

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Milton Marks Conference Center

Lower Level

455 Golden Gate Avenue

San Francisco, CA 94102

December 14, 2007

PANEL MEMBERS

Barry Broad
Acting Chair

Barton Florence
Member

Bob Giroux
Member

Scott Gordon
Member

Edward Rendon
Member

Janice Roberts
Acting Vice-Chair

Johnathan St. John
Member

Executive Staff

Ada Carrillo
Acting Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Barry Broad, Acting Chairperson, called the public Panel meeting to order at 9:50 a.m.

II. ROLL CALL

Members Present

Barry Broad
Bob Giroux
Scott Gordon
Edward Rendon
Janice Roberts

Members Absent

Barton Florence
Johnathan St. John

Executive Staff Present

Ada Carrillo, Acting Executive Director
Maureen Reilly, General Counsel

III. APPROVAL OF AGENDA

ACTION: Mr. Giroux moved and Mr. Rendon seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

IV. APPROVAL OF MINUTES

ACTION: Ms. Roberts moved and Mr. Giroux seconded approval of the Panel Minutes of November 9, 2007.

Motion carried, 5 – 0.

V. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Ada Carrillo, Acting Executive Director, introduced ETP’s newly appointed Assistant Director, Amber Luiz. She said Ms. Luiz was appointed by Governor Schwarzenegger as ETP’s Assistant Director of External Affairs and Small Business.

Ms. Carrillo referred to the Fund Status Report in the Panel Packet. She said some adjustments have been made to the Budget appropriation to reflect the increase in staff compensation per Collective Bargaining Agreement. The administrative expenditures will remain within the 15 percent administrative cap. She referred to the Prior Year Contract Liabilities and said it has increased to \$19 million as additional monies are needed to cover contracts approved in prior years. She said since 2004/2005, the Panel has incrementally encumbered contract awards at minimal levels averaging about 35 percent of the contract amount. If the Panel approves all of the December projects, there will be \$17.5 million remaining for the year. She said that as a result of the minimal incremental encumbrance process, this translates to \$42 million worth of contracts. She anticipates that all monies will be depleted by the April 2008 Panel Meeting.

Request Motion to Delegate in Event of Loss of Quorum

Ms. Carrillo asked for a motion to delegate to the Executive Director the authority to approve items in consultation with the Panel Chair or Vice Chair, if a quorum does not exist.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel delegate to the Acting Executive Director the authority to approve items for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 5 – 0.

Request Motion to Adopt Consent Calendar Projects/Action

Ms. Carrillo asked for a motion to adopt Consent Calendar Items #1 through #42.

AcademyX, Inc.	\$199,495
Aviano Group, Inc.	\$48,360
Bimbo Bakery USA.....	\$144,720
Bon Appetit Management Company.....	\$208,800
California State University, Fresno Foundation	\$49,547
Charles A. Jones Skills and Business Center.....	\$199,133
Com Dev USA, LLC.....	\$40,698
Creative Communication Technologies, Inc.	\$255,000
Doctor’s Hospital of West Covina	\$147,456
Electronic Interface, Inc. dba Applied Engineering	\$290,576
Extron Logistics, LLC.....	\$39,960
Gateway Cities Partnership, Inc.	\$111,916

Gothic Landscaping, Inc. dba Gothic Landscape	\$75,000
Greater Sacramento Urban League	\$187,968
H. Hendy Associates	\$26,400
Hispanic Chamber of Commerce of Solano County	\$49,726
Hobbs Container Company, Inc.	\$41,600
Hunter Direct, Inc.	\$21,120
J.D. Power and Associates.....	\$283,140
Menlo Logistics, Inc. dba Menlo Worldwide.....	\$73,440
Michaels Transportation Services, Inc.	\$26,400
MKG Enterprises, Inc.	\$49,324
Morton and Pitalo, Inc.	\$62,400
Nitelog, Inc.	\$36,504
PAMC, Ltd. dba Pacific Alliance Medical Center	\$269,136
PG Films, Inc.	\$74,880
PGP International Corporation.....	\$234,000
PneuDraulics, Inc.	\$216,000
Rantec Microwave Systems, Inc.	\$74,256
Reid Products, Inc.	\$31,200
SDA Security Systems, Inc.	\$22,100
Siegfried Engineering, Incorporated	\$48,360
Superior Anhausner Foods.....	\$135,000
SupHerb Farms	\$52,000
The Conrad Corporation dba Conquest Imaging.....	\$74,888
TOLCO a brand of NIBCO INC.	\$169,650
Toppan Photomasks, Inc.	\$182,196
US FoodService, Inc.	\$198,450
Verdegaal Brothers, Inc.	\$20,240
Vietnam Veterans of California, Inc.	\$74,476
WalGreen Distribution Center.....	\$75,000
Western Summit Constructors, Inc.	\$49,968

ACTION: Ms. Roberts moved and Mr. Giroux seconded approval of Consent Calendar Items #1 through #42.

Motion carried, 5 – 0.

Mr. Broad reported the State budget is moving rapidly in the wrong direction. He said the Budget had a deficit of \$9 billion but is now a \$14 billion deficit. He expects that by summer 2008, there will be cuts throughout the State budget. He said that since ETP is not an entitlement program, the State will attempt to take ETP funds as done in the past. Mr. Broad expects that with Budget cuts, it will be a very rough year for ETP as well as all state agencies. He said they usually begin with across-the-board cuts, but since this does not produce enough money, they then look at cutting entitlement programs. He said we are in the tail-end of the post-partisanship era, and it might be starting back up again, in which case it could be a very difficult year. Mr. Broad warned the community, employers, and agencies that this will be a very difficult year in the State budget.

VI. REPORT OF THE GENERAL COUNSEL

Maureen Reilly, General Counsel, said she would present information on the Regulations later in the Agenda.

VII. VIRGIN AMERICA, INC. – TODD PAWLOWSKI

Creighton Chan, Manager of the Foster City Office, said Virgin Airlines first came to the Panel in December of 2005. Prior to that, there were several states competing for Virgin America, Inc. (Virgin) to base their headquarters. Through the joint efforts of state and local economic development efforts including ETP, Virgin decided to locate their headquarters and airline operations in California. At that time, the Panel committed \$10 million over multiple contracts to assist Virgin with their training needs. He said Virgin operations were delayed due to the Department of Transportation certification process, but is now flying and has a viable airline. He introduced Todd Pawlowski, Vice President of Airport and Guest Services and Deborah McCuiston, Director of Corporate Learning. Mr. Chan said they would give an update on how Virgin is doing and the impact they are having on the economy.

Mr. Pawlowski said today marks the third time in four years that Virgin has had the pleasure of addressing the Panel, and this time instead of talking about a dream, they shared the reality of Virgin America. He said they first addressed the Panel in 2004 and in 2005 applied for the formal contract. They spoke to the Panel about a day when Virgin America would fly over the skies of California, creating thousands of jobs, conducting businesses with hundreds of companies throughout the State, stimulating the economy, promoting the State across the nation, and bringing visitors to this great State to participate in tours and commerce. They are happy to report that the only airline that calls California home is doing just that today. Despite the many objections of non-California-based airlines, Virgin is currently departing and arriving airplanes at SFO and LAX and will begin service to San Diego in a few months. Although Virgin's start-up was delayed for many months due to challenges they experienced in obtaining their certificate from the Department of Transportation, they are now on to the next challenge; creating and growing an airline that people love.

Mr. Pawlowski shared some highlights Virgin America has incurred since beginning service in August 2007; their job creation promise. He said that in 2007 they began with 80 teammates and is rapidly approaching the 1,000 teammate mark with the bulk of employees based in California. He said they have employed a number of displaced workers from other airlines. He said they have partnered with dozens of service companies throughout the State, and in turn have created hundreds of jobs to support their airplanes and their guests. He said Virgin has invested millions in real estate, by flying at SFO and LAX and are utilizing facilities that were heavily under-utilized, thus providing an additional source of revenue to these airports and cities by strengthening their balance sheets and providing these airports with the justification they need to move forward with some development programs.

Mr. Pawlowski said Virgin is extremely proud to call California home, they often speak about the fact they are based in California, and are often written about, stating they are a California-based airline on a national and international level.

Mr. Pawlowski said the reason Virgin is requesting training funds from ETP is for the re-investment in California-based workers. Since August 2007, they have trained over 700 employees ranging from airport staff, pilots, flight attendants, mechanics, call center agents, accountants, IT technicians, and other office professionals to expand their skill sets and knowledge. He said they are encouraged about Virgin's future, thanked the Panel for its support, and look forward to utilizing the initial grant monies, even though it now appears that Virgin will require another contract to do so. He said despite the budget challenges, Virgin applauds the Panel's continued work into reinvesting in California's employers and employees.

Mr. Giroux asked about the type and demographics of individuals that Virgin is recruiting and about recruitment efforts in regards to gender and ethnicity. Mr. Pawlowski said Virgin is extremely diverse and employ individuals from every walk of life. He said if you consider the traveling public and the diversity of the traveling public that is a mirror image of their employee base. Pilots with military backgrounds, general aviation backgrounds, and airport staff come from various communities. He said employees are extremely diverse, with varying degrees of education and experience. He said that in regards to age demographics, Virgin employs individuals from high school graduates to individuals with 25 to 30 years of working experience.

Mr. Giroux expressed his pleasure in hearing that Virgin is trying to employ individuals who have previously worked in the industry, and have lost their jobs. Mr. Pawlowski said that has proved to be a great source of talent for them. He said one of the challenges any company has when it begins and expands as rapidly as Virgin, is creating good bench strength. He said they rely on individuals that have been in the business before to compliment individuals brought in from outside the industry.

Mr. Pawlowski said ground facilities are a real issue which is why Virgin is so encouraged to see SFO expanding some of its facilities since they are flying out of SFO with about 25 flights a day. He said Virgin anticipates hiring an additional 1,000 employees next year, taking an airplane delivery about every month so they are growing at about a 100 rate next year and within 3-4 years, would like to see the SFO operations grow to about 100 flights a day. He said they are in discussions with officials in Los Angeles about expanding and that San Diego is a very tight airport and they are lucky to have found a gate. He said there is much work to do on the ground from a facility standpoint.

Mr. Broad asked Mr. Chan where are they, in training 700 people, so how much of the \$10 million have they used to train them. Mr. Chan said, based on reported performance about \$1 million, but expects it will be higher by the end of the contract. Mr. Broad asked staff if Virgin would have to re-apply at the end of the period. Ms. Carrillo said it is expected that Virgin will return in March or April 2008 for a new contract and added that even though Virgin Airlines was awarded a \$10 million contract, as we incrementally encumber and anticipated

that Virgin might have some delays with the Department of Transportation certification process, about 25 percent of the contract amount was encumbered. Mr. Broad asked when this contract returns to the Panel, how it would work procedurally. Ms. Carrillo said it would be a new contract. Mr. Broad asked if Virgin would return and ask for the remaining amount. Ms. Carrillo said they would request the remaining amount that was not used in the first contract.

Ms. Roberts said the last time Virgin approached the Panel, there were no employees hired at the time and she had said it was unlikely they could do this in a two-year time frame and source the \$10 million. She said she is glad Virgin has secured its employees, are conducting the training and that it is a great opportunity for the State and is excited about Virgin returning for the remainder of funds. Mr. Broad thanked Virgin for its wonderful presentation and encouraged expansion as much as possible in California.

VIII. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS

Single Employer Contractors

Pacific Bell Directory (presented out-of-order)

Diana Torres, Manager of the San Diego Regional Office, presented a funding proposal for Pacific Bell Directory (Directory) in the amount of \$658,800. She said Directory performs integrated publishing functions including advertising, telephone directory printing and publishing, and electronic internet directory publishing.

Ms. Torres explained Directory has worked with ETP staff to re-develop a training plan to address the Panel's previous concerns. The funding proposal has been revised as follows: reduced agreement amount by \$89,640 from \$748,440 to \$658,800; reduced the number of trainees from 660 to 600; reduced average cost per trainee from \$1,134 to \$1,098; reduced percentage of supervisors/managers from 15 percent to 6 percent of the trainee population; and increased its in-kind contribution from \$973,728 to \$1,543,008.

Mr. Broad asked if there was a substantial contribution. Ms. Torres said there is no substantial contribution on this proposal, but there is a substantial contribution on the "current" AT&T proposal.

Ms. Torres introduced Curt Crandall, Senior Project Manager of Training for AT&T Pacific Bell Directory and Julianna Kirby, President of Training Funding Partners.

There were no questions from the Panel.

ACTION: Mr. Giroux moved and Ms. Roberts seconded approval of the funding proposal for Directory in the amount of \$658,800.

Motion carried, 5 – 0.

CoxCom, Inc.

Ms. Torres presented a funding proposal for CoxCom, Inc. (CoxCom) in the amount of \$687,000. CoxCom cable television system has more than 6.7 million subscribers throughout the country and its customers include residential homes, businesses, and public entities. CoxCom builds communication networks and delivers cable television programs and other telecommunications products.

Ms. Torres introduced Larry Hofer, Vice President of People Services; Kevin Phillips, Regional Training Manager; and Laurie Plachek, Director of Training and Organization Development.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the funding proposal for CoxCom in the amount of \$687,000.

Motion carried, 4 – 0. (Bob Giroux not present for the vote)

HSBC Card Services, Inc.

Bob Giroux recused himself from the HSBC Card Services, Inc. proposal.

Ms. Torres presented a funding proposal for HSBC Card Services, Inc. (HSBC) in the amount of \$750,000. She explained HSBC provides middle-market consumers with secured and unsecured real estate loans, auto finance loans, MasterCard and Visa credit cards, private label credit cards, and specialty insurance products.

Ms. Torres introduced Dave Bigham, Manager of Learning & Development and Janice Baker, Learning & Development Manager.

Ms. Roberts had concerns about mortgage businesses closing their doors, the turnover rate cap at almost 20 percent, and the possibility of the turnover rate continuing to go up. She asked what the company plans to do differently in this contract. Mr. Bigham said one of the powerful things about HSBC is it is involved in the entire financial services industry, not only the mortgage side. He said they are moving individuals that are processing loans into other parts of the business that continue to be viable and doing well. Although they have an 18 percent turnover, they have two other locations at a 14 percent turnover, and does not foresee that turnover will be an issue.

Ms. Baker said cross training efforts will assist in both turnover as well as the new training they need to provide so it is a win-win on both sides as to make sure they keep the turnover down and find new jobs for the current employees but also having to retrain them as a result of it.

Ms. Roberts asked if HSBC has an in-house trainer and anticipates any glitches in the system in the next couple of years. Mr. Bigam said no, he does not see a problem there. He anticipates that the trainers will spend more time in California.

Mr. Broad asked what HSBC stands for. Mr. Bigam said it stands for Hong Kong Shang Hi Banking Corporation.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of the funding proposal for HSBC in the amount of \$750,000.

Motion carried, 4 – 0. (Bob Giroux recused)

Invitrogen Corporation

Ms. Torres presented a funding proposal for Invitrogen Corporation (Invitrogen), in the amount of \$800,172. She said Invitrogen provides essential life science products and services to public and private research institutions, biotech and pharmaceutical companies for disease research, drug discovery and commercial bioproduction.

Ms. Torres introduced Mona Scott, QA/QC Engineer III of Operations – Global Quality.

Mr. Broad asked if Invitrogen is training the same group of employees in the previous contract. Ms. Torres said there were individuals that received training and even though they did not receive reimbursement for it they will not receive that same training. Mr. Broad wanted to ensure the same individuals are not being trained twice.

Ms. Roberts said Invitrogen presented a very thorough and detailed presentation.

Mr. Giroux was concerned about the exorbitant dollar amount to administer an \$800,000 contract. Ms. Carrillo said in the end, the administration fee will be based up to 13 percent of the amount earned so if they only earn \$100,000, the subcontractor would earn \$13,000. Mr. Broad said in some ways the companies absorb that cost, so they are making an entrepreneurial decision that they want to use someone to assist in the administration and have the option of not doing that. He said this is a choice company's make and there have been mixed messages over the years whether a company needs assistance administering the contract.

Mr. Giroux said due to the pending statewide budget situation, ETP will be under scrutiny just like anybody else. Mr. Broad said if there is a small to medium-sized company that does not have a large infrastructure of individuals experienced and dedicated to moving the ETP contract through, he did not understand the reason why companies cannot use internal employees to administer an ETP contract. He said companies that do not have anywhere near the same level of resources available to address training issues are much more likely to need a consultant's assistance. Mr. Broad said companies are reducing their amount of reimbursement by using a consultant. He said they are paying a cost and the money is not going towards training, but rather to the consultant and they still have to

train their people. Ms. Carrillo said ETP does not cover all of the training and administrative costs and those contractors are responsible for the administration of the contract, though they end up choosing to subcontract.

ACTION: Mr. Giroux moved and Mr. Rendon seconded the funding proposal for Invitrogen in the amount of \$800,172.

Motion carried, 5 – 0.

Kirkhill – TA Company

Ms. Torres presented a funding proposal for Kirkhill – TA Company (Kirkhill) in the amount of \$793,800. She said Kirkhill manufactures engineered elastomers and clamping products for the aerospace and defense markets.

Ms. Torres introduced Kathleen Fisher, Vice President of Human Resources.

There were no questions from the Panel.

ACTION: Mr. Giroux moved and Mr. Rendon seconded the funding proposal for Kirkhill in the amount of \$793,800.

Motion carried, 5 – 0.

Prime Healthcare Services, Inc.

Ms. Torres presented a funding proposal for Prime Healthcare Services, Inc. (Prime Healthcare) in the amount of \$750,060. She explained Prime Healthcare operates eight hospitals and that although each hospital has a separate California Employer Account Number, they operate as one entity under the Prime Healthcare umbrella and have the same training needs. This proposal addresses critical training needs for Prime Healthcare's RNs and LVNs.

Ms. Torres introduced Suzanne Richards, Vice President of Nursing and Clinical Operations; Martha Dispoto, Director of Nursing and Clinical Operations; and Dora Noriega, Director of Nursing and Clinical Operations.

There were no questions from the Panel.

ACTION: Mr. Giroux moved and Ms. Roberts seconded the funding proposal for Prime Healthcare in the amount of \$750,060.

Motion carried, 5 – 0.

Ross Dress for Less, Inc.

Ms. Torres presented a funding proposal for Ross Dress for Less, Inc. (Ross) in the amount of \$500,760. She said Ross is an off-price retailer that sells women's and men's clothing, jewelry, accessories, lingerie, fragrance, children's apparel and shoes.

Ms. Torres introduced Les Davis, Vice President of Human Resources and Raul Tiansay, Director of Taxation.

Mr. Broad said this is a High Unemployment Area (HUA), nevertheless, Ross lost the employees they trained to competitors due to labor market conditions, which suggests that Ross was under-paying its standard wages. He asked the company to address why employees left for other distribution centers and about the consultant giving Ross bad advice. He asked staff for guidance on consultants who give companies bad advice and cost them a great deal of money.

Mr. Davis said when they opened their first distribution center in 2003 and the second in 2005, in 2003 they were one of two distribution centers in the general market. He said they have expanded warehouse square footage by over 5 million in the last two years. He said there is a tremendous need for skilled workers and they are proposing to train forklift operators and unit id associates in this proposal. He said forklift operators are needed throughout the distribution center in the Ontario and Riverside area and it is very competitive. He said they now have a much more seasoned management team and recently recruited employees from Newark, California that were willing to re-locate to Southern California. He said this was not enough and was pure chaos when it opened. He said they had well over 150 percent turnover in their hourly ranks and close to 100 percent turnover in management ranks. He said that since 2004, the turnover rate has gone down gradually and Ross has been able to retain employees because they are engaged in training and have introduced a new compensation program called "Blue Chip Earnings". He explained that "Blue Chip Earnings" has engineered standards where once an employee learns their job, they gain more hourly pay. He said they now have an improved training system, a better training team, and his position did not exist at that time and there was no one to enforce the program. He said it is his opinion that between the changes in human resources and operations, a new operating vice president, and a new supply chain vice president that truly believes in training and retaining individuals, these factors will assist in a successful second time around.

Mr. Broad asked about the consultant for the previous project. Mr. Davis said he did not have any information about the consultant. Annette Fago, representing Ernst and Young LLP Tax Services, said when they began the process of talking to Ross and interviewing them to get an understanding of what went wrong in the prior project, there were no employees remaining with the company that had any familiarity with the prior consultant. She said it is almost a new company. Ms. Torres added that in defense of previous management, typically when a company is starting from ground zero, they have one general manager and it is across-the-board in the industry that the general manager is in charge of all operations. She said they review the specific requirements and the

definitions and classroom laboratory training listed in the terms of the agreement and monitor the agreements. She said that through monitoring they discovered that unfortunately, much training that was completed and tracked did not fall under the definition of laboratory training. She said that as a result, along with the bad advice they were given, the consultant was fired early-on and training continued under parameters of the ETP guidelines.

Mr. Broad said he has much sympathy for a company that hires a consultant for start-up operations. He said the reason companies hire a consultant is to assist them and if the consultant is the cause of the problem, he was concerned about there being no consequences and them moving on to their next victim. He was concerned about companies training and then consultants not informing them they cannot be reimbursed for the training which results in poor performance. Ms. Carrillo said as soon as staff is aware of a “bad consultant”, ETP management will have a discussion with the subcontractor to take corrective action and at times, Legal Counsel may need to get involved.

Mr. Gordon said there seems to be a re-occurring common theme that could be addressed easily and practically. He suggested making a motion that when a proposal is approved, a document is inserted into the employee handbook regarding training and expectations of company employees. He said this would address the problem and would ensure accountability. Mr. Broad said in this case the consultant would have said, make sure that 100 percent of what you do is not classroom training. He said the question he has is he would rather let the market figure it out and post on the website if there is a problem with poor performance due to the consultant. Mr. Broad suggested posting consultants with poor-performance on the ETP website.

Ms. Roberts asked if the distribution centers in California were only located in Moreno Valley and Perris. Mr. Davis agreed. Mr. Giroux said Moreno Valley and Perris are very close in proximity and asked why they have two distribution centers so close to each other. Mr. Davis said the distribution centers are in close proximity so that management and hourly associates could easily moved between the distribution centers forth as well as hourly associates because as it is, when one area might be down, one distribution center is for bulk products, when bulk is low, they can move employees over to the other facility, plus the proximity of Long Beach, it helps from a management perspective.

Ms. Roberts said start-up operations are often chaotic, and that when considering start-up operation proposals, the Panel considers whether to grant the company the full amount requested or to fund it in phases. Ms. Carrillo said this is the standard process for considering companies with start-up operations.

ACTION: Mr. Giroux moved and Mr. Rendon seconded the funding proposal for Ross in the amount of \$500,760.

Motion carried, 5 – 0.

Advance Paper Box Company

Dolores Kendrick, Manager of the North Hollywood office, presented a funding proposal for Advance Paper Box Company (APBC) in the amount of \$412,776. She said APBC produces custom packaging goods such as folding cartons, rigid setup boxes, and thermoform plastic packaging for a variety of clients from the cosmetic, pharmaceutical, nutrition, media software and electronics, entertainment, hardware, and food and beverage industries.

Ms. Kendrick introduced Carlo Mendoza, Controller.

Ms. Roberts was concerned about 156 employees completing eight weeks of training and the in-kind contribution over the next two years. Mr. Mendoza said they have met with every employee to determine their training needs, hired a manager with 15 years of work experience specific to the industry and is implementing continuous improvement.

ACTION: Mr. Giroux moved and Mr. Rendon seconded the funding proposal for APBC in the amount of \$412,776.

Motion carried, 5 – 0.

Northrop Grumman Integrated Systems

Ms. Kendrick presented a funding proposal for Northrop Grumman Integrated Systems (NGIS) in the amount of \$1,499,000. NGIS is a business unit of Northrop Grumman Corporation, a multinational entity with over two dozen corporate affiliates headquartered in Los Angeles. NGIS and its affiliates provide technologically advanced products, services and solutions in the areas of aerospace, electronics and shipbuilding.

Ms. Kendrick introduced Orville L. Dothage II, Manager of Advanced Production Training Centers and Steve Duscha, Director of Training Funding Partners.

Mr. Broad said the company has received \$8.3 million since 2003. Mr. Dothage said this included the purchase of TRW. Mr. Broad said that is what you earned in 2002. He said that is a lot of money and looks like there is a pattern. At some point it is hard to believe that this much training can be supplemental, we are talking this is the 10th project in less than a decade. Mr. Dothage said, in integrated system, this will be the third; the previous were TRW, which they acquired. Mr. Broad asked if all of them were. Mr. Dothage said Litton and TRW. Ms. Roberts asked if TRW was in Redondo Beach. Mr. Dothage agreed.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the funding proposal for NGIS in the amount of \$1,499,000.

Motion carried, 4 – 1. (Mr. Broad abstained)

Abbott Vascular, Inc. (presented out-of-order)

Creighton Chan, Manager of the Foster City office, presented a funding proposal for Abbott Vascular, Inc. (AV) in the amount of \$1,470,600. He said AV researches and manufactures coronary, vessel closure, and endovascular (procedures done through the arteries) products, which are used in treating patients with coronary artery and peripheral vascular disease. AV products include stents and guide wires used in angioplasty and stent implementation.

Mr. Chan introduced Sharon Larkin, Vice President of Human Resources and Patty McKay, Senior Manager of Learning and Development.

There were no questions from the Panel.

ACTION: Mr. Rendon moved and Ms. Roberts seconded the funding proposal for AV in the amount of \$1,499,000.

Motion carried, 5 – 0.

Mr. Giroux left the meeting at 11:45 a.m. and was not present for the remainder of votes.

Dreyer's Grand Ice Cream, Tulare Operations Center

Ruby Cohen, Manager of the Sacramento Field Office, presented a funding proposal for Dreyer's Grand Ice Cream, Tulare Operations Center (Dryer-Tulare) in the amount of \$548,496. Dryer-Tulare is the principal supplier of Haagen-Dazs products in the United States. The plant is a 24-hour-a-day, 7-day-a-week operation that makes 61 flavors of Haagen-Dazs ice cream, 8 sorbets, 6 frozen yogurts and 8 varieties of ice cream bars.

Ms. Cohen introduced John Pritchard, Plant Manager and Steve Duscha, representing Steve Duscha Advisories.

Mr. Broad said the company has positive performance and said they are 64 cents short of not having to include health benefits to meet the ETP minimum wage. He asked if Dryer-Tulare was willing to raise the post-retention minimum wage up from \$12.85 to .64 cents per hour higher than that. Mr. Pritchard said they can look at it. Mr. Broad said we are talking about the lowest wage workers after training going from \$12.85 to \$13.49 per hour. Mr. Pritchard said there are very few workers at lower wages and as soon as they are trained and capable ice cream makers, they will make much more than that. Mr. Pritchard agreed to raise their wage to \$13.49 per hour. Mr. Broad reiterated that they have agreed to a post-retention wage of \$13.49.

Ms. Roberts asked how many employees are at the site. Mr. Pritchard said approximately 300 employees. Ms. Roberts asked if the Union City plant closed down. Mr. Pritchard agreed it closed down. Ms. Roberts asked if there is a facility in Bakersfield. Mr. Pritchard agreed and said there are several distribution centers throughout California and

four out-of-state manufacturing plants in Maryland, Texas, Utah and Indiana. Ms. Roberts asked if the proposed project is for Tulare only. Mr. Pritchard agreed.

ACTION: Mr. Gordon moved and Mr. Rendon seconded the funding proposal for Dryer-Tulare in the amount of \$548,496 with the agreement that the \$12.64 wage is raised to a post-retention wage of \$13.49 per hour.

Motion carried, 4 – 0.

Mr. Broad said this proposal warrants a press release since Dreyer-Tulare is in a high unemployment area, pays excellent wages, exceeds the ETP minimum wage in the area, has a low turnover rate, and extremely good performance.

FormFactor Inc.

Ms. Cohen presented a funding proposal for FormFactor Inc. (FFI) in the amount of \$620,100. FFI is an industry leader in the design, development, manufacture, sale and support of precision, high-performance advanced semiconductor wafer probe cards.

Ms. Cohen introduced Joe LeBlanc, Technical Training Manager and Cleanroom Engineer and Katherine Amoukhteh, Executive Director of Workforce America.

Mr. Broad asked if this is the company's first proposal. Mr. LeBlanc agreed.

ACTION: Mr. Gordon moved and Ms. Roberts seconded the funding proposal for FFI in the amount of \$620,100.

Motion carried, 4 – 0.

Shasta Regional Medical Center, LLC

Ms. Cohen presented a funding proposal for Shasta Regional Medical Center, LLC (SRMC) in the amount of \$494,262. SRMC is a 245-bed acute care hospital that includes a Level III trauma center and is the only nationally accredited Chest Pain Center in Northern California.

Ms. Cohen introduced Sandra Speer, Chief Human Resource Officer; Robin Lillibridge, RN, Clinical Educator and William Parker, President of National Training Systems Inc.

Mr. Broad asked if the Redding, Anderson and Shasta Lake area is under-served by hospitals. Ms. Speer agreed they are under-served. Mr. Broad asked how many Level III trauma centers are in Redding. Ms. Speer said Mercy Medical Center is a non-profit and part of Shasta Regional at a Level I, and covers the Redding area. Ms. Lillibridge said there are only two hospitals in the Redding area. She said Chico has a Level II trauma center approximately one hour away, and the next closest facility is in Sacramento. Mr. Broad said this is a very large territory to cover.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the funding proposal for SRMC in the amount of \$494,262.

Motion carried, 4 – 0.

SigmaTron International, Inc.

Mr. Chan presented a funding proposal for SigmaTron International, Inc. (SigmaTron) in the amount of \$263,520. He explained SigmaTron assembles printed circuit boards, manufactures DC-to-AC inverters, coils, transformers, and cable and harness assemblies, and box build services, which integrate printed circuit board and other manufacturing and assembly technologies into high-level sub-assemblies and end products.

Mr. Chan pointed out a correction on Page Two, Paragraph Three under the Introduction. He said it currently states that SigmaTron employs 248 persons in ongoing operations at its facilities in Hayward and Fremont. He said Fremont should be stricken as the proposal only addresses the Hayward site.

Mr. Chan introduced James Miller, Manufacturing Director and Megan Siddiqui, Human Resources Representative.

Ms. Roberts asked if Ms. Siddiqui will be in charge of this training. Mr. Miller agreed. Ms. Roberts said the company is requesting double the dollar amount of the previous contract and they only earned one-tenth of the previous contract for \$70,000 and are now requesting \$250,000. Mr. Miller said they have completed their consolidation of the Fremont and Hayward operations which are now merged into one larger Hayward facility. He said senior positions and management is in place and key positions are filled. He said a new director of quality assurance has been hired with an extensive training background in electronics industry standards and his primary responsibility is to lead the training efforts.

Mr. Broad asked if SigmaTron was agreeable to reducing the contract amount from \$263,520 down to \$163,520. He said the company could return for an amendment if positive performance is proven. Mr. Miller agreed to the reduced amount.

ACTION: Mr. Gordon moved and Ms. Roberts seconded the funding proposal for SigmaTron in the reduced amount of \$163,520.

Motion carried, 4 – 0.

SoloPower, Inc.

Mr. Chan presented a funding proposal for SoloPower, Inc. (SoloPower) in the amount of \$394,134. SoloPower incorporates nanotechnology as the solar cell is built on thin flexible film to create high-efficiency, low-cost solar panels fabricated with high quality

solar cell materials. The solar panels can be placed on commercial and residential roof tops or utility scale solar farms at costs are competitive with traditional energy sources, such as gas and electricity.

Mr. Chan introduced Ryan Benton, Chief Financial Officer and Tami McCoy, Controller.

Mr. Broad asked about Nano-Technology. Mr. Benton said there are a few companies that are attempting to become a thin film solar. He explained the substance has been proven to produce high-efficiency solar cells and the real challenge for thin film PV manufacturers is to produce a product as highly-efficient as silicon-based solar cells. He said the majority of the industry is currently based on silicon. He explained the basic fundamental challenge that manufacturers face is the shortage of the raw material of silicon. He said they are in competition with the chip manufacturers for that basic material so the PV industry represents a very small percentage of the purchasing power of raw silicon. He said thin film offers two key advantages: (1) you are not competing for the basic raw material and dealing with materials that are also expensive but dealing with tiny levels of that material and (2) dealing with a thin, flexible lightweight substance so where as a traditional solar cell may be heavy and breakable, this is not. It is thin film, capable of advanced applications and integration into building materials. The lighter weight helps with the cost. He said the real promise of thin film is to bring something that is truly cost competitive to traditional energy sources such as fossil fuels. He said other companies that may be described as SoloPower's competition focus on the use of coal and oil.

Ms. Roberts asked if new-hires are included in the contract. Mr. Benton agreed and said they currently have 44 employees that will relocate to the new facility and will be in addition to the first manufacturing facility which will also house their administrative and research and development staff. He said the majority of employees are research and development staff. Ms. Roberts asked if the 93 new-hires would receive four weeks of training from the start. Mr. Benton said they anticipate a block of time where new-hires will receive several weeks of training and bringing them on early. He said as they complete different levels of certification, it generally takes a couple months to become certified.

Ms. Roberts asked if the four weeks of training over a two year period is built in for the 93 employees and if they would be trained up front. Mr. Benton agreed much training would be done up front. He said since they are in a manufacturing environment and in the process of implementing an MES system that falls onto an ERP system, there would also be substantial training related to those software applications. He said training is on-going and they will continue to add different applications and build to the infrastructure. He said they have document control systems so process technology will revolve over time, there will be revisions, and additional training related to the changes in the process which is expected to extend out past the two years.

Ms. Roberts encouraged contractors to send letters to local representatives and said that SoloPower gives a great testimonial to the ETP program.

ACTION: Mr. Gordon moved and Ms. Rendon seconded the funding proposal for SoloPower in the amount of \$394,134.

Motion carried, 4 – 0.

Multiple Employer Contractors

Alameda Corridor Jobs Coalition

Ms. Kendrick presented a funding proposal for Alameda Corridor Jobs Coalition (ACJC) in the amount of \$193,760. ACJC unites more than 40 community and faith based groups with the shared vision of promoting and sustaining job training and placement opportunities for low-income minority residents within South Los Angeles along the Alameda Corridor. The Alameda Corridor is a 20-mile rail cargo expressway linking the ports of Long Beach and Los Angeles to the transcontinental rail network near downtown Los Angeles.

Ms. Kendrick introduced Benetta Johnson, Executive Director.

Ms. Roberts asked about the success rate of placing individuals exiting prison. Ms. Johnson said that over the last four years they have seen an 80 percent success rate from their training program. She said they work with the mayor's office, ex-offender re-entry programs, city government, creating focus groups of employers and an international trades trainer that is highly-experienced in the industry and also creates employment opportunities. She said they have begun working with faith-based organizations to act as mentors and to guide and create behavioral modification for these groups. She said if something is not done to assist ex-offenders with job opportunities there will be a serious problem, as at least 40,000 ex-offenders return home to Los Angeles yearly. Ms. Roberts commended ACJC on their success rate with ex-offenders. Ms. Johnson said they intend to continue improving their success rate.

Mr. Broad said in his own experience over the last 25 years representing the Teamsters, there was an understanding that there were many occupations where ex-offenders, in order to rehabilitate them, there had to be jobs available. He said there has been a social change in society in which the general view is ex-offenders need to be punished after they are done being punished. He said that individuals who have gone to prison, which usually happens in their youth and have since straightened out their lives, being an ex-offender follows them forever and it is extremely difficult for them to obtain jobs.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the funding proposal for ACJC in the amount of \$193,760.

Motion carried, 4 – 0.

Mr. Broad announced that Tab #59, Building Skills Partnership and Tab #64, Leadership Training and Education Fund would be heard combined, due to the similarity of the proposals.

Building Skills Partnership

Ms. Kendrick presented a funding proposal for Building Skills Partnership (BSP) in the amount of \$195,896. BSP is a statewide non-profit program between the California janitors' union, Service Employees International Union (SEIU) Local 1877, the Building Owners and Managers Association (BOMA) of Greater Los Angeles, and janitorial companies. Its mission is to: (1) improve the quality of life of low-wage building service workers, their families, and communities by increasing their skills and educational opportunities, and (2) assist unionized building service employers to develop stronger staff so that they can maintain a competitive edge.

Ms. Kendrick said both representatives state approximately 75 percent of the training population will be new to the program and 25 percent will be repeat trainees that require additional advanced training.

Leadership Training and Education Fund

Mr. Chan presented a funding proposal for Leadership Training and Education Fund (LTEF) in the amount of \$436,748. He said Services Employees International Union Local 1877 (SEIU Local 1877) and over 30 janitorial companies in Northern California created LTEF to retrain their largely immigrant workforce. LTEF serves the purpose of: (1) helping building service employees develop better vocational and life skills and (2) assisting unionized building service employers develop stronger staffs so that they can maintain an edge over competitors, particularly those located outside California.

Mr. Chan said that since these proposals are very similar types of training, he suggested having both company representatives at the podium to explain the differences between the two companies and speak to the issues.

Mr. Chan introduced the representatives for LTEF: Alison Webber, Executive Director of Leadership Training and Education Fund and Laura Plummer, Secretary Treasurer of SEIU Local 1877. Ms. Kendrick introduced the representatives for Building Skills Partnership: Aida Cardenas, Director and Jan Borunda, Project Coordinator for the California Labor Federation.

Mr. Broad asked if LTEF's prior proposal trained individuals in Southern California or if they were geographically divided. Ms. Webber said the LTEF board is committed to helping one pilot program and using their ETP grant to pilot the project. She said they are not prepared or interested under their Collective Bargaining Agreement nor do they believe it is their role to provide training outside of the Bay Area master contract. She said they had a one-time pilot of then classes in Los Angeles, but do not plan to train outside of the four counties in the Bay Area.

Mr. Broad wanted to ensure individuals that received training the first time are not receiving duplicate training. Ms. Cardenas agreed and said they offered ten classes and there are hundreds of work sites within the scope statewide, so there is the opportunity to enter into

new work sites. She said there are work sites based on the needs of the clients of the janitorial companies and different levels of training. She said that even if it is the same individual going through the training, some workers have lower educational backgrounds and it may be at different levels to get to where the client will want them to be to continue to move through the industry. Mr. Broad said if the same people are going through the training again and the curriculum remains the same, the company cannot be reimbursed for the training. He said ETP can only reimburse for the training that is different and supplements the previous training they received. Ms. Cardenas said they do not intend to train the same people on the same material.

Ms. Webber representing the LTEF said employers would not be putting workers into a second training and paying the release time for them to be in training if it was not supplemental, and workers that they thought had the capacity to become leads or supervisors if they were given that next level of advanced training. From a non-profit prospective, she wishes they would put anyone through for additional training, but these companies would not do that and commit, which is significant.

ACTION: Mr. Rendon moved and Mr. Gordon seconded the funding proposals for BSP in the amount of \$195,896 and LTEF in the amount of \$436,748.

Motion carried, 4 – 0.

California Manufacturing Technology Consulting

Ms. Kendrick presented a funding proposal for California Manufacturing Technology Consulting (CMTC) in the amount of \$1,066,660. CMTC assists small and medium-sized manufacturers in California to improve their operational efficiencies and global competitiveness. CMTC provides consulting and training services in the following areas: information technology; lean enterprise; strategic business; quality management; and manufacturing and engineering.

Ms. Kendrick introduced John J. Van Buren, Vice President & Chief Financial Officer; Cheryl Slobodian, Director of Operations Support; and Rocio Leon, Training Manager.

ACTION: Mr. Gordon moved and Mr. Rendon seconded the funding proposal for CMTC in the amount of \$1,066,660.

Motion carried, 4 – 0.

Teamster Joint Council 42 Training Academy (presented out-of-order)

Barry Broad and Edward Rendon recused themselves from this project and the gavel was passed to Janice Roberts, Acting Vice Chair.

Ms. Kendrick presented a funding proposal for Teamster Joint Council 42 Training Academy (Academy) in the amount of \$414,575. Academy's primary purpose is to provide regulatory,

industry, and job proficiency education training for new and existing workers in the freight and transportation industry business sectors and to carry on other educational activities associated with this goal.

Ms. Kendrick introduced James Garrison, President of Pacific Federal and Treasurer of the Academy's Board, Dick Mynes, Executive Director of Training of the Teamsters Joint Council 42 Training Academy; and Jan Borunda, Project Coordinator for the California Labor Federation.

Mr. Gordon asked if in conclusion of the training, if the Class "A" drivers test is part of it. Mr. Garrison said it includes four weeks behind the wheel and in the fifth week, they review issues and take the Department of Motor Vehicle Class "A" driver's test.

Ms. Roberts said that due to the lack of a quorum the earlier approved delegation for Ada Carrillo, Acting Executive Director to take action in the absence of a quorum, went into effect.

Santa Monica College

Ms. Kendrick presented a funding proposal for Santa Monica College (SMC) in the amount of \$250,586. SMC is a community college that proposes to provide training to employees of companies in a variety of industries involved in manufacturing and distribution.

Ms. Kendrick pointed out that on page 4 of the memo, under their most recent contract, it states there has been "O" earnings which is an error. She said the contract has not yet been closed out and show \$192,000 in earnings to date and are on track to earn about 40 percent of the total agreement amount.

Ms. Kendrick introduced Chito Cajayon, Dean of Workforce and Economic Development.

Mr. Broad said that due to the lack of a quorum the earlier approved delegation for Ada Carrillo, Acting Executive Director to take action in the absence of a quorum, went into effect.

Bay Area Economic Development Center

Ms. Cohen presented a funding proposal for Bay Area Economic Development Center (BAEDC) in the amount of \$320,540. BAEDC is a for-profit economic development membership organization founded in 1997 to promote the creation and retention of high-skilled jobs.

Ms. Cohen introduced DeWitt Brown, Executive Director and Andy Stack, Board Advisor.

Mr. Broad said that due to the lack of a quorum, the earlier delegation motion made by Ada Carrillo, Acting Executive Director, in the absence of a quorum, went into effect.

Mr. Broad said that due to the lack of a quorum the earlier approved delegation for Ada Carrillo, Acting Executive Director to take action in the absence of a quorum, went into effect.

Amendments

Mr. Broad announced that the remainder of proposal amendments, Tabs 65 (Santa Ana Chamber of Commerce), 66 (Sacramento Employment and Training Agency) and 67 (The Corporation for Manufacturing Excellence dba MANEX, would be considered together. He said they share in common that they were previously approved, got part-way through the process, positive performance, and returning to request the second half of funding.

Mr. Broad said that due to the lack of a quorum, the earlier approved delegation for Ada Carrillo, Acting Executive Director, to take action in the absence of a quorum, went into effect.

IX. REVIEW AND ACTION ON ANNUAL REPORT 2006-07

Mike Rice, Chief of ETP's Administrative Division, presented the draft Annual Report for 2006-07. He said the Annual Report is required by the ETP enabling legislation to be submitted to the Legislature annually to address the prior fiscal year. He said the Annual Report describes the Panel's actions and accomplishments for FY 2006-07. He said that 2007 was a year of challenges and opportunities given ETP's reduced budget. He explained that despite an increased appropriation over the prior year, ETP's budget was still 30 percent below historic levels. He said that the Panel took steps to maximize its funds through both administrative actions and targeting resources strategic planning.

Mr. Rice said there were 318 new contracts approved during the year, a 42 percent increase over the previous fiscal year. In addition, staff administered 177 completed contracts and 188 contracts which were still active at the end of the fiscal year. He said contract activity in the year neared 700 contracts and training was close to 200,000 trainees. He explained that targeted industries in the strategic plan, showed that 76 percent of the approved funds went to manufacturing and other high-technology firms, which is a 53 percent in the previous year, which showed that the planned increase in reimbursement rates for priority industries paid off with a near 50 percent increase in targeting those industries in the year.

Mr. Rice reviewed some of the key actions and accomplishments during the report year: the Panel supported economic development in California approving \$32 million for more than 50 projects aimed at business expansion and retention; the Panel continued to serve small business and in addition, continued to support healthcare and nurse training providing \$5.3 million to train close to 3,800 nurses for nurse upgrades and capacity building; and also supported career technology education, clean technology and new industry trend such as nano-technology. In addition, there was support for other workforce needs including high unemployment areas, a welfare-to-work program was implemented, and \$2.8 million was approved for the training of 650 CalWORKS trainees. He asked the Panel if there were any questions and proposed the Annual Report be approved with the direction to staff to incorporate any requested changes and delegation of the authority to the Executive Director for final approval.

Mr. Broad noted that the earlier delegation motion made by Ada Carrillo, Acting Executive Director to take action in the absence of a quorum, was still in effect.

X. REVIEW AND ACTION ON TITLE 22, CCR, SECTION 4410

Mr. Broad said that, with regard to a potential revision to the originally-noticed proposed amendment of Section 4410, he will have Ms. Reilly present the matter and will then take public comment, but the Regulation would not be voted on today. He said the potential revision would require re-notification for a 15-day notice period.

Maureen Reilly, General Counsel, said the proposed amendment of Section 4410 is still in the “notice and comment period” required under the Administrative Procedure Act. She said both public hearings have been held and the 45-day comment period has closed on the regulation action as originally noticed. She said the comments, from seven different stakeholders, were summarized for the Panel’s consideration in a memorandum at the Regulations Tab in the Panel Packet. She said the memo also has suggested responses, although the Panel need not act on them at this time. She said the suggested course of action by staff is to revise the proposed amendment as originally noticed for additional comment. As revised, this amendment would give the Panel additional discretion to modify the 30 percent substantial contribution and add a new “discretionary factor” in regard to both the 30 percent and 50 percent level.

Ms. Reilly explained that any time a revision is proposed, it must go out for an additional 15-day comment period. She said the Panel will consider all comments again at the next regular meeting, including those on the potential revision, and then take action on which version it wants to proceed with.

Mr. Broad asked if anyone in the audience would like to comment, understanding that they would again have the opportunity to comment on the same subject during the 15-day notice period.

XI. PUBLIC COMMENT

Steve Duscha, representing Alliance for ETP, said he was confused by the process since the Panel is operating without a quorum, and it appears they are continuing the regulatory process.

Mr. Broad said the Panel is not taking any action today, but the lack of a quorum does not prohibit the Panel from hearing comments. He said the regulation matter will be considered again when there is a quorum.

Mr. Duscha said it was his understanding from Ms. Reilly that the possible changes would go out for comment without action of the Panel.

Ms. Reilly said only the portion that is suggested for revision would go out for further comment. Basically, she said, the Panel does have to consider all comments as a whole and

take action on which version of the proposed amendment it chooses to file with the Office of Administrative Law.

Mr. Broad said Mr. Duscha had a good question and asked the General Counsel to research it. Mr. Duscha thanked Mr. Broad.

Mr. Duscha said he wished to comment briefly on the substance of the regulation. He said the problem is not with the potential revision, but with the substance of the plan. He asked the Panel to adopt a "0, 10, 30, 50" substantial contribution system with a 0 substantial contribution on the first contract, a 10 percent substantial contribution on the second, a 30 percent substantial contribution on the third and a 50 percent substantial contribution on the last. He compared this to the proposed "0, 30, 50, 50" system.

Mr. Duscha said case-by-case exceptions may be a good idea, but it is not a good idea to start at the higher level of 30 percent on the second, and 50 percent on the third. He said the Alliance suggests starting at a 10 percent substantial contribution on the second contract, and a 30 percent substantial contribution on the third contract; under special circumstances, they could be raised. He said they would support a regulation of that effect.

Mr. Broad asked for clarification on Mr. Duscha's notation of "raised" and whether this meant raising the substantial contribution from 30 percent. Ms. Reilly said she thought Mr. Duscha meant raising it from 10 percent to 30 percent. Mr. Duscha agreed. Ms. Reilly asked which contract he was referring to. Mr. Duscha said he was referring to the second contract. Ms. Reilly said that is what is being proposed in the revision. Mr. Duscha said he thought the revision presumes a 30 percent contribution that can be reduced to 10 percent. Ms. Reilly said the exercise of discretion has a 10 percent baseline but the standard is 30 percent. Mr. Duscha said if it is a 10 percent baseline, the language needs to be revised for more clarity. Mr. Broad asked Mr. Duscha what he envisioned would be a factor to raise the substantial contribution from a 10 percent baseline, up to 30 percent. Mr. Duscha said the particulars listed in the regulation revision include one he favors. He said if affiliated companies have received a great deal of funds the Panel could warrant a higher substantial contribution. Mr. Duscha said that would be more appropriate than hitting everyone with a 30 percent substantial contribution.

Mr. Broad asked, were we to adopt the proposal as it appears today, with the revision, what Mr. Duscha believes would be negative effects on employers and the rest of the community. Mr. Duscha said most contractors would return, but they would be upset and less likely to join a campaign for ETP. He said the discretionary factors would create a lot of complexity and argument with less certainty and a need to pay consultants. Mr. Duscha said it would make ETP less user-friendly. Mr. Broad did not agree, and said the proposed amendment would require the employer to share a larger burden of the cost at the second contract, than they currently do. Mr. Duscha said the Alliance views it as ETP reducing reimbursement, although it could be viewed both ways.

Ms. Roberts said, on the third contract with a 50 percent substantial contribution, contractors should appreciate this because there is some flexibility which they never had before. She

said this would give the Panel flexibility in responding to some dynamics of the industry. Mr. Duscha agreed.

Mr. Duscha reminded the Panel that employers already pay a cost of training in wages of the employees. Mr. Broad said what concerned him was the unintended consequence of regulations. He did not think the proposed amendment, as revised, created the added flexibility that would allow ETP to accommodate those companies that have a reason why they cannot make this substantial contribution; in other words, there might be extenuating circumstances.

Mr. Broad suggested formulating a factual explanation as to why a larger substantial contribution should not be made. He said this would assist in distributing funds in an equitable way since more money would be available for first and second contracts. He said perhaps contractors would think twice before proposing a “seventh” contract. Mr. Broad said in his many years of policymaking, it is often not the obvious case that is overlooked, but rather the unintended consequence. He said it is difficult when making policy to think of every possible scenario.

Mr. Duscha suggested starting at the low level with the ability to increase, rather than applying the substantial contribution to everyone automatically. Mr. Broad said going from low to high requires extenuating circumstances; otherwise, it seems punitive against a particular class. He did not think the substantial contribution should be exclusive to large employers, but that is where it stands out in his observation and he is hesitant to go from low to high. He would rather have the applicant for funding say, here are the reasons why doing 30 percent is not fair to me, and the lower contribution is a more equitable approach.

Mr. Duscha said this creates complexity and said maybe he should be arguing for complexity to get people to buy his services. Mr. Broad said if you want less complexity, then cut it in half and call it 20 percent. Mr. Duscha said he does not believe this solves the problem.

Ms. Reilly said someone asked how the substantial contribution would work discretionary factors, as proposed and suggested for revision. She said it would work the same way as any other modification the applicant asks such as how many trainees may be enrolled and what is included in the Curriculum. She said many such “flexible” items are discussed during development and some form of compromise is reached with input from staff before a proposal is made to the Panel. She said the Panel then has the opportunity to consider all of the information and debate in the open meeting before reaching a decision as a Panel on whether or not to accept staff’s recommendation or ask for further changes in the proposal. She said this is exactly how the amended substantial contribution would work. She said regulation factors would highlight certain basic items of information that are already included in the proposal. She said it should not require new research, but it would give applicants an opportunity to anticipate the points to make when requesting a waiver or modification to the substantial contribution.

Public comment were also made by Rob Sanger, representing California Manufacturers Technology Association said the companies will have given a little bit with a “0, 10, 30, 50”

substantial contribution system. He said they appreciate the flexibility but it does add confusion. He said as they get companies interested in employer contracts, many things have to be considered such as: priority industry status and advanced technology or other special rates. He said if a substantial contribution is flexible this could confuse the applicant's projection of need funding. He said it is important to be able to give companies a specific dollar amount, and it becomes too complex when they are talking to an employer and do not know which reimbursement figure applies.

Mr. Sanger said there were several items on the consent calendar today, which makes it a fairly fast process for the companies on consent. He said if some of those same companies returned and had a substantial contribution, they would have to approach the Panel, and if the Panel is going to decide this they will have to take a look at each case and then make the presentation, which makes it cumbersome. Mr. Sanger said that is all of the comments he had, and if there are any others, they will be submitted in writing.

Mr. Broad said the way he envisioned this working is that companies would enter into a discussion with the staff and, based on the factors that are enumerated in the proposed amendment, enter into something of a negotiation over what is fair and whether they are prepared to argue their case before the Panel. He said the Panel does not have any obligation to accept the staff recommendation. However, because they frequently do, those negotiations have produced a smoother process than what was in place when he was first appointed to the Panel. Mr. Broad said the process was working efficiently, with staff analysis, and he thought the use of discretion with substantial contributions would work the same way, as a practical matter. The applicant may seek 10 percent, staff may recommend 30 percent, and the Panel may apply 20 percent and give the reason why. In other words, the staff recommendation may be accepted or rejected by the Panel.

Mr. Broad said he appreciates the points raised, and understands the comment that people need to know what they are talking about in terms of funding, but he thinks the alternative is for them to pick a number. He said it really begs what he said before, we are at 10, the staff is at 30, and we'll make it 20. On the whole, he thought, the public would probably prefer to have the Panel exercise some discretion within a set of parameters, but maybe not. Mr. Broad said he has not made up his mind about this and does not know if any other Panel members have done so. He thought the Panel was prepared to listen to other suggestions, and if it takes a little longer to get this right, then so be it. He said the Panel can keep revising the proposed amendment and putting it out for more comment.

Ms. Roberts said we do not want to make the process more complex, the whole idea of what we do now is "streamline" to make it easier for the applicant. In particular, Mr. Sanger said, the use of discretion would slow the process down with a multiple employer contracts when a new participating employer says they have a small training project and want to start right away. He said they would have some substantial contribution, but would not know what the percentage is.

Mr. Broad said I think you could assume it would be the standard 30 percent. He said if the employers want to argue for something less he would be more than happy to hear it. He said there are enough factors for flexibility in terms of how the amended substantial contribution will be applied, and if an extra 20 percent is going to create grave problems, the Panel will try to avoid that.

XII. ADJOURNMENT

Mr. Broad adjourned the meeting at 1:45 p.m.