a committee of the whole. The Panel members present would listen to contractors' presentations but without a quorum would not be able to take any action on the proposals. Mr. Hodess announced that, due to conflicting schedules and quorum problems, portions of this Panel meeting would be held via teleconference per Government Code Section 11123(b).

II. ROLL CALL

Members Present

Aram Hodess, Vice Chairperson
Barry Broad
Joan Dean
Tyrone Freeman (Arrived at 11:00 a.m.)
Tom Rankin

Member Absent

Marsha Kwalwasser, Chairperson
Robert Lennox (Teleconference attendance at 11:20 a.m.)

Executive Staff Present

Peter McNamee, Executive Director
Steve Suchil, Assistant Executive Director
Pamela Haynes, Assistant Executive Director
Peter DeMauro, General Counsel
Ada Carrillo, Chief of Staff

III. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS

Tom Rankin, Chairperson for the Legislative Subcommittee, reported that the Legislative Subcommittee has been working with ETP staff exploring options to protect

funding for the ETP program and end the diversion of Unemployment Insurance/Employment Training Tax (UI/ETT) funds to other programs. In January 2003, staff submitted a proposed Finance Letter to Labor and Workforce Development Agency Acting Secretary Steve Smith requesting reconsideration of the proposal to end diversions of UI/ETT funding. Finance Letters are used to request consideration by Department of Finance (DOF) of changes to the Governor's Budget proposal. The DOF rejected ETP's request, which meant that ETP's executive staff had exhausted all administrative avenues available to restore diverted UI/ETT funds to the intended purpose of frontline worker training. Mr. Rankin stated under the State UI Code, the Panel is the ultimate policy making body for the ETP program. The UI Code specifically gives the Panel authority over its budget and the right to appeal budget decisions. Mr. Rankin recommended that the Panel adopt a motion to authorize the Legislative Subcommittee to appeal directly to the Legislature and the Governor to end diversion of UI/ETT funds and to restore this funding to ETP in order to address unmet worker training needs.

(Action on Mr. Rankin's recommendation was postponed until later in the day when a quorum would be present. Refer to page 10 for Panel action)

IV. REPORT OF THE EXECUTIVE DIRECTOR

ETP Staffing Status

Mr. McNamee stated ETP has an approximate 15 percent reduction in staff and, because of illnesses, retirements and attrition expected in the next few months, it is expected that ETP will be understaffed by as much as 20 percent by the end of this fiscal year. Half of ETP's Units range from 10 percent to 50 percent below normal staffing levels. ETP is actively recruiting potential staff from other State agencies that have been forced to release staff because of budget reductions. ETP staff is also pursuing ways to reduce workload burdens by automating and streamlining processes.

Budget Issues

Mr. McNamee reported that there continues to be an approximate \$18 million shortfall in the ETP training fund. The Labor and Workforce Development Agency is working with ETP in looking for various ways to address the shortfall. The Governor's office has directed a reduction in travel expenses and has asked for a voluntary 5 percent salary reduction for all Governor appointees effective in March 2003 through the current fiscal year.

Strategic Plan Implementation Update

Mr. McNamee reported the implementation of the Strategic Plan is on schedule. He suggested setting an additional meeting day in May to hold a work session on the Strategic Plan. He stated ETP would begin testing the On-line Orientation and Request for Eligibility Determination processes through the Internet. ETP has completed the selection phase of the vendors for ETP's marketing agreements.

Small Business Pilot Project (SBPP) Report

Ms. Haynes reported five Small Business Projects would be presented later in the meeting. This month's projects represent employers from the manufacturing sector specializing in aerospace metallurgy, wire rope, electronics, custom cabinets and commercial printing. The average number of workers employed by the five small businesses is just under 42 full time employees with approximately 23 employees being trained using ETP funds. Panel approval of the five projects before them will amount to a total of \$319,120 in ETP training funds omitted to the Small Business Pilot Project to date.

If approved by the Panel, the 5 contracts bring the total contracts approved to 27 contracts (26 projects) for the first five months of the project. In addition, the Small Business Development Staff is currently working with six SBPP Applications to bring forward for Panel review at the March meeting

Ms. Haynes reported there is approximately \$180,000 remaining of the \$500,000 initially targeted for the Small Business Pilot Project. The current SBPP guidelines require that contractors complete training by May 31, 2003, and the trained employees complete the 90-day retention period on or before August 31, 2003. As a result, March is likely to be the last month that these types of contracts can be submitted to the Panel. The demand for these projects has not diminished and the Panel has requests from small businesses to continue this type of training. Staff is proposing that the Panel continue to develop and fund contracts under the SBPP until all targeted funds are committed or until June 30, 2003, which ever occurs first.

(Action on Ms. Hayne's recommendation was postponed until later in the day when a quorum would be present. Refer to page 10 for Panel action)

Multiple Barriers Requirement Eligibility for Emancipated Foster Care Youth

Mr. McNamee stated that a report issued by the Little Hoover Commission on foster care in California was released this month. The report includes a telling section on "Agi circumstance of children who reach the age of eighteen after a long stay in foster care and who are basically left to their own devices to establish a place for themselves in the adult world without adequate preparation for earning a living. According to the Little Hoover report, which cites research that tracked a number of former foster care recipients, within four years of being emancipated from foster care, 25 percent experienced homelessness, unemployment amounted to about 50 percent, about 25 percent were arrested and spent time incarcerated, and about one-third received public assistance.

At present, there is no specific public training mechanism for assisting the young adults in question to acquire job skills. Panel acknowledgement of recently emancipated foster care recipients as a multiple barriers population eligible for SET funding would be a step toward assisting a group of largely neglected young adults to become productive individuals with a future that includes skilled employment. Mr. McNamee requested Panel approval of a

motion to clarify that recently emancipated foster youth meet the multiple barriers eligibility criteria within SET funding.

(Action on Mr. McNamee's recommendation was postponed until later in the day when a quorum would be present. Refer to page 11 for Panel action)

(Note: The Little Hoover Commission Report, "*Still in our Hands: A Review of Efforts to Reform Foster Care in California*," released February 2003 is available from the Commission's Web site: www.lhc.ca.gov.)

Mr. Rankin recommended a letter be sent to the Governor from the Panel requesting the Governor to make an appointment to fill the Panel's vacant public member seat as soon as possible. He stated the Panel has been experiencing quorum problems and, due to Panel members' financial interest and scheduling conflicts, the Panel will continue to experience quorum problems at future meetings.

(Action on Mr. Rankin's recommendation was postponed until later in the day when a quorum would be present. Refer to page 10 for Panel action.)

V. REPORT OF THE GENERAL COUNSEL

Mr. DeMauro requested a motion be made to delegate to the Executive Director to approve projects if quorum is lost. (Action on Mr. DeMauro's recommendation was postponed until later in the day when a quorum would be present. Refer to page 11 for Panel action.)

Mr. DeMauro presented for final adoption Regulation 22 CCR Section 4407.1, Small Business Owners, which was approved by the Panel at the August 22, 2002, Panel meeting for implementation as an emergency regulation. The Regulation was approved by the Office of Administrative Law (OAL) as an emergency regulation effective November 18, 2002. Once an emergency regulation is approved by OAL, the Panel has 120 days to complete the normal rulemaking process and submit a Certificate of Compliance. If the Panel fails to meet this deadline, the emergency regulation would automatically be repealed. Regulation 22 CCR Section 4407.1 allows business owners to be participants in a training project under the Small Business Pilot Project.

The 45-day public comment period initiating the normal rulemaking process for this emergency regulation was noticed on January 3, 2003. The Alliance for ETP responded with concerns: (1) the statement of necessity, which ETP was obligated to make to the OAL, was in the Alliance's opinion not accurate in stating the Panel has yet to establish an effective method of serving small businesses; (2) the small business owner participation should be allowed for every project before the Panel. Mr. DeMauro explained that this is a pilot project and the owner participation is limited to that project. The purpose of the pilot project is to reach those small businesses that are unable to

compete in the Panel's normal process. The pilot project was not intended to compete with the multiple employer contracts, but rather an attempt to serve those small businesses in rural areas. Mr. DeMauro stated there would be third-party study on the pilot project upon completion of the project, which terminates in June 2003. He stated possibly some or all of the pilot processes for small business owners may be recommended for expansion to the general process.

Staff recommended that the Panel approve Regulation 22 CCR Section 4407.1 and direct staff to submit the Certificate of Compliance to OAL.

(Action on final adoption of Regulation 22 CCR Section 4407.1, Small Business Owners, was postponed until later in the day when a quorum would be present. Refer to page 11 for Panel action)

Mr. DeMauro thanked everybody for all their support during his recovery.

VI. AGREEMENTS AND AMENDMENTS

Mr. Hodess stated the following projects would be presented, but due to the lack of a quorum, the vote on each project would be postponed until later in the day when a quorum would be present.

Irvine Chamber of Commerce

Diana Torres, Manager of ETP's San Diego field office, presented a One-Step Agreement for Irvine Chamber of Commerce (ICC) in the amount of \$213,835. Irvine Chamber of Commerce is a non-profit voluntary membership organization dedicated to enhancing the local business environment by providing services and information to its membership and the community. ICC proposes to train up to 125 incumbent workers from participating employers using an Advanced Technology Curriculum in Oracle Database Administration. The majority of trainees in the core group will come from participating employers that state the training is mandatory. This group of employers will contribute \$88,000 as wages paid during training. Other employers state that the training is voluntary and will contribute \$81,288 as their in-kind contribution. Trainees for whom training is voluntary meet all criteria specified in Section 43.2.4.1 of the California Division of Labor Standards Enforcement, Enforcement Policies and Interpretation Manual.

Mr. Torres introduced Jacquie Ellis, Chief Executive Officer and Signatory to the Agreement, and A.K. Thakore, President of Saisoft. Mr. Hodess questioned voluntary/non-compensatory training. Mr. Thakore stated all employees are salaried workers and are exempt from overtime. Panel members stated the section in the narrative referring to DLSE criteria that relates to non-compensatory training appears to be describing training that would be considered mandatory. Mr. Hodess requested a confirmation from the Division of Labor Standards Enforcement (DLSE)

regarding payment of overtime wages. He recommended approval of the contract be contingent upon the determination from DLSE confirming that trainees in voluntary training are exempt from overtime.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 11 for Panel action)

San Diego Electrical Training Trust

Ms. Torres presented a One-Step Agreement for San Diego Electrical Training Trust in the amount of \$150,000. This is the second ETP project with the San Diego Electrical Training Trust. The International Brotherhood of Electrical Workers, Local Union 569, and the San Diego Chapter of the National Electrical Contractors Association support this project. The proposed training plan includes a menu curriculum comprised of Computer Skills and Commercial Skills to train 200 journey level electricians, sound technicians, and foremen working in San Diego County.

Ms. Torres introduced Jim Westfall, Training Director/Administrative Manager. There were no questions from the Panel.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 11 for Panel action)

National Training & Machining Association (NTMA) Training Centers of Southern California

Dolores Kendrick, of ETP's North Hollywood field office, presented a One-Step Agreement for NTMA Training Centers of Southern California in the amount of \$5,248,300. This is the 25th project between NTMA Training Centers of Southern California and ETP. NTMA is the training arm of the machining industry in Southern California operated by an independent, non-profit trust. The centers train new employees and retrain existing employees for small and medium-sized machine shops in the metal trades industry. This project proposes to train 400 new hires and 550 retrainees. The Contractor is requesting a cost of \$9,576 for new hire training, which is based on the fixed-fee rate of \$15 per training hour multiplied by 600 training hours with an additional 8 percent allowable cost to support recruitment of trainees and employers. NTMA is seeking funding for new hire training that will result in wages at placement and retention of at least \$9.93 in Los Angeles County, and \$9.79 in Orange County, San Diego County, Ventura County, Riverside County and San Bernardino County. This proposal is supported by Electronic and Space Technicians Local 1553 who represent Engineers, Programmers, and Machine Set-up Operators; and United Auto Workers Local 509 who represent Programmers, CNC Machine Operators and Machine Set-up Operators.

Ms. Kendrick introduced Irv Hart, CEO. Mr. Hodess had concerns regarding in-kind contributions and new-hire employers taking credit for wages paid during productive

time as opposed to training that would be taking place on the job. Ms. Carrillo stated that staff would monitor and validate trainee hours reported by the Contractor and participating employers.

Mr. Rankin had concerns regarding wages and high cost of training. Mr. Rankin stated there did not appear to be any guarantee of a wage increase upon completion of training.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12 for Panel action)

United Computer College, Inc. d.b.a. United Education and Computer College

Ms. Kendrick presented a One-Step Agreement for United Computer College, Inc., d.b.a. United Education and Computer College in the amount of \$286,450. This is the second project between United Education and Computer College and ETP. United Computer College proposes to train 100 workers from small businesses in Business Skills, and 75 retrainees and 30 new hires in Computer Skills.

Ms. Kendrick introduced Ho Sung Yoon, Director. Mr. Broad questioned the 8 percent administrative costs. Ms. Carrillo explained that an ETP regulation allows an additional 8 percent cost for the recruitment of trainees who are collecting unemployment insurance (UI) benefits or have recently exhausted their benefits. The Contractor identifies the UI recipients by zip codes that are supplied by Employment Development Department (EDD). ETP has EDD send out fliers offering training to UI recipients identified within its zip code range. She stated the 8 percent is reimbursed to EDD for those services.

Mr. Hodess had concerns regarding ETP funding generic computer training. He stated the computer training described in this proposal appears to be generic and he asked how this program is customized. Ms. Kendrick explained that each employer is assessed for their training needs and all training would be done at the individual participating employer's site.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12 for Panel action)

California Human Development Corporation

Mr. Rufo presented a One-Step Agreement for California Human Development Corporation (CHDC). This proposal was presented to the Panel at the January 2003 Panel meeting. At that time, the Panel approved the truck driver portion of this proposal for \$200,295 but had concerns about the welding component (\$145,662) due to possible duplication with existing ironworker apprenticeship programs. ETP staff spoke with the Apprenticeship Coordinator of the Ironworkers of Northern California, Central California and vicinity, covering Sacramento, Stockton, Modesto,

and Redding, and found that the proposed ETP-funded training does not duplicate an established apprenticeship program.

Mr. Rufo introduced Nathan Acuna, Director. There were no questions from the Panel.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13 for Panel action)

Hitchcock & Holcombe, Inc., d.b.a. Continental Training Center

Mr. Rufo presented an Amendment for Hitchcock & Holcombe, Inc., d.b.a. Continental Training Center to add an additional 350 retrainees for an additional \$274,750. Hitchcock & Holcombe provides customized computer skills training that is both center-based and at employers' sites.

Mr. Rufo introduced Steve Hitchcock and Darin Holcombe, Co-Owners. There were no questions from the Panel.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13 for Panel action)

Mission Hill Truck School Inc.

Mr. Rufo presented a One-Step Agreement for Mission Hill Truck School Inc. in the amount of \$199,160 to train 52 individuals as truck drivers. Mission Hill Truck School is a vocational training institute located in Modesto, California. A training cost of \$3,830 per trainee is consistent with recently approved ETP new-hire, truck driver training projects. Trainees participating in this proposal will be working in Stanislaus County, which has a high unemployment rate of 11.5 percent (statewide rate is 6.3 percent).

Mr. Rufo introduced Harcharan Singh, School Manager, and Vina Hernandez, Office Manager.

(Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13 for Panel action)

The Panel had a quorum present with the arrival of Tyrone Freeman at 11:00 a.m. Mr. Hodess revisited the following agenda items that were not acted on earlier because a quorum was not present.

ACTION: The Panel minutes of January 23, 2003, were unanimously approved.

ACTION: The Panel unanimously approved the adoption of the February 2003 meeting Agenda.

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel send a letter to the Governor's office requesting the Governor to make an appointment to fill the Panel's vacant public member seat as soon as possible to avoid future quorum problems.

Motion carried, 5 – 0.

ACTION: Mr. Hodess moved and Mr. Broad seconded the Panel approve recently emancipated foster care youth meet the multiple barriers eligibility criteria within SET funding.

Motion carried, 5 – 0.

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approve continuing the Small Business Pilot Project until all SBPP targeted funds are committed.

Motion carried, 5 – 0.

ACTION: Mr. Freeman moved and Ms. Dean seconded the Panel authorize the Legislative Committee to initiate action with the Legislature to end the diversion of Employment Tax funds to other programs.

Motion carried, 5 – 0.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve adopting those proposals that are less than \$100,000 including the Small Business Pilot Projects (SBPP). The following projects were approved:

Plant Equipment, Incorporated	\$51,252
Agri-Cel, Incorporated	\$48,048
Endpak Packaging Incorporated	\$46,080
PolyOne Corporation	\$7,800
International Business Machines Corporation (Amendment)	\$0
Valley Fresh, Incorporated	\$49,140
Aremac Heat Treating Inc. (SBPP)	\$8,800
Color Ad Inc. (SBPP)	\$24,960
Key Electronics Manufacturing (SBPP)	\$3,040
Orlando Spring Corporation (SBPP)	\$17,160
Roy E. Whitehead Inc. (SBPP)	\$14,000

Motion carried, 5 – 0.

ACTION: Mr. Broad moved and Mr. Freeman seconded the Panel approve Regulation 22 CCR Section 4407.1 regarding small business owners and direct staff to submit the Certificate of Compliance to OAL.

Motion carried, 5 – 0.

Mr. Hodess requested a motion to delegate to the Executive Director the authority to approve projects following consultation with the Panel Chair or the Vice Chair if a quorum is lost. Mr. Rankin recommended postponing action until such time when there may be a possible quorum problem.

The following projects were revisited:

Irvine Chamber of Commerce

ACTION: Ms. Dean moved and Mr. Freeman seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

San Diego Electrical Training Trust

ACTION: Mr. Broad moved and Mr. Rankin seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

Mr. Lennox joined the Panel meeting via teleconference at 11:20 a.m.

New United Motor Manufacturing, Incorporated (NUMMI) (presented out of order)

Mr. Broad recused himself from discussion and action on the New United Motor Manufacturing, Incorporated, proposal.

Creighton Chan, Manager of ETP's San Mateo field office, presented a One-Step Agreement for NUMMI in the amount of \$6,373,302. NUMMI is focusing on producing a newly redesigned Toyota Tacoma truck scheduled for production in September 2004. Although production of the new truck is not slated until September 2004, NUMMI stated that it must begin training its employees in March 2003. To ensure that all of the training is delivered and for training to be successful, trainees will be removed from the production line to receive detailed and specific training in the new production methods and implementation of the processes. To prepare its workers for the launching of the new truck, NUMMI has identified the need to train 2,427 truck production workers in new manufacturing and production skills.

Mr. Chan introduced Michael J. Damer, Manager of Learning & Involvement; Matt Maynard from CMTA; and Tito Sanchez, President of UAW Local No. 2244. Mr. Rankin questioned the health benefit rate. Mr. Damer replied that NUMMI's team members are paid \$15 per hour for health benefits. He stated NUMMI's production workers are the highest paid in California. Mr. Freeman questioned the Panel policy of limiting the number of retraining hours to 200. Ms. Carrillo stated that staff did a study on disencumbrances and the results showed that contracts were not successful when they attempted to provide more than 200 hours of training. Panel Policy allows the Panel to waive the 200-hour restriction upon evidence from the contractor that the training hours are reasonable and can be accomplished.

ACTION: Mr. Rankin moved and Mr. Freeman seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0 – 1 (Roll call vote: Mr. Rankin, yes; Mr. Lennox, yes; Mr. Freeman, yes; Ms. Dean, yes; Mr. Hodess, yes. Mr. Broad was absent from the room during vote and had previously recused himself from discussion and vote).

Mr. Lennox excused himself from the remainder of the meeting.

NTMA Training Centers of Southern California

Mr. Rankin and Mr. Freeman had concerns regarding the high cost of training. They recommended a longer retention period for those workers earning \$9.79 per hour. Mr. Hart agreed to a 120-day retention period for trainees earning \$9.79 per hour.

ACTION: Mr. Rankin moved and Mr. Freeman seconded the Panel approve the One-Step Agreement with a 120-day retention period for trainees earning \$9.79 per hour.

Motion carried, 5 – 0.

United Computer College, Inc., d.b.a. United Education and Computer College

Mr. Broad had concerns regarding training that appears to be standard computer training and not customized.

ACTION: Mr. Rankin moved and Mr. Freeman seconded the Panel approve the One-Step Agreement.

Motion carried, 4 – 1 (Mr. Broad voted no).

California Human Development Corporation

ACTION: Mr. Hodess and Mr. Freeman seconded the Panel approve the One-Step if the training does not replace, parallel or supplant, compete with, or duplicate in any way already existing apprenticeship training programs.

Motion carried, 5 – 0.

Hitchcock & Holcombe, Inc., d.b.a. Continental Training Center

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

Mission Hill Truck School Inc.

Mr. Broad questioned the School's examination of trainees' driving records and drug testing. Ms. Hernandez stated Mission Hill Truck School receives a print-out of trainees' driving records for the past ten years and the School would not even consider enrolling a person with a bad driving record. She stated Mission Hill Truck School requires each prospective enrollee to submit to a drug test. Mr. Broad requested the contract include a provision requiring the contractor pay for the drug testing. Mr. Freeman questioned the wages. Ms. Hernandez stated the wages are standard with every trucking company. Mr. Hodess asked if the contractor would consider raising the starting hourly rate of pay from \$8.98 to \$9.50 per hour. Ms. Hernandez agreed. Panel members stated the Contractor should pay for the drug testing.

ACTION: Mr. Freeman moved and Mr. Hodess seconded the Panel approve the One-Step Agreement with the starting hourly rate of trainees increased from \$8.98 to \$9.50 and the Contractor paying for drug testing.

Motion carried, 5 – 0.

Tularik Inc.

Mr. Chan presented a One-Step Agreement for Tularik, Inc., in the amount of \$236,823. Tularik is a biopharmaceutical company engaged in the discovery and development of orally administered medicines focusing on Cancer, Immunology, and Metabolic Diseases associated with diabetes and obesity. Tularik is requesting that the Panel allow the training of its scientists even though several possess advanced degrees. Mr. Chan stated that even though ETP has a policy that the Panel will not fund training for persons with advanced degrees, the policy allows the Panel to

waive the restriction for employers in research and development and emerging technologies.

Mr. Chan introduced Rathna Rao, Human Resources Generalist, Chris Smith, Vice President of Human Resources; and Shamen Dugger, Manager, from Deloitte & Touche. Panel members had concerns regarding training workers who have advanced degrees. Mr. Rankin stated it appears the scientists in this proposal are to be trained in leadership and communication skills, which do not apply to their occupation. Ms. Dean stated the Technology, Trade and Commerce Agency has been working very closely with the Governor's office regarding this project and to promote the growth of the life science industry. Mr. Smith stated the scientists are being trained in skills that will enable them to communicate with other associates regarding the scientific procedures, experiments, etc.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 - 0.

Aetna Inc.

Ms. Torres presented a One-Step Agreement for Aetna Inc. in the amount of \$1,564,680. Aetna's California service center provides health care and related benefits to employer and union customers throughout the United States. Aetna is requesting a waiver to the ETP turnover rate policy and contends that its current turnover rate of 23.5 percent is below industry standards, which is approximately 34 percent. Company representatives state that the realignment of the Company and the focus on single market segments will provide the employees with specializations in their market segments, and improve skill levels that will ultimately enhance employee retention and reduce turnover.

Ms. Torres introduced Darid Fares, Performance & Quality for Aetna Small Group. Mr. Rankin voiced concern about Aetna's high turnover and wage rate. Mr. Fares stated Aetna has reduced its turnover rate from 25 percent in year 2000 to its current rate of 23.5 percent, which is below the 34 percent industry wide rate. He stated Aetna is focusing its attention on its turnover rate by conducting all-employee surveys and mandating that all issues be addressed. He stated some of the reasons for turnover are high-stress jobs in an industry that is highly competitive. Mr. Freeman was concerned with the wage rate of \$10.98. Mr. Fares stated Aetna's lowest hourly wage rate is \$11.98. Mr. Rankin asked if the Contractor would be willing to amend the contract to show \$11.98 per hour as base pay. Mr. Fares stated he preferred to keep the wage range at \$10.98, mainly to increase opportunities in the Fresno area. Mr. Hodess asked if the Contractor would consider a longer retention period. Mr. Broad questioned the hourly wage after 90 days retention remaining at the same level as the beginning wage. He stated there should be some increase in wages following training and required retention period.

Mr. Broad asked if the Contractor would agree to increase trainees' wages from \$10.98 per hour to \$11.98 per hour following completion of training and 90-day retention period. Mr. Fares agreed.

ACTION: Mr. Broad moved and Mr. Rankin seconded the Panel approve the One-Step Agreement with the wage rate of \$10.98 per hour increasing to \$11.98 per hour upon completion of training and 90 day retention period.

Motion carried, 5 – 0.

PeopleSoft, Inc. (presented out of order)

Mr. Chan presented a One-Step Agreement for PeopleSoft, Inc., in the amount of \$520,000. This project was developed through the marketing efforts of CMTA. PeopleSoft produces, markets, and services software products used for Human Resources, Financial, and Supply Chain management. PeopleSoft's software products allow its customers to maintain company personnel information, inventory status changes, and point of sale information. PeopleSoft has expanded the availability of its products through the Internet. This change to e-commerce requires PeopleSoft employees to be proficient in all functions of the e-business applications.

Mr. Chan introduced Matthew Cox, Director, and Matt Maynard from CMTA. There were no questions from the Panel.

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 - 0.

Burlingame Industries, Inc.

Ms. Torres presented a One-Step Agreement for Burlingame Industries, Inc., in the amount of \$423,800. Burlingame manufacturers high-speed concrete extrusion equipment for large industrial customers and roofing tile for roofing products distributors. The Company instituted a process improvement effort to increase quality in its manufacturing processes, improve customer service and sales methods. As a result of the initial process improvement effort, Burlingame determined that it must implement a high performance workplace to increase employee productivity, improve processes, and incorporate a new Manufacturing Resource Planning system. Burlingame is requesting ETP funding to assist it in retraining 483 workers.

Burlingame's turnover rate for 2002 was 33.5 percent, a downward trend from 2000 that was at 61.8 percent. Burlingame is requesting a waiver to the ETP maximum 20 percent turnover rate requirement. Burlingame has instituted some aggressive initiatives to further bring down its turnover.

Ms. Torres introduced Kevin Burlingame, Signatory to the Agreement. Mr. Hodess had concerns regarding the wage rate. He asked if the Contractor would consider increasing the hourly wage of \$11.00 to \$12.00 per hour upon completion of training and 120-day retention period. Mr. Burlingame stated a \$1 per hour increase is a large amount for them. He stated Burlingame is locally owned and compete with multi-national corporations. He stated the Company does offer many incentive programs. Ms. Torres stated that Burlingame is agreeing to a 120-day retention period. Mr. Burlingame agreed to increase wages of \$11.00 per hour to \$12.00 per hour upon completion of training and 120-day retention period.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement with the wage rate of \$11.00 per hour increasing to \$12.00 per hour upon completion of training and 120- day retention period.

Cytec Engineered Materials Inc.

Ms. Torres presented a One-Step Agreement for Cytec Engineered Materials Inc. in the amount of \$217,672. Cytec is a chemical manufacturing company that manufactures a variety of materials for aerospace and other high-performance industries. Cytec requests Panel assistance to retrain 270 workers in Continuous Improvement and Manufacturing Skills to become a high performance workplace.

The International Association of Machinists and Aerospace Workers District Lodge 725, and the International Brotherhood of Teamsters, General Truck Drivers, Office, Food & Warehouse Union, Local No. 592 support Cytec's project.

Ms. Torres introduced Joe Morris, Plant Manager, Tim James Manufacturing Engineer; and Paul Hansen, Secretary/Treasurer of Local 906. Mr. Broad asked if the Contractor would agree to a 120-day retention period. Mr. Morris agreed.

ACTION: Mr. Rankin moved and Ms. Dean seconded the Panel approve the One-Step Agreement with a 120-day retention period

Motion carried, 5 - 0.

Wilbur Curtis Company, Inc.

Ms. Kendrick presented a One-Step Agreement for Wilbur Curtis Company, Inc., in the amount of \$350,363. Wilbur Curtis, a family-owned business, makes commercial coffee brewing equipment, tea brewers and servers, specialty drink dispensers, and instant soup machines for the convenience store and foodservice industries. The Company initiated its first ETP contract in 1997 to begin the transition to a high performance workplace. The Company continues to make improvements and has recently purchased a new \$343,000 software system and new production equipment. These changes require a substantial amount of training

for proper and effective utilization. Wilbur Curtis proposes to retrain 262 workers in Computer Skills, Management Skills, Business Skills, Manufacturing Skills, and Vocational English as a Second Language. The Teamsters Union Local 966 supports this project.

Ms. Kendrick introduced Michael Curtis, Vice President/Operations, and Marianne Herndon, Training and Project Coordinator. Mr. Freeman asked how many employees are recipients of health benefits. Mr. Curtis replied that everyone is covered with health and welfare benefits.

ACTION: Ms. Dean moved and Mr. Rankin seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

United HealthCare Services, Inc.

Mr. Chan presented a One-Step Agreement for United HealthCare Services, Inc., in the amount of \$129,350. United Behavioral Health (UBH), a subsidiary of United HealthCare Services, Inc., is a provider of behavioral health, employee assistance and wellness service. UBH employs 2,500 workers worldwide, 914 work in California. In an effort to remain competitive in an industry that faces rising costs of providing health care services and to provide a more seamless and efficient customer service, UBH has identified the need to move to a high performance workplace by integrating its services.

UBH's turnover rate for the San Diego facility for the 2002 calendar year was 31.3 percent. UBH established a new division in San Diego in 2002 to manage a new account for Blue Shield's 2.1 million members. UBH employees received minimal on-the-job training and the facility began its operations with an inexperienced management team that was not fully equipped to provide leadership and direction resulting in a high turnover due to stress. UBH has taken action on implementing initiatives to address its turnover rate. The Company has agreed to reduce its turnover rate at the San Diego facility to 26 percent or less during the final 12 months of the Agreement or forfeit collecting 25 percent of the total Agreement amount upon closeout of this project.

Mr. Chan introduced Kathi Walsh, Coordinator of Clinical Training. Mr. Broad and Mr. Hodess had concerns regarding the turnover at the San Diego facility. Mr. Hodess asked if the Company would extend the retention period to 120 days. Ms. Walsh stated it would. Mr. Freeman asked if any of the proposed training was structured-on-site training. Mr. Chan replied that all training would be occurring in a classroom situation.

ACTION: Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement with a 120-day retention period.

Motion carried, 5 – 0.

Z-World, Inc.

Mr. Rufo presented a One-Step Agreement for Z-World, Inc., in the amount of \$169,680 to retrain 84 employees. Z-World installs various controls into small panel boards. The controls that are assembled in the boards are customized to have combinations of functions to meet the different needs of industrial users. Z-World has invested over \$600,000 in capital equipment needed to expand production and to meet sales goals. Due to production priorities and the lack of internal training resources, Z-World has been unable to schedule or implement training required to learn the new processes.

Mr. Rufo introduced Jess Vargas, Director of Operations, Venetia Silva and Harry Peasley. There were no questions from the Panel.

ACTION: Mr. Freeman moved and Mr. Broad seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

VII. STRUCTURED ON-SITE TRAINING (SOST)

Mr. Suchil presented staff's recommendations to the Panel on amending the policies and procedures to revise SOST to make it more flexible, enhance accountability and usefulness, and staff's ability to monitor. The following recommendations were presented for consideration:

- Reimburse SOST at no more than \$40 per trainer hour. The Panel may allow modification of this reimbursement cap, if special circumstances warrant a waiver.
- Require each trainee to receive the same number of SOST hours as planned, and require a record keeping system to track both trainer and trainee time.
- Reduce the allowable Class/Lab to SOST hour ratio from 1:2 to no more than 1:1.
- Allow funding for "train-the-trainer" class/lab training for in-house SOST trainers.
- Require that SOST trainers' time be solely dedicated to the SOST instruction for which they are being reimbursed.
- Require customized SOST (training uses company's products, tools, machines, and procedures).
- Require SOST to be delivered on site, and "on-the-clock."
- Eliminate "SOST-only" projects from consideration.
- Continue to fund SOST for "soft skills" (e.g., customer service, team building, etc.) and managers' and supervisors' training, but require a strong justification why there is a need for the training to be approved.
- SOST approval will be on a case-by-case basis. Employers must provide information as to why SOST would be necessary.

- Staff determines whether adequate ETP resources are available to monitor SOST, and, if not, recommend to the Panel that the SOST component not be approved. This would include adopting moratorium on ETP funding of SOST when resources are inadequate for the effective monitoring and administrative oversight required for SOST.
- Even if contractors do not seek Panel funding for SOST, allow SOST to be considered as an employer contribution.

Alternatively, if the Panel believes that ETP funded SOST is not justified or administrable, staff recommend a permanent end to SOST funding in ETP projects until such time as the Panel directs staff to revisit this issue.

Mr. Broad questioned waiving the \$40 per trainer hour reimbursement cap. Mr. McNamee replied that under certain circumstances the fair share that ETP would contribute to an SOST project would be diluted by the total cost of expensive SOST, i.e., specialized expertise needed. Mr. Broad had concerns regarding all the waivers requested of the Panel. He also had concerns regarding a set reimbursement rate of \$40 per trainer hour yet the trainer is actually being paid less. He stated ETP should not be reimbursing more than out of pocket costs.

Mr. Freeman stated that because of the current budget issues, this is not a good time to vote on implementing SOST. Mr. Hodess stated it should be the responsibility of a company to train employees on the use of its equipment. He stated it does not make sense for a company to invest millions of dollars in new capital improvements and have no money to invest for training. He stated since the Panel has had the moratorium on SOST, research indicated that 71 percent of interested contractors have provided SOST on their own.

Steve Duscha, Alliance for ETP, presented Alliance's recommendation for a comprehensive reform program. He stated the SOST, as it currently exists, should be abolished but it should be replaced with an alternative "Skills Application and Implementation Plan." He stated successful training consists of classroom training as well as "hands on" instruction conducted in a non-productive environment or simulated work setting. Classroom training needs to be followed up with testing the ability to apply on the job what was learned in the classroom.

Michael Beason, Alliance for ETP, stated ETP staff and the Alliance need to work together to create a workable implementation of SOST.

Mr. McNamee requested the Panel consider staff recommendation that the Panel adopt the following changes to ETP program requirements:

- Allow 24 hours per trainee as the training minimum for all trainees; and
- Clarify the definition of laboratory training to allow up to 10 percent of the lab instruction for the instructor's time reviewing and advising trainees in training-related work products that are produced at the trainees' worksite.

Mr. McNamee stated that people came forward in the two days of SOST hearings stating that SOST hours were being added to training proposals in order to meet the ETP minimum 40 hours of training requirement. Mr. McNamee stated that lowering the required training hours from 40 to 24 would enable employers to come forward with more achievable objectives relative to their training.

ACTION: Mr. Rankin moved and Mr. Freeman seconded the Panel (1) continue the moratorium on SOST until such time as the Panel decides to revisit the issue; and (2) direct staff to the initiate the process of preparing the necessary regulation changes to reduce the minimum number of required training hours per trainee to 24 hours, and to clarify the definition of laboratory training.

Motion carried, 5 – 0

VIII. PUBLIC COMMENT

Carlos Lopez, Center for Employment Training, favored the Panel's pursuit of reclaiming ETP funds that are being diverted to other programs. He stated the ETP funds diverted to the Social Services program could still be utilized for CalWorks clients but under the jurisdiction of the Panel.

IX. EXECUTIVE SESSION

There was no Executive Session at this month's Panel meeting.

X. ADJOURN

There being no further business and no objection, the meeting was adjourned at 2:05 p.m.