

**STATE OF CALIFORNIA  
EMPLOYMENT TRAINING PANEL MEETING**

Sacramento City Council Chambers  
730 I Street, 1st Floor  
Sacramento, CA 95814  
June 26, 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**

Marsha Kwalwasser, Chairperson, called the public Panel meeting to order at 9:30 a.m. Ms. Kwalwasser 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.

**II. ROLL CALL**

Members Present

Marsha Kwalwasser, Chairperson  
Aram Hodess, Vice Chair  
Barry Broad (Arrived immediately after Roll Call)  
Joan Dean  
Tyrone Freeman (Arrived at 1:15 p.m.)

Member Absent

Robert Lennox  
Tom Rankin

Executive Staff Present

Peter McNamee, Executive Director  
Pam Haynes, Assistant Executive Director  
Steve Suchil, Assistant Executive Director  
Peter DeMauro, General Counsel

**III. REPORT OF THE EXECUTIVE DIRECTOR**

Mr. McNamee requested that, due to a quorum problem and a Panel member's recusal, the project for Kraft Foods, Inc., San Leandro, which is included in a grouping of projects under \$100,000 that are normally approved as a group, be presented and considered separately.

## 2003-04 Strategic Plan

Mr. McNamee presented the proposed ETP 2003-04 Strategic Plan that has been updated based upon an assessment of the Panel's role in the California economy, staff resources, information provided at the strategic planning session, and an assessment of progress in meeting last year's goals and objectives. Additional recommendations will be incorporated and the finalized 2003-04 Strategic Plan will be forwarded to the Governor and the Legislature by July 1. (See page 11 for Panel action on the 2003-04 Strategic Plan.)

Steve Duscha, Alliance for ETP, complimented ETP staff on the drafting of the proposed 2003-04 Strategic Plan.

## Small Business Pilot Project Update

Ms. Haynes reported on the purpose of the Small Business Pilot Project (SBPP). She stated there were 15 new contracts and 1 amendment being presented at the June 2003 Panel meeting. If approved by the Panel, these new projects will bring the total number of SBPP contracts to 56, totaling \$630,480. Ms. Haynes requested the Panel extend the SBPP through 2004. (See page 10 for Panel action.)

Mr. McNamee stated that California is one of three states being interviewed by the General Accounting Office on its state-funded training program. The report is targeted to be released early next year.

## **IV. REPORT OF THE GENERAL COUNSEL**

Mr. DeMauro stated the presentation of amendments to two regulations would be presented later in the meeting when a quorum would be present. (See page 19.)

## **V. REPORTS OF THE CHAIRPERSON/PANEL MEMBERS**

Mr. Hodess reported on a meeting with the representatives from the Division of Apprenticeship Standards (DAS) regarding DAS assisting ETP staff with contract proposals that may be a conflict with ETP Regulations of not doing apprenticeship training. He stated at that meeting it was agreed that there would be a one-point contact at DAS. There was concern that there would be too much work for one DAS individual. Mr. Hodess recently spoke with DAS management and they are proposing to develop a form for ETP use to send to DAS that would include information about the nature of the ETP contract. DAS would see if there is an existing apprenticeship program that appears to be duplicated by the proposed ETP contract and would contact representatives of those apprenticeship programs in the geographical area and report back to ETP.

Ms. Kwalwasser stated she has been appointed by the Governor to chair the Workforce and Training Seminar as part of the Governor's Life Science Summit.

## **VI. AGREEMENTS AND AMENDMENTS**

### **California Institute of Customer Engineering, Incorporated**

Diana Torres, Manager of ETP's San Diego field office, presented a One-Step Agreement for California Institute of Customer Engineering, Incorporated (CICE), in the amount of \$329,900 to train 50 new hires in Commercial Skills. CICE is a training agency eligible to train and place new hire trainees. CICE requests its published catalogue rate of \$12.92 per training hour for 480 hours of training with an additional 8 percent allowable cost to support recruitment of trainees and employers for a total cost of \$6,598 per trainee. This cost per trainee is more than double the ETP average cost per trainee. CICE states that the 480-hour curriculum is directly related to the complexity of the work for which trainees are prepared and their lack of background or experience in this work prior to entering into the training program. Ms. Torres introduced Linda Wright, President. Mr. Hodess had concerns with the cost of training and asked if the contractor would consider a longer retention period. Ms. Wright agreed to a 120-day retention period with more than one employer. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12 for Panel action.)

### **Goodwill Industries of Ventura & Santa Barbara Counties**

Dolores Kendrick, of ETP's North Hollywood field office, presented a One-Step Agreement for Goodwill Industries of Ventura and Santa Barbara Counties, Inc., in the amount of \$212,240 to train 70 new hires in Computer Skills.

Ms. Kendrick introduced Joyce Larsen, Director of Computer Training. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12 for Panel action.)

### **El Camino Community College District (CACT)**

Ms. Kendrick announced the proposed One-Step Agreement for El Camino Community College District has been withdrawn from consideration at this month's Panel meeting.

### **J&R Film Company Incorporated DBA Moviola Education Center**

Ms. Kendrick presented a One-Step Agreement for J&R Film Company Incorporated DBA Moviola Education Center in the amount of \$958,000 to retrain 500 employees in Computer Skills. Moviola is a training agency providing a full range of services for film and video production. The demand for training continues to grow as technology advances and the industry attempts to remain globally competitive. ETP-funded

training will supplement participating employer-sponsored training that has been limited due to lack of appropriate curriculum and the high cost of implementing and maintaining digital high definition systems.

Ms. Kendrick introduced Jon Mauldin, Director of Education. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12 for Panel action.)

### **Practical Data Processing, Incorporated**

Ms. Kendrick presented a One-Step Agreement for Practical Data Processing, Incorporated, in the amount of \$678,700 train 200 unemployed individuals and 100 currently employed workers. Practical Data specializes in Computer Skills training. Panel members had prior concerns regarding the nature of the business of participating employers in previous proposals. The President of Practical Data Processing has assured ETP staff that she has carefully screened all participating employers. ETP staff will do follow-up phone calls to participating employers to verify information on the types of businesses participating in training.

Ms. Kendrick introduced Nancy Ho, President & CEO. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 12-13 for Panel action.)

### **Rio Hondo College**

Ms. Kendrick presented a Proposed Amendment for Rio Hondo College in the amount of \$83,400 to add a second phase of training for 150 additional trainees. This Amendment has the support of the International Association of Machinists and Aerospace Workers for trainees at Lockheed Martin Aeronautics.

Ms. Kendrick introduced Cathy Ruiz, Business Training Center Contract Education. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13 for Panel action.)

### **Bay Area Video Coalition (BAVC)**

Mr. Broad and Ms. Dean recused themselves from discussion and action on the Bay Area Video Coalition proposal.

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Bay Area Video Coalition in the amount of \$1,001,455 to retrain 650 employees in Advanced Technology Computer Skills. This project is designed to retrain staff of local, for-profit firms, the majority of which are small businesses employing less than 100 staff.

Mr. Chan introduced Jeremy O'Neal, Associate Director, and Tamara Gould, Executive Director. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13 for Panel action.)

### **Elk Grove Unified School District**

Charles Lundberg, representing ETP's Sacramento field office, presented a Proposed Agreement for Elk Grove Unified School District in the amount of \$272,250 to train 75 workers who are to be displaced workers. The high cost of \$3,630 per trainee, which is more than double the ETP average cost per trainee, is directly linked to the average number of classroom/laboratory and SOST hours. The Contractor requested the Panel lift its moratorium on SOST training, and stated the only way to provide effective, job-specific skills training is through SOST. The Contractor stated that classroom training alone couldn't provide the specific skills training needed for trainees to succeed in their new jobs. The Contractor is also requesting an SOST reimbursement rate of \$6.00 per hour, which is less than the \$8.00 per hour rate previously used by ETP.

Mr. Lundberg introduced Tim Taylor, Director, Annette Buckmaster, Director for Classified Personnel, Mary Lou Calloway, President, Local 831, California School Employees Association, and Steve Takehara, Vice President, AFSCE Local 258. Panel members stated opposition to lifting the moratorium on SOST. Additionally, Mr. Hodess had concerns with the generic, non-customized nature of the proposed training.

Steve Duscha, Consultant, stated that this project is a "displaced worker" project. He stated the nature of the project requires SOST and without SOST the project would not be worth doing. Ms. Kwalwasser stated, given the Panel's Policies, consistency, and fiduciary responsibility, the Panel has strong reservations about waiving the moratorium on SOST. Ms. Buckmaster stated they would bring back to the Panel specific reasons why the proposed training requires SOST. Mr. Hodess stated that the Panel is sympathetic to what Elk Grove Unified School District is attempting to accomplish and recommended that the Contractor rework the proposal for presentation at a future Panel meeting. Mr. Hodess explained the reasons for the Panel's decision on the SOST moratorium. He stated a study by California State University, Northridge, showed that SOST often reimburses employers for normal activities of supervision. State money should not be used to subsidize employers for what is their responsibility. The study found that SOST is often unfocused and often a subsidy for production. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 13-14 for Panel action.)

### **McLane Suneast, d.b.a. McLane Southern California**

Ms. Torres presented a One-Step Agreement for McLane Suneast, d.b.a. McLane Southern California in the amount of \$134,277. This proposal came before the Panel for consideration at the December 2002 Panel meeting. At that time, the

Panel had concerns regarding wages and McLane's request to waive the SET minimum wage requirements. Subsequent to the December 2002 Panel meeting, McLane became a wholly owned subsidiary of Berkshire Hathaway, Inc. McLane proposes to train 313 frontline workers under SET funding.

Ms. Torres introduced Jerry Winterhalter, Vice President of Distribution. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 14 for Panel action.)

### **The Trane Company**

Mr. Chan presented a One-Step Agreement for The Trane Company in the amount of \$381,472. The Trane Company installs commercial indoor heating, ventilation, and air conditioning systems (HVAC). To maintain competitiveness, The Trane Company proposes to train 262 employees in Commercial Skills, and Business Skills. The Trane Company certified that all HVAC service technicians to be trained are fully qualified journey-level technicians.

Mr. Chan introduced John Donehue, Director, BASD Manager. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 14 for Panel action.)

### **Radiological Associates of Sacramento Medical Group, Incorporated (Presented out of order)**

Mr. Lundberg presented A One-Step Agreement for Radiological Associates of Sacramento Medical Group, Inc. (RAS), in the amount of \$312,176. Radiological Associates is a provider of diagnostic imaging, nuclear imaging, radiation oncology, and medical management services for greater Sacramento and Northern California. According to RAS executives, radiation and chemotherapy are specialized fields and there is a shortage of qualified employees. RAS plans to train 277 employees with Business Skills, Continuous Improvement Skills, Commercial Skills, and Advanced Technology. RAS has determined that 32 hours of training for 159 staff is sufficient to obtain the necessary Computer, Business, and Commercial Skills and therefore requests a waiver to the ETP requirement of 40-hour minimum training. RAS also requests the Advanced Technology reimbursement rate of \$20 per hour for training provided to Radiologic Technologists, Radiation Therapists, and Radiologic/Mammography Technologists.

Mr. Lundberg introduced Lynn Paine, Management Trainer, and Eileen McCloskey, Director of Human Resources. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 14 for Panel action.)

## **Continental Data Graphics, a subsidiary of Boeing Company**

Ms. Torres presented a One-Step Agreement for Continental Data Graphics, a subsidiary of the Boeing Company in the amount of \$141,895. Continental Data Graphics (CDG) produces complex and highly detailed parts manuals, technical catalogs, booklets, document processing, technical authoring, application development and other data intensive products for Boeing Company and Boeing's customers. With the recent downturn in the aviation industry, CDG has had to change the way it does business. CDG plans to retrain 295 employees in Business Skills, Computer Skills, Continuous Improvement Skills, and Manufacturing Skills.

Ms. Torres introduced Valerie Holden, Manager of Training, and Susan Hennings, Vice President of Human Resources. Mr. Hodess questioned whether trainees would be doing production while in training. Ms. Holden assured the Panel that trainees would be taken out of production during training. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 15 for Panel action.)

## **General Motors Acceptance Corporation d.b.a. ditech.com**

Ms. Torres presented a One-Step Agreement of General Motors Acceptance Corporation d.b.a. ditech.com in the amount of \$358,800. Ditech.com is a full service direct mortgage lender, selling mortgages by phone and via the Internet and providing loan origination, packaging, and processing throughout the United States. In order to utilize the new computer systems and optimize the training received during its first Agreement, ditech.com plans to provide trainees with the practical application skills for the theories learned in the first Agreement and provide training to those who were unable to participate in the first training program. The training requested in this proposal will supplement ditech.com's expected expenditure of \$2 Million over the next two years for training. The training outlined in this proposal will enable ditech.com to build on existing training practices at a rate much faster than it would be possible without ETP assistance.

Ms. Torres introduced Skip McBride, Director of Operations Administration, and Bob Morton, Vice President of Corporate Services. Ms. Kwalwasser questioned the performance on the prior ETP Agreement. Mr. Morton stated ditech.com did not expect the market to change as drastically as it did. He stated because of the volume of phone calls, employees were not able to attend training classes. Ditech.com has expanded its staff to meet the economic upturn and ditech.com has reduced the number of employees to be trained. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 15 for Panel action.)

## **Recot, Incorporated, d.b.a. Frito Lay Incorporated – Rancho Cucamonga**

Ms. Torres presented a One-Step Agreement for Recot, Incorporated, d.b.a. Frito-Lay Inc., in the amount of \$357,994. This Agreement was first brought to the Panel at the April 2003 Panel Meeting. The Panel took no action on the proposal and asked that Frito-Lay return with a more in-depth explanation of how the proposed training is supplemental. Frito-Lay assured ETP staff that the proposed training is a means to supplement the established training budget for non-mandatory training. Frito-Lay wants to complete the initial training goals and continue building on the foundation begun in the previous Agreement. By providing training at a higher skill level, this proposal will focus on the skills and knowledge to equip team members to weigh key performance measures of cost, quality, service, and people in order to make sound business decisions. Both the previous ETP Agreement and this proposed Agreement are part of a long-term implementation plan. All the levels of training could not have been achieved through a single 21-month Agreement. Under this proposal, 562 full-time employees will receive training in Business Skills, Continuous Improvement, and Manufacturing Skills.

Ms. Torres introduced Art Lawrence, Operations Director, Nancy Cramer, Regional Manager, and Nakyshia Vance, Staffing & Training Resource. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 15 for Panel action.)

## **Chevron USA, Incorporated**

Ms. Kendrick presented a One-Step Agreement for Chevron USA, Inc., in the amount of \$554,528. The petroleum industry is experiencing dramatic changes in the way it does business. Mergers and acquisitions have resulted in “super-major” corporations with large-scale economic power and resources. Chevron USA must improve both productivity and cost effectiveness to remain competitive. The Company recently installed new, automated equipment to gather real-time data on field equipment. Chevron USA staff will need training in this new technology. Chevron plans to train 992 workers in Continuous Improvement, Computer Skills, Business Skills, Management Skills, Advanced Technology, and Manufacturing Skills to reach its goal to become a high performance workplace.

Ms. Kendrick introduced Carla Musser, Human Resources Manager, Ilia Lambert, Petroleum Engineer, and Bill Othart, Learning & Development Consultant. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 15-16 for Panel action.)

## **Indigo Systems Corporation**

Ms. Kendrick presented a One-Step Agreement for Indigo Systems Corporation in the amount of \$247,000. Indigo Systems Corporation designs, develops, and manufactures custom integrated circuits, infrared cameras, bolometers, and custom

infrared detector packaging. The Company is growing at a rapid pace. The Company is moving from a low-volume to high-volume production, and implementing process and cultural changes that require company-wide training. In order to institute necessary changes while maintaining product quality and satisfying customer demands, Indigo must retrain 152 workers in Continuous Improvement, Manufacturing Skills, Business Skills, Management Skills, and Advanced Technology to transition all of its operations into a high performance workplace.

Ms. Kendrick introduced Steven Tribble, Director of Business Systems. (Action on proposal was postponed until later in the day when a quorum would be present. Refer to page 16 for Panel action.)

Mr. Freeman arrived at the Panel meeting.

## **VII. EXECUTIVE SESSION**

The Panel recessed at 1:20 p.m. to convene in an Executive Session for the purpose of discussing litigation matters, pursuant to Government Code Sections 11126(a).

The Panel meeting reconvened at 1:50 p.m.

The Panel had a quorum present with the arrival of Tyrone Freeman at 1:15 p.m. Agenda items were revisited that were not acted on earlier because a quorum was not present.

Mr. McNamee requested the Panel move to delegate to the Executive Director the authority to approve projects if no quorum is present at today's meeting.

**ACTION:** Mr. Hodess moved and Ms. Dean seconded the Panel delegate to the Executive Director the authority to approve projects if a quorum is lost.

Motion carried, 5 – 0.

**ACTION:** Mr. Hodess moved and Mr. Freeman seconded the Panel approve extending the Small Business Pilot Project until June 30, 2004, and the current funding cap be extended to allow for an additional \$630,000.

Motion carried, 5 – 0.

**ACTION:** Ms. Dean moved and Mr. Freeman seconded the Panel approve adopting those proposals in funding amounts of less than \$100,000 including the Small Business Pilot Projects (SBPP) with the exception of Kraft Foods, Inc., San Leandro, which will be considered separately. The following projects were subject to this motion to approve:

MetLife Investors Group, Incorporated (Amendment) .....	\$63,300
California State University Channel Islands (MEC) .....	\$12,285
Hirsch Electronics Corporation (Amendment) .....	\$5,760
Inland Paperboard & Packaging, Incorporated – Antioch...	\$56,160
RINA Accounting Corporation (SET) .....	\$46,800
Canandaigua Wine Company, Incorporated .....	\$52,416
Diamond Well Drilling .....	\$52,440
Fresno Workforce Investment Board (MEC/SET).....	\$23,242
The Homac Companies (SET) .....	\$48,360
ETPOMS, Incorporated d.b.a. Matrix Enterprises (SBPP) ..	\$5,460
Magnus Mobility Systems, Incorporated (SBPP) .....	\$8,320
Powdercoat Services, Incorporated (SBPP) .....	\$4,460
Sheffield Platers, Incorporated (SBPP) .....	\$3,120
Sonfarrel, Incorporated (SBPP) .....	\$19,500
Technical Difference, Incorporated (SBPP) .....	\$14,040
Va-Tran Systems, Incorporated (SBPP) .....	\$4,680
Vektrex Electronic Systems (SBPP) .....	\$3,800
Z Microsystems, Incorporated (Amendment) (SBPP) .....	\$1,900
AAA Plating & Inspection, Incorporated (SBPP) .....	\$3,400
Aircraft Hinge, Incorporated (SBPP) .....	\$15,600
Edgesoft, Incorporated (SBPP) .....	\$7,020
Hanson Lab Furniture (SBPP) .....	\$7,800
TechFlex Packaging, LLC (SBPP) .....	\$7,680
Video Products Group (SBPP) .....	\$7,800
Vineburg, LLC d.b.a. Gundlach Bundschu Winery ..	WITHDRAWN

Motion carried, 5 – 0.

**ACTION:** Mr. Broad moved and Mr. Freeman seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

**ACTION:** Ms. Dean moved and Mr. Broad seconded the Panel approve the Minutes of May 22, 2003.

Motion carried, 5 – 0.

**ACTION:** Mr. Freeman moved and Mr. Broad seconded the Panel authorize the Executive Director to submit ETP's 2003-04 Strategic Plan to the Governor and Legislature in accordance with ETP's statute.

Motion carried, 5 – 0.

Ms. Kwalwasser revisited the following projects that were not acted on earlier because a quorum was not present.

### **California Institute of Customer Engineering, Inc.**

Ms. Torres summarized the One-Step Agreement for California Institute of Customer Engineering, Inc. She stated that during the previous discussion Panel members present questioned the cost per trainee and the possibility of extending the retention period. The Contractor agreed to accept a 120-day retention period with more than one employer.

**ACTION:** Mr. Broad moved and Ms. Dean seconded the Panel approve the One-Step Agreement extending the retention period to 120 days with more than one employer.

Motion carried, 5 – 0.

### **Goodwill Industries of Ventura and Santa Barbara Counties, Inc.**

Ms. Kendrick stated there were no questions from Panel members regarding the Goodwill Industries Agreement.

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

Motion carried, 5 – 0.

### **J & R Film Co. Inc. DBA Moviola Education Center**

Ms. Kendrick stated there were no questions from Panel members regarding the Moviola Education Center Agreement.

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

Motion carried, 5 – 0.

### **Practical Data Processing, Inc.**

Ms. Kendrick stated Panel members had concerns with the Contractor not communicating with participating employers to determine the nature of their business and informing them of the training plan. Ms. Kendrick stated that the President of the Practical Data Processing, Inc., has assured ETP staff that she or someone from the Company had personally spoken with each participating employer and they are aware of the nature of the business and the participating employers are aware of the training. Ms. Kendrick stated that ETP staff have called most of the participating employers and verified contact with Practical Data Processing. Ms. Dean had concerns that each participating employer was actually involved with

the training plan. Mr. Broad questioned whether any of the participating employers had collective bargaining agreements. Ms. Carrillo suggested the Panel take action on the project with the proviso that staff do a survey of participating employers to verify the nature of their business and Practical Data's training program and delegate authority to the Executive Director to approve the project if he is satisfied with survey results.

**ACTION:** Mr. Broad moved and Ms. Dean seconded the Panel delegate authority to the Executive Director to approve the One-Step Agreement upon completion of staff's survey.

Mr. McNamee asked the Contractor if staff determined a participating employer was not eligible to be included as a participating employer, would the Contractor be willing to withdraw that employer. Ms. Ho agreed. Mr. Freeman amended the motion to include Mr. McNamee's contingency.

Motion carried, 5 – 0.

### **Rio Hondo College**

Ms. Kendrick stated there were no questions from Panel members regarding the Rio Hondo College Proposed Amendment.

**ACTION:** Mr. Broad moved and Mr. Freeman seconded the Panel approve the Proposed Amendment.

Motion carried, 5 – 0.

### **Bay Area Video Coalition**

Ms. Kwalwasser stated there would be no action taken on Bay Area Video Coalition (BAVC) at this time due to a lack of a quorum. Mr. Broad and Ms. Dean recused themselves from discussion and action on the BAVC project. She stated the Executive Director has been given the authority to approve any contracts where a quorum does not exist at today's meeting. (The Executive Director approved this proposal, after consultation with the Chair and Vice Chair, since no quorum was available.)

### **Elk Grove Unified School District**

Mr. Lundberg stated Panel members had several issues: SOST, generic training, and inability of Contractor to substantiate the employer demand. The Contractor has requested the opportunity to submit an alternative proposal. Ms. Kwalwasser stated the Panel would accept the Contractor resubmitting its proposal with the Panel's contingencies and within the next fiscal year. Mr. Taylor asked if the Panel would

consider the project without the SOST portion. Mr. Taylor stated Elk Grove Unified School District would work with ETP staff on the curriculum. Mr. Hodess stated concerns regarding the type of training being proposed. Mr. Hodess recommended the project be postponed. Mr. DeMauro stated the comment was made earlier by the Contractor's representative that the project could not come forward without the prime element of SOST.

Action on the Elk Grove Unified School District proposal was postponed until a later date when the Contractor would be able to resubmit an alternate proposal.

### **McLane Suneast, d.b.a. McLane Southern California**

Ms. Torres summarized the One-Step Agreement for McLane Southern California. She stated the project was not approved at the December 2002 Panel meeting because the Panel had concerns with wage rates. Ms. Torres stated the wage rates have increased and fewer employees require a wage waiver. Mr. Hodess stated the increased wages have made the proposal much more acceptable.

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

Motion carried, 5 – 0.

### **The Trane Company**

Mr. Chan stated there were no questions from Panel members regarding the Trane Company One-Step Agreement.

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

Motion carried, 5 – 0.

### **Radiological Associates of Sacramento Medical Group, Inc. (Presented out of order)**

Mr. Lundberg summarized the One-Step Agreement for Radiological Associates of Sacramento. He stated the Contractor is requesting (1) a waiver to the minimum 40-hour training requirement and (2) a reimbursement rate of \$20 per hour for Advanced Technology skills training.

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

Motion carried, 5 – 0.

### **Continental Data Graphics, a subsidiary of the Boeing Company**

Ms. Torres summarized the One-Step Agreement for Continental Data Graphics. She stated there were no questions from the Panel.

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

Motion carried, 5 – 0.

### **General Motors Acceptance Corporation, d.b.a. ditech.com**

Ms. Torres summarized the One-Step Agreement for ditech.com. Mr. Freeman questioned the performance on ditech.com's previous ETP contract. Mr. Morton stated that ditech.com's business became so extremely busy that trainees were not able to be taken off their jobs to attend training. He stated, for this project, the classes have been shortened, and not as many employees will be placed in training.

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

Motion carried, 5 – 0.

### **Recot Inc., d.b.a. Frito-Lay Inc.**

Ms. Torres summarized the One-Step Agreement for Frito-Lay Inc. There were no questions from Panel members. Mr. McNamee requested the Contractor explain Frito-Lay's corporate strategies for workforce development. Mr. Lawrence stated Frito-Lay's major philosophy is one can only cut back so much waste, and one is limited to how much spending can be cut for supplies, parts, equipment, etc. He stated the only way to be productive is through involving team members and raising skill levels. He stated training is mandatory.

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

Motion carried, 5 – 0.

### **Chevron USA, Inc.**

Ms. Kendrick stated there were no questions from Panel members on Chevron USA, Inc.

ACTION: Mr. Hodess moved and Ms. Dean seconded the Panel approve the One-Step Agreement for Chevron USA, Inc.

Motion carried, 5 – 0.

### **Indigo Systems Corporation**

Ms. Kendrick stated there were no questions from Panel members on Indigo Systems Corporation.

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

Motion carried, 5 – 0.

### **Oberman, Tivoli, Miller & Pickert, Incorporated DBA Media Services**

Ms. Kendrick presented a One-Step Agreement for Oberman, Tivoli, Miller & Pickert, Incorporated, DBA Media Services in the amount of \$177,125. The Company provides production accounting, business management, payroll processing, and hardware/software support and development for the entertainment industry. Media Services proposed to train 125 employees to transition to a new payroll and accounting system.

Ms. Kendrick introduced Russell Davis, Director of Leadership and Training.

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

Motion carried, 5 – 0.

### **Oberthur Card Systems**

Ms. Kendrick presented A One-Step Agreement for Oberthur Card Systems in the amount of \$186,550. Oberthur Card Systems manufacturers credit cards and smart cards for banking, identity, health, government identification, phone use, pay per view television, access control, and Subscriber Identity Module cards for Global System for Mobile Communication. To remain profitable as overall revenue drop, the Company must drive down costs and improve worker skills. Oberthur Card Systems plans to retrain 205 employees in Continuous Improvement. This project will be Oberthur Card Systems' second ETP contract. In the previous ETP Agreement, Oberthur Card Systems began its transition to a high performance workplace.

Ms. Kendrick introduced Mike Mutrie, General Manager. Mr. Freeman asked the Contractor how this proposed project differs from the previous Agreement.

Mr. Mutrie stated the original program was targeted towards the Company's newly developed Smart Card department. The U.S. market has been slow to adopt the new Smart Card platform. Oberthur Card Systems is refocusing on its conventional card business.

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

Motion carried, 5 – 0.

### **Office Depot, Incorporated**

Ms. Kwalwasser recused herself from discussion and action on the Office Depot, Incorporated, project. Mr. Hodess presided.

Ms. Kendrick presented a One-Step Agreement for Office Depot, Incorporated, in the amount of \$219,489 to retrain 369 workers from its Business Services Group (BSG) call centers. Office Depot, Inc., is a chain of office supply stores. The BSG has three functions: Customer Service (call centers), Operations (distribution, and Sales (a direct business-to-business sales force). Call centers receive calls from all over the United States and employees spend approximately 65 percent of their time dealing with customers located outside of California. Trainees will be trained in Computer Skills, Business Skills, Continuous Improvement, and Management Skills in order to convert the Company to a high performance workplace.

Ms. Kendrick introduced Ray LaStrape, Director of Customer Service, and Vicki Whisenant, National Training Manager. Mr. Hodess stated there is not a quorum; therefore this project will be referred to the Executive Director. (The Executive Director, after consultation with the Vice Chair, approved this project since no quorum was available.)

Ms. Kwalwasser resumed as Chairperson.

### **CTB/McGraw Hill**

Mr. Chan presented a One-Step for CTB/McGraw-Hill in the amount of \$159,120. CTB is facing a recent business trend of an increasing use of online products and services. To support its emerging business needs and ensure its competitiveness, CTB plans to train 306 employees in Computer Skills, Business Skills, and Management Skills.

Mr. Chan introduced Bernice Moore, Project Manager. There were no questions from the Panel.

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

Motion carried, 5 – 0.

### **The Gap, Incorporated**

Mr. Chan presented a One-Step Agreement for The Gap, Inc., in the amount of \$798,096. The Gap is the world's largest specialty apparel retailer. The Company proposes to retrain 1,279 employees at its worldwide headquarters operations in San Francisco, San Bruno, and Rocklin, California. The menu curriculum includes Computer, Advanced Technology, Business, and Continuous Improvement Skills. The Contractor is requesting \$20 per hour Advanced Technology reimbursement rate for 479 of its analysts, engineers, managers, and project managers.

Mr. Chan introduced Neil Weiss, Senior Manager of Information Technology. There were no questions from the Panel.

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

Motion carried, 5 – 0.

### **HIT Products Corporation**

Mr. Lundberg presented a One-Step Agreement for HIT Products Corporation in the amount of \$123,080. HIT Products is a small company employing fewer than 100 employees operating in a high unemployment area that manufactures water-efficient products for residential and commercial turf and landscape irrigation. HIT reports that out-of-state labor competition has placed increased pressure on the Company to find ways to cut costs and increase productivity. Company management believes that workforce training and development programs offer a viable alternative to relocation. The Company plans to become more cost-competitive and gain greater market share by investing in workforce development. HIT proposes to train 41 employees in Manufacturing Skills, Continuous Improvement, Management Skills, Computer Skills, and Literacy Skills. The Company is requesting a waiver to ETP's minimum wage requirement because it is located in a high unemployment area. The Contactor has stated it will increase the wage rate by 7 percent upon completion of training.

Mr. Lundberg introduced Henry Medina, Chief Operating Officer. There were no questions from the Panel.

**ACTION:** Ms. Kwalwasser moved and Ms. Dean seconded the Panel approve the One-Step Agreement.

Motion carried, 5 – 0.

## **Raytheon**

Mr. Lundberg presented a One-Step Agreement for Raytheon Company in the amount of \$2,269,960. Training is proposed for 600 Raytheon employees and for 400 employees working for a number of Raytheon's key suppliers. Raytheon officials state that an important goal of the proposed training program is to provide employees of supplier companies with the skills and tools needed to fit into the Raytheon Integrated Supply Chain. Raytheon is requesting a waiver to the maximum 200 hours of training for 220 trainees being trained in 6Sigma and Integrated Supply Chain concepts and skills. The training in these skills involves intensive reinforcement of skills through a laboratory instruction format. Raytheon is also requesting a waiver to the 40-hour minimum amount of training for 80 trainees that only require 24 hours of training to achieve the level of occupational skills that the curriculum is designed to provide.

Mr. Lundberg introduced Rusty Patterson, Vice President. Mr. Hodess questioned the assurance of trainees not being involved in production while in training. Mr. Lundberg stated that ETP Monitors would closely monitor Raytheon and the suppliers.

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

Motion carried, 5 – 0.

## **Kraft Foods, Inc., San Leandro**

Ms. Kwalwasser recused herself from discussion and action on Kraft Foods, Inc., San Leandro. There being no quorum, action on the project was referred to the Executive Director. (This project was approved by the Executive Director, after consultation with the Vice Chair, since no quorum was available.)

## **VIII. REPORT OF THE GENERAL COUNSEL**

Mr. DeMauro presented amendments to two regulations: Title 22, California Code of Regulations, Section 4416, which sets out the ETP's out-of-state competition requirements for standard retraining projects; and Section 4400(y), which defines the term "training."

## Out of State Competition

Mr. DeMauro stated the proposed Amendment for the out-of-state competition regulation focuses on five major areas: (1) implementation of the North American Industrial Classification System (NAICS); (2) expansion of industries deemed to face out-of-state competition; (3) clarification of service industry criteria; (4) clarification of the corporate headquarters provisions; and (5) clarification of call center requirements.

The NAICS was developed to standardize the collection and analysis of North American economies by governmental agencies in Canada, Mexico and the United States. NAICS establishes 20 different industry sectors based on their primary activities.

The industries deemed by the Panel to face out-of-state competition under should be expanded to include the following industries: (a) Scientific Research, Testing Laboratories and Engineering, (b) Entertainment Postproduction and Teleproduction, and (c) Software Design and Engineering. NAICS provides more detailed classifications than the previous SIC system. This change enables the Panel to more effectively identify and target these industries that historically have high-wage, high-skilled jobs and face out-of-state competition.

Regarding Service Industries, staff has revised the regulation to require that the applicant service provider compete with businesses, which, on an ongoing basis, provide the same service in California solely from locations outside the state.

To clarify Corporate Headquarters and Support Facilities, staff has developed three criteria under which a company can establish that it maintains a significant presence outside of California. It is not anticipated that incorporating the clarifying criteria will significantly diminish the numbers of eligible project applicants.

To address Call Center issues, staff has created a definition of call center that will target only those call centers that do not provide telemarketing services and have over 50 percent of their call volume originating from outside of California.

Mr. Hodess stated a key industry facing out-of-state competition is construction. He stated companies that move a transient lower wage workforce from out of state into California have the same impact on worker share. He stated ETP's goal is to create high wage, permanent work. Competition from workforces being brought into California makes it difficult for ETP to meet that goal. He suggested expanding the out-of-state competition to include the construction industry. Ms. Carrillo stated the construction industry would qualify for out-of-state competition under Section 4416(a)(3)&(4): "...revenues derived directly from this service exceed 25 percent of the gross annual revenues for that individual facility, functional group or unit; or provides a service in the state in competition with businesses, which, on a continuing basis, provide the same service in this state solely from locations outside the state."

Mr. McNamee stated that certain businesses or industries by definition meet out-of-state competition requirements. The subdivisions of Section 4416(a) define those businesses or industries that are not part of the NAICS categories as also meeting the out-of-state competition requirement.

Mr. Broad stated the word “and” needs to be removed from the portion of the text that lists conditions as “and/or.”

Robert Meyer, ETP staff, stated that applications for funding that come from the construction industry are usually handled on a case-by-case basis. Staff tries to fit proposals into the standard retraining funding before putting them into a SET category.

ACTION: Mr. Freeman moved and Mr. Hodess seconded the Panel approve Regulation 22 CCR Section 4416.

Motion carried, 5 – 0.

#### Definition of “Training”

Mr. DeMauro stated there are two goals of the proposed definition of training: (1) Reduce the minimum number of required training hours per trainee from 40 to 24 hours; and (2) Clarify the definition of laboratory training to allow 10 percent of laboratory instruction time to be used for reviewing and answering questions on trainees’ work projects which are related to the laboratory training, and to specify that, during laboratory training hours, trainees cannot produce products or provide services which will ultimately be sold.

Mr. Broad questioned the SOST portion of the Regulation. The Panel recommended the phrase “if otherwise permitted” be inserted before “structured-on-site-training (SOST).” (“...Training shall consist of at least 24 hours and be delivered as classroom, laboratory, technology-based distance training, or, if permitted, structured-on-site-training (SOST)...”)

Panel members questioned the minimum number of hours of training. Ms. Carrillo stated the issue is what is worth public investment and what should be the responsibility of the employer.

ACTION: Mr. Freeman moved and Mr. Hodess seconded the Panel approve Regulation 22 CCR, Section 4400(y).

Motion carried, 5 – 0.

Mr. DeMauro stated staff will send the proposed Amendments out for public comment and will bring recommendations back to the Panel at a later date.

**IX. PUBLIC COMMENT**

There were no members of the public who wished to comment.

**X. ADJOURN**

There being no further business and no objection, the meeting was adjourned at 3:55 p.m.