



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency
1001 I Street

Sierra Hearing Room, 2nd Floor

Sacramento, CA 95814

January 24, 2014

PANEL MEMBERS

Barry Broad
Chair

Janice Roberts
Vice-Chair

Gloria Bell
Member

Sonia Fernandez
Member

Michael Hart
Member

Kish Rajan
Member

Edward Rendon
Member

Sam Rodriguez
Member

Executive Staff

Jill McAloon
Acting Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Chairman Broad called the meeting to order at 9:32 a.m.

II. ROLL CALL

Present

Gloria Bell
Barry Broad
Sonia Fernandez
Mike Hart
Leslie McBride (on behalf of Panorea Avdis/GO-Biz)
Edward Rendon
Janice Roberts
Sam Rodriguez

Executive Staff Present

Jill McAloon, Acting Executive Director
Maureen Reilly, General Counsel

III. AGENDA

Chairman Broad asked for a motion to approve the Agenda.

ACTION: Ms. Roberts moved and Ms. Bell seconded the motion that the Panel approve the Agenda.

Motion carried, 7 – 0.

IV. MINUTES

ACTION: Ms. Roberts moved and Ms. Bell seconded the motion that the Panel approve the Minutes from the December 13, 2013 meeting.

Motion carried, 7 – 0.

V. REPORT OF THE ACTING EXECUTIVE DIRECTOR

Jill McAloon, Acting Executive Director, said adding to what Chairman Broad said earlier, after our meeting today we are going to have a public Forum. The idea is that we're

collecting feedback from stakeholders on ways that they would like to see the Panel change to be more responsive to workforce training trends. We will hold a second Forum after the February 21, 2014 meeting and a third Forum dedicated exclusively to Apprenticeship training after the April 25, 2014 meeting. After all of the forums have been held, staff will synthesize all the information and we will be putting together recommendations for the Panel's consideration, with the idea of implementing things as quickly as we possibly can. We know that some of the changes may result in operational, or procedural, or policy regulations and maybe even legislative changes. So we're inviting and encouraging everybody to comment; if you have any intention of speaking today and haven't signed up yet, please do so before the end of our regular meeting. After we determine how many people are signed up, we will be able to assess how much time everybody will have to speak.

We will also be taking public comments by e-mail or phone; you can send us your comments if you don't intend to speak. The Forum will begin immediately following our public comment today.

Today we have our standard mix of both single and multiple employer contracts. All of the regional office managers are here today to present their projects. Should the Panel approve all of the projects before it today; it will have approved approximately \$11.1M in projects, leaving \$16.5M in contracting capacity for the remainder of the Fiscal Year (FY). The Panel will have approved \$9.9M in SET funds, leaving approximately \$2.9M for the remainder of the FY. Our only source of alternative funding is via the Alternative and Renewable Fuel and Vehicle Technology Program through our partnership with the California Energy Commission. We had \$3M available to us this FY, and to date the Panel has approved \$643,000, leaving \$2.2M for the rest of the FY.

We have had a steady flow of projects to the Panel each month this FY, averaging about \$8.5M per Panel meeting. In addition to that, data is indicating that our project performance has increased. Historically, performance has been about 60% and data has indicated that we're now at above 71%. That is primarily due to the Panel imposing caps on projects and staff's efforts to right-size those projects. But as performance increases, we have to adjust our prior year liabilities to meet our obligations. We are managing our remaining funds for the FY, but with only \$16.5M left, and with an average of about \$8.5M, we anticipate that after two more Panel meetings we will be out of funds. We may need to cancel the March and the May Panel meetings, and then have the Panel reconvene in June to approve projects in the new FY to be funded from those funds. We will keep you apprised of that as we know more.

Regarding legislation, SB 851 and AB 1457, the budget acts, were introduced, and they mirror each other in the Governor's proposal. They propose a \$10.8M increase for ETP's appropriation in FY 2014-15, to \$63.2M. This is huge for ETP, as it is the largest appropriation in many years. Just that additional \$10.8M, will result in about \$30M in contract value. AB 1178, the California Promise Neighborhood Initiative, would provide children and families in the most distressed neighborhoods access to quality service. It does mention ETP, but it's currently on suspense.

The Governor issued a Drought Emergency Proclamation, and that directs the Labor & Workforce Development Agency (LWDA), as a participant in a drought task force, to develop a Strategic Plan to deal with the expected job loss in the next few weeks and months

because of the drought. Our Assistant Director, Peter Cooper, will serve on a special task force that the LWDA is convening with its workforce development partners. They will be looking at a range of drought-related impacts on workforce and communities, so he will keep you apprised in that role of that important effort.

VI. MOTION TO ADOPT CONSENT CALENDAR PROJECTS

Ms. McAloon asked for a motion to adopt Consent Calendar Items #1 through #34.

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|--|-----------|
| 5 Design, Inc. dba 5+ Design | \$99,450 |
| Action Embroidery Corp. | \$29,640 |
| AER Technologies, Inc. | \$99,882 |
| Ag Production Co. | \$23,920 |
| Associated Desert Newspapers, Inc. dba Imperial Valley Press | \$24,300 |
| Barney & Barney, LLC | \$87,750 |
| Baycorr Packaging Inc. dba Heritage Paper..... | \$197,000 |
| Big Fish Payroll Services LLC | \$19,272 |
| Charles Diaz Trucking Inc. | \$15,600 |
| Consolidated Container Company LP | \$93,960 |
| Cummins Pacific, LLC | \$98,850 |
| C.W. Driver Holdings, Inc. | \$199,644 |
| Denham Corporation | \$5,082 |
| Evolve Manufacturing Technologies, Inc. | \$52,416 |
| Give Something Back, Inc. | \$198,900 |
| Headway Technologies, Inc. | \$196,500 |
| Innovative Machining, Inc. | \$14,560 |
| Integrated Media Technologies, Inc. | \$44,200 |
| JSR Micro, Inc. | \$135,444 |
| Labeltronix, LLC | \$47,450 |
| North American Specialty Products LLC | \$78,390 |
| Pactiv LLC | \$46,440 |
| Papa Cantella’s, Inc. | \$47,250 |
| Process Cooling International dba Applied Process Cooling Corporation | \$131,820 |
| QG Printing Corp. | \$86,310 |
| Rick Berry, Inc. dba Cal Custom Tile..... | \$58,245 |
| Sierra Nevada Brewing Company | \$148,392 |
| Snap-On Inc. | \$184,320 |
| Superior Graphic Packaging, Inc. dba Superior Lithographics | \$31,616 |
| The Jerde Partnership, Inc. | \$86,060 |
| Tone Software Corporation | \$39,780 |
| Trisoft Graphics, Inc. | \$33,150 |
| Unison Comfort Technologies, LLC a Division of Greenheck Fan Corporation | \$132,620 |
| Wathen Castanos Hybrid Homes, Inc. | \$18,564 |

ACTION: Ms. Roberts moved and Mr. Hart seconded approval of Consent Calendar Items #1 through #34.

Motion carried, 7 – 0.

VII. REVIEW AND ACTION ON PROPOSALS

Single Employer Proposals

Senior Aerospace SSP, a Division of Senior Operations LLC

Gregg Griffin, Manager of the North Hollywood Regional Office, presented a Proposal for Senior Aerospace SSP, a Division of Senior Operations LLC (Senior Aerospace), in the amount of \$849,000. Senior Aerospace designs and manufactures ducts and duct assemblies for military, commercial, and private airplane and airplane component manufacturers.

Mr. Griffin introduced Jeff Gerow, Human Resources Manager.

Ms. Fernandez asked if there is a commitment from the new leadership for this proposal, so that this one can be successful, unlike the last one. Mr. Gerow said yes, and they are contracting with Performance Ascent, who has set up their training programs for the next two years. They are partnering with, and had to commit to their parent company, in order to get the new building that they would go to. They are reorganizing their existing facility to get it to its fullest capacity and the fullest capacity of their employees. Ms. Fernandez said it seems there are many changes occurring and asked about the commitment to ensure that the individuals that need the training are going to receive it during this change in organization. Mr. Gerow said their CEO and Director of Operations are both committed and they are starting from scratch. They are going to train new individuals to deliver the training throughout the organization and are taking a whole new approach. This has been reported to their company president last week, so they're aware of the commitment and training plans. They have full support and are confident they will achieve this one.

Ms. Roberts said she understands this is a critical proposal and appreciates all of the new hires. However, the company has come to the Panel multiple times in the past, and they received more than \$250,000 all at one location in Burbank, correct? Mr. Gerow said yes, that is correct. Ms. Roberts said under the Substantial Contribution (SC), all I see is one paragraph in my materials that says we should waive the 15% SC, because this is really important to your company. With almost every proposal that comes through us, all of the companies are telling us it is very important to them; I don't know why this proposal would be any different than any other proposal. As far as I'm concerned, you should fall within the same guidelines as other contractors and accept the 15% SC on Job No. 1.

Mr. Broad agreed and asked Mr. Gerow if he would be willing to accept a 15% SC in Job No. 1. He said he had the same question about why the Panel would waive the SC, and didn't exactly see the rationale. We can do that, but I'm hard-pressed to understand why we would. You did not perform very well in your current contract and you are asking for basically more than double the money from the last one where your projected earnings is 58%, and it is hard to rationalize. Ms. Roberts said yes, because you are setting a precedent. Mr. Broad said so this a \$100,000 answer; why should we waive the SC?

Mr. Gerow said I understand, and invited the Panel to visit their facility. He said they are completely transforming their business. In order to keep the new contracts they received and

to get more business under their current contract they are putting in assembly lines. As the manufacturing facility is today, it is many different hands-on cells, and they are just pushing work through. So this transformation is essential to their business; if not, they could end up losing the new contracts they have, would lose the new space, and the new employees they are looking to hire and the 100 new jobs they expect to add. During the economic downturn, they didn't have any layoffs. They continue to grow and excel, and are hiring people. This transformation is hard to explain; we really like people to see our facility, and it will be a whole new business at the end. They need the training funds in order to do that, and set up their training programs for our existing employees. The average tenure is 12 years per employee, so they have a lot of training to do on the new processes in order to change and head in the right direction to keep the business they have and get more business.

Ms. Bell noted the 7% turnover for managers and supervisors and asked why they are leaving. Mr. Gerow said recently, it is because they weren't the right fit for their business. They let most of them go and now have less supervisors and managers. With the new organization structure, they need to do more with less.

Mr. Broad said given their poor performance on their last contract, he was prepared to vote, but would require them to make the 15% SC. This would tell the company's management that they have to have good performance because they are going to have 15% more skin in the game, and I think that is what I would be prepared to vote for. Ms. Roberts agreed with Mr. Broad and said she didn't want to set a precedent in waiving the SC by saying just because it is really important for their employees to get trained, because everyone coming to ETP would say the same thing. She said if they earned 100% and they were all new job hires she would say no problem; but she's in agreement with Chairman Broad.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the Proposal for Senior Aerospace in the amount of \$849,000, with the modification to apply a 15% SC to Job No. 1.

Motion carried, 7 – 0.

Sam Rodriguez arrived at 9:42 a.m. and was present for the remainder of votes.

U.S. Foodservice, Inc.

Mr. Griffin presented a Proposal for U.S. Foodservice, Inc. (USF), in the amount of \$299,240. USF is a food processing and distribution company that supplies over 350,000 private labels, and signature brand products to more than 250,000 customers nationwide. Its products range from meats, produce, and frozen foods to restaurant equipment and supplies. Its catalog includes sustainable disposable products made with renewable resources; a wide range of energy-efficient, EPA-certified equipment; and certified sustainable wild-caught and farm-raised seafood. USF's customers include restaurants, educational institutions, government facilities, hotels, healthcare institutions, sport stadiums, and amusement parks.

Mr. Griffin introduced Graylon MacFall, Division President.

Ms. Roberts asked if all 203 employees under Job No. 1 would receive classroom training in addition to PL. Mr. MacFall said yes, all of their associates will go through some classroom training as they continue with advanced software enhancements, additional products, and best practices. Ms. Roberts said because the summary states that training hours would range from 24 to 200, with an average of 60 hours of training, she said she's making the assumption that everyone under Job No. 1 would be under PL, but maybe that is incorrect. She said she is also in the food business, and asked how they train their incumbent workers. Mr. MacFall said they try to keep it as less cumbersome as possible. They train the trainers, within each functional area; they take that down into smaller groups so it is less disruptive to their business. Ms. Roberts said, so they come off the floor and work overtime to do the training? Mr. McFall said yes, it is on the clock. They try to pull them off within smaller groups so they don't have a complete shutdown in production. It is more classroom training; that is where it is taught and the actual application is where it is learned, so there is more supervisor training as the work progresses.

Ms. Bell asked if they train in-house. Mr. MacFall said yes, that is correct. Ms. Bell asked if the trainers are supervisors or line employees. Mr. MacFall said the trainers are primarily the supervisors. Ms. Bell said it pushes the message down and they become certified and train the trainer; they're the messengers. Ms. Bell asked if it is a 24-hour operation. Mr. MacFall said yes, it is. Ms. Bell asked about sanitization. Mr. MacFall said they have a sanitation group that works full time. The warehouse products are received during the day, selected at night, and then delivered the next day.

ACTION: Mr. Hart moved and Ms. Fernandez seconded approval of the Proposal for USF in the amount of \$299,240.

Motion carried, 8 - 0.

Wheels Financial Group, LLC dba 800LoanMart

Mr. Griffin presented a Proposal for Wheels Financial Group, LLC dba 800LoanMart (LoanMart), in the amount of \$60,480. LoanMart provides auto title loans directly to consumers and network business partners. An auto title loan is a cash loan given in an amount based on the wholesale value of the vehicles. A typical loan amount is approximately \$3,500; and consumers can take up to 36 months to pay back. LoanMart offers loans to customers who are going through a financial hardship and also to those with poor credit or who are self-employed.

Mr. Griffin introduced Bill Shirley, Training and Development Manager.

Mr. Broad said his greatest regret in this position is when after the housing crash happened, the Panel voted to approve a financial company that was in the business of getting people out of their homes, and not keeping them in their homes, despite the assurances. He said; let me see if I can understand the business model. He asked if the people they lend to own the vehicle outright. Mr. Shirley said yes, they do. Mr. Broad asked if they are making a second loan on top of a first auto loan. Mr. Shirley said no, they are not. Mr. Broad said, so everybody owns their vehicle, they have the title, and there is no debt on it? Mr. Shirley said no. Mr. Broad said you couldn't put a second mortgage on a car, right? Mr. Shirley said no,

they couldn't do that. What they do ask, is are you really close to paying off your vehicle? And when I say really close, I mean \$500 to \$1,000 close to paying it off; therefore they would pay off the vehicle; but having two loans? No. Mr. Broad asked what the typical type of loan looks like. Mr. Shirley said the typical loan average is \$3,800 for a term of 29 months. Mr. Broad asked and at what rate of interest? Mr. Shirley said 90%. Ms. Roberts said 90% interest? Mr. Shirley said yes, 90% APR. Mr. Broad asked 90% APR for the year? So a person borrows \$3,800 and pays \$3,600 in interest? Mr. Shirley said yes; it can be, if they take a long time to pay it off. He said right now, 41% of their customers pay off a loan within 3 months or less, so they pay nowhere near that amount. Mr. Broad asked what we are training their workers to do exactly. Mr. Shirley said they are training in the sales department, on customer service, how to treat the customer appropriately, and how to better sell.

Mr. Rodriguez said let me amend the question, same question; of the 148 folks that are being trained, can you tell us which ones are in direct sales and which ones are involved in passive sales. Mr. Shirley asked if he was referring to passive sales, meaning they get a call and happen to talk to a customer. He said he thinks of direct sales as someone really just hustling dialing numbers, is that what you mean? Mr. Rodriguez said yes. Mr. Shirley said no, there is nobody really hustling who is dialing numbers. They have customers calling in all day, and if they would like to get a loan, then we'll go ahead and do it.

Ms. Torres said Chairman Broad, I need to add something. Although it's not written here, when we discussed the proposal with staff, it was my understanding that the interest rate was 21%. If we were told that the interest rate was 90%, we would have definitely had it at 90% in the ETP 130. Mr. Broad said yes, I can't vote for 90%; I'm sorry, I just can't do that. Ms. Torres said that interest rate was not disclosed to them when bringing this proposal to the Panel. Mr. Broad said that is really high interest. Mr. Shirley said yes, it's high. Mr. Broad said and these are people that are desperate because they have no other access to credit obviously. Mr. Shirley said no, that's not true. I'm not going to say they are not desperate, but there are people that just need to, for example, make payroll. So they didn't make payroll last month, they come to us and put their vehicle up for a loan, make payroll, and pay us back within a week. So many times they do that; I don't want you to have this picture where it's this desperate person on the street; we are not like that. Its people that are making payroll, people who are paying tuition for their kids, and many people pay it off quickly. He said he had a customer from San Diego who owns a car shop and modifies car, who thanked him and said the loan helped him make it through to the next month. He paid it off within a week; he didn't want to pay that interest, and said thank you so much. He said they are not trying to dupe a customer. He said he brought a copy of a contract. It says on their contract this is a high-interest loan, please look to other sources to get this loan, and read it very carefully before signing. Ms. Fernandez said she we would like to see the contract. Mr. Rodriguez asked where Wheels Financial Group LLC, is incorporated. Mr. Shirley said he was unsure, but believed it was in CA.

Ms. Bell said so if I was to come to you and I needed this service, I would pay the 90%. Are there any additional fees such as an application fee, a sign-on fee or hidden fees? Mr. Shirley said no, there are not. He said the percentage rate is not paid all at one time; it's usually about 7% or 8% a month. Mr. Shirley said their interest rate is much lower than their competition. He said they provide a service; a very valuable service. Mr. Broad said you mean your competition is over 100%? Mr. Shirley said yes, they are the guiding lights in

terms of this. Mr. Broad said but the average loan is \$3,800, correct? Mr. Shirley said yes, that is correct. Mr. Broad asked for the average length of repayment of the loan. Mr. Shirley said on average, repayment is 29 months. Mr. Broad said, so at 29 months they are paying about three times the value of the car. He said, that's great for the person that does this for a week, but if it goes on like that? And if that is the average, there are people that are going on longer. Mr. Shirley said there are people that go on longer, and people that go on shorter, and we tell them when we get them on the phone. They call and say I'm looking for a loan, do you do loans? Yes we do. As they ask more questions; we say please make sure you try to pay this off early, we are not trying to keep them.

Mr. Broad said, I think you're a really nice guy and you did a really good job, but I would say this would be our lowest funding priority, to fund consumer loans at this rate of interest, to fund companies that do this. And I'm sorry to make a judgment call but that is why we get appointed here to do this. I'm a little concerned that the staff thought it was 21% and it's actually 90%; I don't know how that happened. Ms. Fernandez said it's actually higher. Mr. Broad said what? Mr. Shirley said it's just that one as an example on the application. Ms. Fernandez said the contract he provided as an example, has a yearly rate of 100.10%. Mr. Shirley said that's a fake customer; we just put that sample contract together very quickly, it's John Consumer. Mr. Broad said I'm assuming everything you're telling me is true. I still couldn't vote for this, and I don't know, is there anyone who is prepared to vote for this and make a motion? Several nos heard from the Panel.

Mr. Broad said alright, I think I would entertain a motion to disapprove this proposal.

ACTION: Mr. Broad moved and Mr. Hart seconded disapproval of the Proposal for LoanMart.

Motion carried, 8 – 0.

Mr. Broad said, we have certain things that are in our lowest funding priority and this industry is one of them. I mean, I've never seen anything like this before. I didn't even know this existed. But to me, I mean it shouldn't be called the interest, it should be called the VIG. This is a predatory business by its very nature. It's quite upsetting actually, to hear that people are doing this. For two days, yes maybe, but for two years? They could sell the car and get a better deal.

Kennon S. Shea and Associates dba Shea Family

Ms. Torres presented a Proposal for Kennon S. Shea and Associates dba Shea Family (Shea Family), in the amount of \$561,020. Shea Family owns and operates eight post-acute care, skilled nursing, and rehabilitation facilities, and three affiliated home health service care facilities in San Diego County in the cities of El Cajon, La Mesa, Chula Vista, La Jolla and San Diego. Shea Family offers care coordination and case management solutions for skilled nursing, behavioral health, including Alzheimer's dementia care, food services, leisure activities, long-term care programs; and also skilled home health and personal care, independent/assisted living with medical-based services.

Ms. Torres introduced Robin Jensen, CFO; Joe Monteforte, CPA Director of Finance; and Bill Parker, Consultant representing NTS.

Ms. Roberts said this is a great contract, your first time before the Panel, and we are very excited to have you here.

Mr. Hart asked about EMR and if it would eventually replace a hard file on a patient. Mr. Jensen said EMR stands for Electronic Medical Record. He said the next level from EMR is a UHR, which is a Universal Health Record, which is still out in front of us somewhere and hasn't been defined. An EMR is largely electronic and it's intended to replace paper and provide better communication across all the platforms. Mr. Broad said, so the next generation might be something where a patient has their whole medical record available electronically? Is that the future of this? Mr. Jensen said there's a lot of talk about that in trying to come up with a standard for all. Some health plans are getting close to that; when they keep people largely internal, with a health plan such as with Sharp Rees-Stealy in San Diego, where they have everything from the doctors, x-rays, labs, hospitals, all in one group; so they have really good communication of electronic data. That is more difficult when you're going across platforms, but that's where things are headed. Mr. Broad said, I do know that for the dangerously inquisitive like myself, now I can get on to my health provider's website and see test results before they've explained them to me; there are some benefits and some detriments to that. Mr. Jensen said one of the interesting pieces of technology that we're investing on, is a diagnostic piece of software. Our nurses thoroughly assess patients three times a day, and there are predictive elements in the software that help them to know if they are starting to decline before it is physically evident. It helps them to bring care to the patients earlier, to keep them from going back to the hospital, and keeping them healthier overall; so it's been exciting.

Ms. Bell asked if they have eleven facilities. Mr. Jensen said that is correct. Ms. Bell asked how many employees they have. Mr. Jensen said they have close to 1,000 employees. Ms. Bell asked how many patients they have. Mr. Jensen said on a given day, they have about 550 patients in beds within their facilities, and they have a home health entity that is caring for people in the community as well.

Mr. Rodriguez asked if they are seeing some of their part-time staff, who are RNs, working both at their facility and a hospital. Mr. Jensen said in the nursing industry that has been a standard for a long time with people working two jobs, whether it is their facilities and a hospital, or two other facilities. The trend that they see, which is a little bit different, is that they are migrating their staff more from the caregiver or CNA level, to the higher technical levels, the LVNs, and then into the RN levels. He said the RNs are less likely to work two jobs; the CNAs are the ones who more often are working two jobs and sometimes more. Ms. Bell asked for the ratio of their full-time and part-time employees. Mr. Jensen said it's a very low ratio on the part-time. Ms. Bell asked if the part-time employees have healthcare benefits. Mr. Jensen said they offer medical benefits above 30 hours. Ms. Bell asked if there is a qualifying period for health benefits. Mr. Jensen said yes, at this point it is 90 days, but as they get further into the ACA that will go away.

ACTION: Mr. Rodriguez moved and Ms. Roberts seconded approval of the Proposal for Shea Family in the amount of \$561,020.

Motion carried, 8 – 0.

TTM Technologies, Inc.

Ms. Torres presented a Proposal for TTM Technologies, Inc. (TTM), in the amount of \$345,600. TTM is a manufacturer of printed circuit boards (PCB) and backplane assemblies for both original equipment manufacturers (OEMs) and electronic manufacturing services (EMS) providers. TTM serves a diversified customer base in various markets throughout the world, including manufacturers of networking and communications infrastructure products, personal computers, touch screen tablets and mobile media devices.

Ms. Torres introduced Kam Johnson, Corporate Training Manager.

Mr. Broad asked if the training is similar and if it involves different employees. Mr. Johnson said the first time they had about 285 employees, so they didn't really get into the heart of it with those employees. Part of that, was due to getting a late start and understanding the program. So a lot of the trainees will be folks that really didn't get touched that much with training in the last program. We are doing a combination with PL; it's pretty heavy because those 500 plus are manufacturing employees. We have been pulling them off the floor and just started doing lean manufacturing training and they are bringing in vendors. They brought in New Horizons for Microsoft courses to help get their folks up to speed. They also just did a corrective action class, because they had some issues with customers about how they responded to corrective actions. In their Santa Clara plant, they just hired Soft-Train from Redondo Beach that did some training for them. The one thing that is nice about this is that they have seven facilities in the U.S., so they are basing their training out of CA. Not only is it impacting the vendors for their sites in CA, but they are also in discussions with Soft-Train to go to Stamford, Connecticut to do the same course that they just did in Santa Clara, instead of hiring somebody in Connecticut to do that training, since they already have an established relationship with Soft-Train.

Ms. Roberts said she really appreciates his candidness and everything that they went through. She said it sounds like you've got things in order with a tracking system and a database now. Mr. Jensen said yes, he feels very confident and they are actually doing a home-grown LMS system. They shopped around, looking at Oracle and some other ones. Their IT group in Santa Ana put together a train track, and they are linking everything through. We are hoping that in this next contract we can try and update it into ours and upload into the ETP system; so we're in process. Ms. Roberts asked if he is the sole person for the 600 employees or if he has other staff to help with management of the rosters. Mr. Jensen said that was also part of the transition in the last year. They had a person handling data entry, and he thinks they learned some lessons from that, because we would get backed-up on data entry, then we'd have multiple people trying to enter, so then you'd get some mistakes and go back. The analyst that they worked with was very good and helped them mature and learn from that process. They have a dedicated administrative assistant in Costa Mesa that will help with the program this time. As their training program grows in CA and throughout the U.S., there is discussion of hiring more staff to help manage the growth.

ACTION: Mr. Rodriguez moved and Ms. Roberts seconded approval of the Proposal for TTM in the amount of \$345,600.

Motion carried, 8 – 0.

AT&T Services, Inc.

Creighton Chan, Manager of the Foster City Regional Office, presented a Proposal for AT&T Services, Inc. (AT&T Services), in the amount of \$1,131,200. AT&T Services provides research and development to all affiliates in a variety of areas including: advanced network design and architecture; network and cyber security; network operations support systems; data mining techniques, and advanced speech technologies. The services and products offered by each affiliate vary by market and include: wireless communications; local exchange services; long-distance services; data-broadband and internet services; video services; telecommunications equipment; managed networking; and wholesale services.

Mr. Chan introduced Bob Redell, Associate Director of Learning Infrastructure and Tina Scales, Associate Director of HR Technologies.

Mr. Hart asked why the requirement for the SC was waived. Mr. Broad said it is because we look back five years, and their last proposal was before that five-year period. Ms. Roberts said she believes that proposal was for Pacific Bell, is that correct? Mr. Redell said yes, that is correct.

Ms. Roberts asked if any of the employees that were trained under the existing contract will be trained under this proposal, or if they are a completely different group of people. Mr. Redell said the probability is that it is a different group of people, but he cannot guarantee there would not be overlap of some people being trained. You have to also consider that it was five years ago that they were trained. The technology has changed so dramatically that they have to bring them up with new skills in order to compete in today's marketplace. Ms. Roberts said, maybe I didn't clarify my last question. I'm looking at the contract that just completed last year with Pacific Bell. I'm not sure of your hierarchy, but no employees in the Pacific Bell group would be trained under the 1,000 employees with AT&T Services, right? Ms. Scales said if you are referring to the Yellow Pages, they are now no longer part of that conglomerate, so no; they would not be in that group of individuals that would be trained. Ms. Roberts said, so if I was ABC company and changed by name to XYZ company but I have the same employees, that is why I'm asking. Do you see where I'm going with this? Mr. Jensen said yes; prior to becoming the big AT&T there was a company called Pacific Bell. There are still people that would be associated with the operating company called Pacific Bell, but they are under the AT&T umbrella. Is there a potential that some of those people were trained previously? Sure; but the majority? Probably not. Ms. Roberts said the reason she questions it, is because of the SC. If you just changed your name that is not going to work for her, but if it is a totally different population, she's okay with that. Mr. Jensen said it's a clear cut from the prior contract that they had.

Ms. Roberts commended AT&T Services on their 16 page menu curriculum. She said she doesn't think she's ever seen such a detailed curriculum. Mr. Jensen said, and Ms. Scales has to manage that training curriculum from a standpoint of technology. Ms. Scales said and that's just a piece of the pie.

Mr. Rodriguez said he was familiar with the telecom industry. He asked why they need the training and what they are transitioning into, that they are not already involved in, that

requires the training. Mr. Jensen said there is a project called "project velocity", that is over the next five years to turn their network into an IP technology. Everything will be IP-based. When you get into an IP-based technology, the skills of their people in understanding what the technicalities of that network are tend to grow significantly; and that's why there is a major focus on the training. The training is no longer just handling wires and splicing, now its fiber; and it's the technology of that transformation based on the Internet protocol technology. Mr. Rodriguez said so you are basically doubling down into the cable world, with your U-verse product? Mr. Jensen said the U-verse product, but also the transport being able to do voice, video and data all across the same transmission capability, and being able to do it every day. Not only gigabytes; they are starting to come up with names for the numbers. Describing numbers in words that he now can't describe; you take the giga times giga times giga, and that's the world we will be living in. Mr. Rodriguez asked in 2012 - 2013, did AT&T announce any layoffs in CA? Mr. Jensen said not that he recalls. Mr. Rodriguez asked if there was a reduction in their CA workforce. Mr. Jensen said he did not know. Ms. Scales said not to her knowledge; there may be a small group maybe, but not a general layoff like they have seen in the past. Mr. Rodriguez asked about their building of above-ground networks, and if that will continue, or if they now have a different perspective. Mr. Jensen said with towers, they have to expand their footprint in order to have more accessibility. He said he believes what is going to occur, is smaller stations; metro stations that might be in buildings that make access inside buildings better. Will there be towers? Yes, there will be towers.

ACTION: Ms. Roberts moved and Ms. Fernandez seconded approval of the Proposal for AT&T Services in the amount of \$1,131,200.

Motion carried, 8 - 0.

Clark-Pacific Corporation

Rosa Hernandez, Manager of the Sacramento Regional Office, presented a Proposal for Clark Pacific Corporation (Clark-Pacific), in the amount of \$277,344. Clark-Pacific designs, manufactures and installs state-of-the-art architectural precast building systems. Products include parking structures, hotels, office buildings, and mixed use residential buildings, all created from precast concrete. Clark-Pacific offers services at every stage of commercial building to owners, construction developers, architects, and general contractors.

Ms. Hernandez wanted to make one correction before continuing with the summary. She said the representative advised ETP this morning that they will not need a HUA wage modification based on further assessment by their HR department. Therefore, all trainees in Job No. 1 will earn either \$16.04 or \$14.90 per hour for both jobs, so there will be no need for a wage modification.

Ms. Hernandez introduced Ken Beish, Training Manager.

Ms. Bell asked about their leadership having a turnover rate of 11%. Mr. Beish said they have a number of new managers and supervisors and that is something they are currently addressing. He said they hired from within and they didn't have management background, so they are providing them with management courses at this time; in fact, he's taught some of the courses. Mr. Broad said but that's not turnover though; it looks like that in our materials.

He said the overall turnover is 10%; and the 11% figure is the number of managers and supervisors who are within the group of trainees.

Ms. Roberts was concerned about him only being on the job six months. You don't have anybody working with you on the administration of this grant; you are going to do it all on your own? Mr. Beish said yes, that is correct; they hired two people recently, and one of those hired will be specific to keep up with this grant. Ms. Roberts asked if they have administered a grant with ETP before. Mr. Beish said no, they have not. Ms. Roberts said, so you have 700 employees, you are new to the job and you hired two additional new employees. She said these are concerns to her, but she thinks it's a great contract. The materials state that you actually had contracted before and you are a repeat contractor. Mr. Beish said he moved from Detroit two years ago, and this is what he did in Detroit. He was a contract trainer and he put together training programs. He worked for Raytheon and put together contracts for General Motors, Chrysler, and Isuzu. His background is in automotive, but he's done a lot of training, planning and has put training programs together. He also has his master's degree and his PHD is in training. Ms. Roberts said training is one thing, but administration is another. Mr. Beish said correct, but administration has always been a part of those programs. Ms. Roberts said we have a lot of great people here in CA that could help. If you get yourself into a tricky situation, contact staff and they can get you directed to the right group.

Mr. Hart asked for clarification of the term "gemba walk". Mr. Beish said that is a Japanese term, where you actually walk through a plant looking for potential improvements. Ms. Bell asked if it was to identify potential improvement. Mr. Beish said yes, exactly. He said in other words, you'd walk around the plant and if you noticed that there was a line waiting for a tool, for example, you'd say if we have a need for this particular tool, maybe we should put it in more of the tool sheds, and in more parts of the plant, saving people the time to go out and get in line to get that tool; that's a simple example.

Mr. Hart asked about autonomous maintenance. Mr. Beish said autonomous maintenance is just maintenance on equipment that has to be done over. Mr. Hart said, it doesn't mean putting one person on a maintenance project? Ms. Roberts said, I can tell you what that is; correct me if I'm wrong. Usually you get the frontline more engaged in the maintenance of their own equipment. So instead of having just a maintenance mechanic, you have now engaged your frontline people to take responsibility for the cleaning, the troubleshooting of the building, and the piece of equipment, so they would know if a photo eye was out of place. What happens then is that they are overseen by a mechanic; they don't have the same expertise, but it gives more ownership to it. Mr. Beish said right, and the person using the tools knows the most about them.

ACTION: Mr. Hart moved and Ms. Roberts seconded approval of the Proposal for Clark-Pacific in the amount of \$277,344.

Motion carried, 8 – 0.

Cottage Bakery Inc.

Ms. Hernandez presented a Proposal for Cottage Bakery Inc. (CBI), in the amount of \$56,700. CBI manufactures a variety of baked goods including artisan breads, frozen dough,

donuts, bagels, cakes and cookies. Its customers include retail food companies such as Safeway, Costco, Wal-Mart and Arby's.

Ms. Hernandez introduced Elaine Rudolphi, Plant Manager and Gaby Raygoza, Human Resource Manager.

Mr. Broad said whenever you get into a merger acquisition situation, there are concerns. Is there someone in ConAgra that knows what you are doing in training, and is it far enough along, where you are integrated with them that it won't get messed up because of the merger. This is a small contract and the only reason we are even hearing it, is because of the poor performance in the last one. So I just want to make sure that you don't get in the middle of training and someone may question the training being done. Ms. Rudolphi said it is fully supported by their upper management and their senior leadership team. They are about half-way through the integration at the plant level. They were a little insulated from some of the activities of the integration until recently and now many of the systems are turning over. ConAgra does have a LMS that this contract would feed into. So a lot of the processes are already structured at the corporate level, and the contract would be fairly seamless.

Ms. Roberts asked if their previous HR manager left the company. Ms. Raygoza said no, she was the HR Manager at the time of the previous proposal and still holds the position. Ms. Roberts said so she has an overall understanding of ETP then, since she was involved with the previous proposal. Ms. Raygoza said yes, that is correct. Ms. Roberts said an HR Manager has so many other job responsibilities, so sometimes an HR Manager is not necessarily the best person to administer a training program. It's good you are collaborating; it's a small contract, so you should be able to complete this.

Ms. Bell asked if they are hiring a consulting firm to develop the job-specific training; it looks like you are getting help. Ms. Raygoza said yes, they put together the training for the machine operators and will be training them on specific equipment. Ms. Bell said good because we want you to be successful, because as an HR Manager, you are dealing with management change too, and that could be pretty difficult on top of everything.

ACTION: Ms. Bell moved and Mr. Hart seconded approval of the Proposal for CBI in the amount of \$56,700.

Motion carried, 8 – 0.

Tempest Technology Corporation

Ms. Hernandez presented a Proposal for Tempest Technology Corporation (Tempest), in the amount of \$34,320. Tempest is a fire equipment manufacturer. Tempest products include specialized fans used by firefighters to provide positive pressure ventilation used to reduce heat and increase visibility, particularly in high-rise structures. Tempest also manufactures a Mobile Ventilation Unit and a full line of cut-off fire rescue saws used by firefighters.

Ms. Hernandez introduced Danette Dunn, Controller.

Ms. Roberts said I want to approve this because I understand 2008 was a bad year, and it looks like you have everything in order now.

Mr. Broad asked about the wage modification and what the actual hourly wage of these employees is. Ms. Dunn said wages range from \$11.50 to \$14.00 - \$15.00 per hour for the basic machine operators and assemblers. Mr. Broad asked if that is who is being trained. Ms. Dunn said they have new hires since that time, and new equipment. They have also committed over the last couple of years, 4% of their payroll budget, which goes directly to quarterly goals for their employees to learn and set their own training goals. They are matching all the funds for training their employees, and they are going to have new hires. They also provide full benefits and pay their medical, dental and vision; so there is a hidden paycheck as well as the dollar wage that you see, the hourly range. Mr. Broad said because it sounds to him like you are already higher than the wage modification, so why are you asking for a wage modification? Ms. Dunn said probably for new-hires. Ms. Hernandez said yes, for the new-hires. Mr. Broad said for the new hires only? Ms. Dunn said yes, that is correct. Mr. Broad asked what the wages are for the new-hires. Ms. Dunn said new hires usually start at \$10 per hour, depending on their experience. Mr. Broad said because he wants to ensure that if we are adding some money for healthcare, the minimum wage will go up by \$1 and then eventually by another \$1. So it could be that they get into the training and all of the sudden, I have a little hard time with the math about what happens, when we do a wage modification and then the minimum wage goes above the wage modification and then what does that mean? He said he wants to make sure that the wage modification adjusts. If what happens is, if someone is earning \$9 to \$10 per hour and the minimum wage goes up to \$10 per hour, they need to earn more than what we're allowing.

Mr. Rodriguez asked wouldn't that be flagged by staff? Mr. Broad said I don't know, I mean I hope so, but I don't know how it would be. In other words, it needs to adjust during the term of the contract to make sure it goes up by the amount that the minimum wage goes up. In other words, if we're doing a wage modification, the wage modification should go up a little bit if the workers are going to be affected by the increase in the minimum wage; they may not be if they're high enough to begin with.

Mr. Rodriguez asked staff how they plan to accommodate the wage increases in the state. Ms. Reilly said, with this proposal, a small business proposal, and you don't see the usual wealth of information that we typically provide. But it does look like for Job No. 2, the job creation initiative, that the lowest wage is \$10.45 per hour because that's without considering health benefits. The health benefits are being used in Job No. 1, the non-job creation wage, and both of them are in a HUA. But getting to your question, our ETP minimum wage, and I'm talking now about our county-by-county wage, is not tied to the state minimum wage; it's tied to the percentage of the state hourly wage in statute. Mr. Broad said he understood that, except that we're giving them a waiver of that to go down to something. I just want to make sure that they are not going down so low, that they get beneath the state minimum wage; and they are getting above the state minimum wage by adding healthcare benefits, that's where it gets confusing. Ms. Reilly said Job No. 2 is down to \$10.45 per hour, which is still higher than the minimum wage. When the minimum wage requirements go up again though, I believe they don't go up again until after this term of contract, they'll have to meet the state minimum wage requirements. Mr. Broad said I understand, but they are adding .72 cents for healthcare, which means? Ms. Reilly said only in Job No. 1; so in Job No. 2, which is the job

creation initiative, the lowest wage is \$10.45 without the consideration of health benefits, at least according to this. Mr. Broad asked if that is correct. Ms. Hernandez said that is their base wage, with consideration of health benefits. Mr. Broad said okay, it is with consideration of health benefits. Ms. Reilly said, but it is for Job No. 1 only. Mr. Broad said, it shows that on Job No. 1, but if that's the case on Job No. 2, the \$10.45 plus the .72 cents is what gets you to the \$11.17. Ms. Reilly said for Job No. 1, yes. Mr. Broad said, so if it applies to Job No. 2 the point is this, that when the minimum wage goes up, the actual wage that you are basing this modification on, the .72 cents added, you're adding on to money that is less than the state minimum wage and they need to add it on to what the state minimum wage currently is. Which means that it needs to go up from \$10.45 to \$10.72, or whatever it needs to do; and all of the contracts that are like that need to go up by that much. I think I'm right about this, but I could be wrong; I would like the staff to do the math and think about whether that is what's going on here, because on these wage modifications, in a period where the minimum wage is going up, there needs to be some adjustment if we are training people next January 1 or whenever that next dollar increment goes up. That's a big increase in the minimum wage; it's about 10% or more. Ms. Hernandez said the base wage then for Job No. 2 is \$10.45.

Mr. Broad said he was prepared to make a motion to approve the proposal, but staff needs to figure it out; are we clear? Ms. Hernandez said yes, we are clear. Mr. Broad said, with the wage modification, it has to adjust to ensure that we are never reducing the base wage below what the minimum wage will be on any day; we can't do that, does everyone agree? Ms. Reilly said yes, it's clear and staff looked into this a few months ago. Mr. Broad said I know, because it came up before. Ms. Reilly said, and we can continue to put language into the contract that says in no event will the ETP minimum wage go below the state minimum wage. Mr. Broad said, but I think you can also say that this post retention wage has to be whatever they are deciding the post retention wage is. They are saying it's \$10.45; next year when the minimum wage goes up it should be \$10.72, in my mind. Ms. Fernandez agreed. Mr. Broad said I realize it's a small amount, but for these people, it may be some real money. Mr. Rodriguez said yes, it is incumbent upon us to help guide the employer. Ms. Reilly said, we can add that language to the contracts we have; as I said in the past, whenever the wage, and it's always in this situation when you are in a retrainee or new-hire at the lowest possible wage in a HUA, but we can add that language. We have in the past done so in the contracts, and we can specify it in the ETP130's too. Mr. Broad said alright.

ACTION: Mr. Rodriguez moved and Ms. Fernandez seconded approval of the Proposal for Tempest in the amount of \$34,320.

Motion carried, 8 – 0.

The Wine Group, Inc.

Ms. Hernandez presented a Proposal for The Wine Group, Inc. (TWG), in the amount of \$604,098. TWG operates 13 wineries throughout the world, producing 56 million cases of wine in the U.S. It is well known for brands such as Corbett Canyon, Glen Ellen, Big House and Franzia. The Company also represents the Inglenook and Almaden brands, which it purchased from Constellation Brands in 2008.

Ms. Hernandez introduced Rebecca Wells-McDonald, Training Supervisor.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Fernandez seconded approval of the Proposal for TWG in the amount of \$604,098.

Motion carried, 8 – 0.

After the vote, Mr. Rodriguez asked where TWG's headquarters is located. Ms. Wells-McDonald said her office is in Ripon CA but they also have offices in Tracy CA.

Truck Accessories Group, LLC

Ms. Hernandez presented a Proposal for Truck Accessories Group, LLC (TAG), in the amount of \$483,507. TAG manufactures truck caps, tonneaus, retractable truck bed covers, and aluminum and plastic automotive components. TAG is experienced in virtually any design, fabrication and assembly capacity of molded fiberglass, thermoformed plastics, robotic welding, water jet and gel coat capabilities.

Ms. Hernandez introduced Maria Diaz, Human Resource Manager and John Twomey, Consultant.

Mr. Broad wanted to clarify that in the PL the actual ratio is 1:1. Ms. Hernandez said, the ratio will be provided; it could be 1:1, but they may go higher than 1:1. Mr. Broad said he thought we were trying to tie down the PL ratio, rather than saying they can go up to the cap, to find out exactly what they are doing. Mr. Broad asked Ms. Diaz if the PL would be a 1:1 ratio. Ms. Diaz said yes, that is correct. Mr. Broad said because there is a very big difference in a 1:1 ratio and a 1:10 ratio in terms of PL. Ms. Roberts said it looks like a good proposal and they did a good job on their previous proposal.

ACTION: Ms. Roberts moved and Ms. Fernandez seconded approval of the Proposal for TAG in the amount of \$483,507.

Motion carried, 8 – 0.

Multiple Employer Proposals

Employers Group

Mr. Griffin presented a Proposal for Employers Group, in the amount of \$488,100. Employers Group offers several programs and services for its members including: telephone support and public workshops for HR professionals; consulting services on affirmative action planning and employee relations; surveys on compensation and benefits trends; and training in compliance, leadership, quality, productivity enhancement, and lean manufacturing.

Mr. Griffin introduced Jeff Hull, Director of Learning Services.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the Proposal for Employers Group in the amount of \$488,100.

Motion carried, 8 – 0.

Los Angeles Community College District

Mr. Griffin presented a Proposal for Los Angeles Community College District (LACCD), in the amount of \$1,249,685. LACCD provides administrative support for its colleges in the areas of academic enrollment, contract education, community services, and workforce and economic development. It strives to develop employment and training strategies and helps to create a platform for uniting regional resources.

Mr. Griffin introduced Dr. Felicito Cajayon, Vice Chancellor, Economic & Workforce Development.

Mr. Rodriguez said, so the contract goes to the District and then to the nine community colleges and their offices of workforce investment. Do they then apply to you for funding? Mr. Cajayon said he wouldn't say they apply; his office is the office of economic and workforce development, so they work closely with all nine community colleges and their workforce contract education units. It really isn't a procurement contractual type of activity. They work closely with the colleges in working with employers, and when there is a training need, they tap on to certain shoulders of the community colleges to meet that training need. Mr. Rodriguez asked how the money is dispensed. Mr. Cajayon said, through their internal financial departments, they distribute the funds accordingly and based on what the needs are for the training activities, they allot a certain amount for that. Mr. Rodriguez asked if there was only one administration fee at the district and not any additional administration fees. Mr. Cajayon said it is inclusive of all nine campuses, yes. Mr. Rodriguez asked if it's one system. Mr. Cajayon said yes, that's right. Mr. Rodriguez asked if there are nine different case management systems or only one. Mr. Cajayon said everything is centralized through his office and they have a strong team that supports all nine campuses. He said they have never really had any problems with all of the data entry and input. Mr. Rodriguez asked which campus has the highest number of contracts in play. Mr. Cajayon said it goes back and forth; they have had some very good activities between LA Trade Tech College; West LA College; Pierce College, and it also includes Mission College. He said they are very fortunate to go back and forth, but in the past, LA Trade Tech has been increased, yes. Mr. Rodriguez said downtown LA Trade Tech has been somewhat their number one recipient of funds. Mr. Cajayon said yes and West LA College too.

Mr. Hart asked if the employers had identified the trainees at this point to you. Mr. Cajayon said yes, when they work with the employers, they are the ones that give us their workforce training needs, and tell them which job classifications and which employees can benefit the most. From there, their colleges and his office work in tandem in trying to put together the best training solution that will meet that need.

Mr. Rodriguez asked staff if they know how many times the LA Trade College has come to the Panel separately from the college for funds. Ms. Torres said no, I'm sorry; I don't know.

Mr. Broad said, well they've had three since 2009. Mr. Rodriguez said, this is proactive, but there seems to be a lack of coordination between individual colleges and the District, in terms of applying for ETP funds. We want to see a lot more synergy and purpose, so that we don't see repeat employers basically showing up on different requests for funds, as that looks to be the case here. I have a pretty good memory; I see similar employers on your seat as I have with LA Trade Tech. Mr. Broad said yes, the one problem with the multi-employer contracts, which is kind of the nature of the beast, is that they identify employers, and this has traditionally been an issue. The identified employers may be a list that is nearly fictional, or it may be completely nailed down, and they have actually talked to them, and they are going to do the training. It runs the gamut, of course. They are not going to earn the money if they don't find the employer and train the workers. So in a sense with these multi-employer contracts, they are the greatest entrepreneurial risk whether they are a non-profit or a for-profit training entity. Since they are not training their own incumbent workers; they only get paid if they find somebody to train. So if they produce a list of employers that they picked out of the phone book that aren't really real, then they are not going to earn any money because they don't actually know anybody. Ms. Torres said right, and in addition to that, they are normally blocked from training the same trainee from that same company, if they participated in two different agreements. She said we have a prohibition against concurrent enrollment; so maybe the same companies, but different trainees for different skills. For instance in the Inland Empire, my concern was that they would be fighting over the same participating employers; but certain colleges serve certain niches and certain types of training for certain types of occupations. So we do have that safety net with the concurrent enrollment prohibition. Mr. Rodriguez said, but the district doesn't train, the district is a catalyst for nine other campuses. It's the campuses that actually have the workforce and also the facilities to train both onsite and offsite, right? Mr. Broad said, in this case, but mostly when we've had community colleges, it's the individual campus that typically has come to us, such as Glendale Community College; it's less frequent that we get the district.

Mr. Broad said, the other thing I should mention, if you are looking at multi-employer proposals, is that if you look at the average cost per trainee, it's low. If you have a multi-employer contract where the average cost per trainee is \$5,000 to \$6,000, which are some really high training costs, that is where you want to ask some hard questions about who they are training and the employers included. Because it stands to reason that an employer that would be attracted to a multi-employer contract such as this, is an employer that is basically saying they don't want to take this on for their company. They want to do the training and they appreciate the training, but don't have the capacity to administer it. They want somebody to administer it who knows what they're doing, so that it's easy for them. To figure out when the workers have to train, to get the training, and to train in what they need. It could be many different scenarios. When the training cost is low and you have typically the community colleges, who have been some of our best multi-employer trainers, because their motives are good, they just want to train people in the community, and they have done a really good job in my experience. In fact, I wish we had more community colleges coming forth. I think we are getting fewer of these than we used to. We used to get a lot more than we do now, so you should go tell your brothers and sisters to come here. Mr. Cajayon said I can't agree more; the fail safe feature of your database system really restricts and prevents any overlapping training activities for one single employee. The benefit and the strength of the LACCD, is that they are comprised of nine community colleges with very different technical expertise. They want to be able to tap into that capability for the betterment of the

workforce within each company they serve. Mr. Rodriguez said, part of what the State Workforce Board and part of what the Labor & Workforce Development Agency is trying to do in conjunction with the community college system, is to have more synergy training from a regional prospective. If you have ideas to that end, we will be very receptive to that, to actually have a much more concerted effort by region, through the community college region. Mr. Cajayon said in closing, if I may, because you have a future Forum, there is a centralized mechanism for this project through the District which is connecting with nine campus units, if you will, to address that type of concern. Mr. Rodriguez said, very good, thank you.

ACTION: Mr. Rodriguez moved and Ms. Roberts seconded approval of the Proposal for LACCD in the amount of \$1,249,685.

Motion carried, 8 – 0.

San Francisco Conservation Corps

Mr. Chan presented a Proposal for San Francisco Conservation Corps (SFCC), in the amount of \$165,960. SFCC has grown from a basic education and training program to a multi-service agency providing green sector job training, environmental education, an off-site charter high school, case management, life skills training, and comprehensive workforce development services to approximately 200 economically disadvantaged young adults each year. SFCC will provide job search training, career counseling, construction trades-related and solar installation/green sector-related training, job placement and retention services for 30 San Francisco residents.

Mr. Chan introduced Dyana Curreri-Ermatinger, SF Conservation Corps Grant Writer.

Mr. Rodriguez said he knows this program fairly well. This is a model program whose origins are in San Francisco, and it's highly integrated and has a holistic approach. It's one of the few programs for young adults in poverty that actually have wrap-around services.

Mr. Hart said, I also think it's a great program and it's exactly what we like to see. He said an addition he would like to see included in the training, is a lockout/tagout program on the solar or the building trade and safety first aid. Other than that, I think it is a fantastic proposal.

ACTION: Mr. Rodriguez moved and Ms. Fernandez seconded approval of the Proposal for SFCC in the amount of \$165,960.

Motion carried, 8 – 0.

The Corporation for Manufacturing Excellence (Manex)

Mr. Chan presented a Proposal for The Corporation for Manufacturing Excellence (Manex), in the amount of \$657,350. Manex provides services to manufacturers in corporate strategy, innovation, strategic planning, marketing, sales, training and development, lean manufacturing, supply chain and logistics, food safety, Six Sigma, ISO, performance management and systems implementation.

Mr. Chan introduced Bill Browne, Director of Workforce and Economic Development.

Mr. Broad said that he assumes that what we are talking about here is a particular training that can go up to 200 hours. It looks like an individual can get 200 hours, but there are other people who get 120 hours. Can you explain that to me? Mr. Chan said if you look at the weighted average, the average person is going to get 73 hours of training. So that might be 24 and some people might get, like in the previous one, 10 people had to have 150 hours of training. Mr. Broad said right, but is that because they are getting more training because that job skill requires more training, or because they are not doing very well in the training and they keep going until they pass the class. Mr. Chan said his understanding is that Manex is a full service company, so they do assessments for the company ahead of time to determine the trainees and number of training hours. Mr. Broad said right, I just want to make sure that if they are training someone to be an astronaut, that takes 200 hours, and if they are training someone to be something less than an astronaut, it only takes 72 hours; that's what I'm trying to get at. Mr. Browne said, typically what they do is to scope out a client, and they might have different things they are going to train them in. So for example, one class is 40 hours, another class is 40 hours, and another class is 40 hours. So those people might get 120 hours and one person might get 40 hours. It depends on the curricula they do for each client. Mr. Broad said, so it's like the number of classes that a particular person takes. Mr. Browne said yes; it's not like remedial math where you keep going until you pass or you fail. This is class one and this is class two. Mr. Broad said he's never asked that question before, though he probably should have.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the Proposal for Manex in the amount of \$657,350.

Motion carried, 8 – 0.

Fresno Area Plumbers, Pipe & Refrigeration Fitters Joint Apprenticeship and Training Committee

Ms. Hernandez presented a Proposal for Fresno Area Plumbers, Pipe & Refrigeration Fitters Joint Apprenticeship and Training Committee (Fresno Area Plumbers JATC), in the amount of \$179,420. Fresno Area Plumbers JATC trains apprentices for the piping industry. The JATC serves 600 union members in four counties (Fresno, Madera, Kings and Tulare); it's made up of three representatives from management representing the Mechanical Contractors Association and three members from UA Local 246 representing labor. There are 15 signatory employers and 90% of these employers are small business.

Ms. Hernandez introduced Robert Topete, Training Coordinator and Jan Borunda, representing California Labor Federation.

There were no questions from the Panel.

ACTION: Mr. Hart moved and Ms. Roberts seconded approval of the Proposal for Fresno Area Plumbers JATC in the amount of \$179,420.

Motion carried, 8 – 0.

Amendments

Applied Materials, Inc.

Mr. Chan presented an Amendment for Applied Materials, Inc. (Applied), in the amount of \$880,000. Applied builds nano-manufacturing equipment, machines, and tools for the global semiconductor, flat panel display, and clean energy manufacturing industries. "Nano manufacturing" is the production of ultra-small structures, including the engineering of thin films on glass substrates. Applied's customers include manufacturers of semiconductor wafers and chips, flat panel displays, solar photovoltaic cells and modules, and lithium-ion cell batteries.

Mr. Chan said when they came in previously, staff discussed funding them at what they performed at on the previous project, \$400,000. They agreed, and they are using up all that money, and coming back for an amendment now that they've earned 100%.

Mr. Broad asked if there was any objection to substituting the prior unanimous roll call. Hearing none, the proposal was approved.

VIII. PUBLIC COMMENTS

There were no public comments.

IX. RE-THINKING ETP: PUBLIC FORUM

Barry Broad, Panel Chair

Barry

The yellow folder for Panel members has written comments that we received and that you can go through. Here is what we are going to do today. I'm going to call people in the order that they signed in. After we're done, if there is anyone else who hasn't signed in who wants to say something, you can come forward. The idea is we are going to listen; we're not going to make any decisions about anything today. We are probably not going to pepper you with many questions; we are just going to let it sink in. Then we're going to hold a second meeting, and then we are going to hold a third one that deals specially with issues related to apprenticeship. So if you have apprenticeship related issues that you want to raise, please defer those till we have the apprenticeship day because those are really a unique set of issues. With that, let me call our first speakers. What I will do is read three names at a time, and then you can come up after the other person is done. So the first three are Steve Duscha; Rob Sanger; and Michelle Rychener, and if I botched your name just correct me when you get up here. Good afternoon.

Steve Duscha

Consultant, Duscha Advisories

Steve

Good afternoon. I'm speaking for myself today, but I hope I have some things to say that will apply to other people and my comments have been distributed to the Panel and there are

copies in the back. Thank you for scheduling this and setting this up, it's time and it's a good thing.

My take on where ETP is right now and what this series of meetings can do, is that ETP is at a point where it has a chance to expand after a long contractionary period. As Jill said, the budget will go up 20% next year. If the economy continues to improve, it's going to go up more than that, and as the Chairman has said repeatedly, we are having trouble attracting business to the Panel. My belief is that if we go on as we have been going on; we will be a nice small boutique program operating at about the level we've been operating on, instead of the much larger growing program that we should be in the California economy.

So I think each one of us has a long list of improvements to recommend; things that will improve efficiency, both on the staff side and on our side that will make things more consistent, reduce a lot of irritating things that we have to do, and I have my own list. But I don't think those are what are important today. What's important today, I think, is looking at those things that can bring more businesses into the ETP program, can broaden the program, and allow the program to grow. So I presented in my written comments two tiers of proposals.

The first tier is things that, number one, maintain ETP as a program for working people, maintain ETP as a program that demands results, that's the performance contract. There should be no weakening of the performance contract. If you don't get a job after training or keep a job after training, there should be no money paid; that's done ETP well over the years. I'm also looking for things that, as I said, broaden the program, can be done immediately, can be done in the next couple of months, so they affect what comes in starting in July, and can be done administratively without a change in statute, and I think most of these can be done without even a change in regulations.

So let me go through them briefly. First of all, I think ETP should continue to target manufacturing, and high-tech. ETP traditionally has been about 60% manufacturing and should continue to set that as a target, not as an iron-clad goal, but as a target.

Second, I'd like to give the Chairman credit for mentioning that we should open up the definitions of Out of State (OOS) Competition. When ETP started, there was no such thing as the Internet. If you wanted to buy something, you went to a store to buy it. Well, today 5% or 6% of all retail purchases are apparently done over the Internet. So if I can buy something from Amazon that I used to have to go to my bookstore to buy, then that bookstore has OOS competition, and there are a lot of businesses of that sort that now have OOS competition. I'm suggesting you open OOS competition to retail, wholesale, and until I heard the guy this morning, financial services. I didn't mean that one, but the truth is that the guy this morning qualified for OOS competition, but my local bank branch, which is operating what I'd consider a legitimate business, wouldn't under existing rules, and that's not right. 80% of people with Internet connections are apparently banking online now. So our whole feeling about what is OOS competition and what is not have been upended with the Internet, and I think it's time for ETP to look at that.

Part of doing that is to treat a business and its OOS competition in these other areas like you do manufacturing. If it's a manufacturing company, every part of that manufacturing

company is subject to OOS competition. Today if you're AT&T, you have to go and convince ETP which parts of the company are subject to OOS competition, instead of looking at the business as a unity. That process of deciding which or who falls in what is time consuming on the part of ETP staff and on the part of the contractor, and to simplify that would help a great deal. And so I'm recommending broadening the scope of OOS competition and the process by which you go about declaring it. Again, I think that can be done administratively. Certainly it can be done without legislation.

Number three, once you move retail/wholesale financial services into OOS competition, the main thing you have left to fund under the SET category is healthcare. I would recommend that you look at reducing the SET wage for healthcare, which is now around \$20, down to the regular retraining wage of about \$16, so you can pick up more of the real frontline people.

Barry

What is your understanding Steve, of why we have that SET wage in the first place? In other words, what was the purpose, so it would only go to higher wage employees?

Steve

The purpose of it was to take care of the building trades when it was enacted. Because once OOS competition was put on, it was assumed that the building trades would not qualify and so that is what it was for. And it was to set a high mark for earning, yes. Now that hurdle has since come down. Under the current rules which permit healthcare, I promised several people I wouldn't talk about wages today, but it's hard, and I will if you want me to.

Barry

This is the moment to break your promise.

Steve

The whole wage structure, the way it is structured in the statute, has pushed the wage up too high based on what is normal in the California economy. Personally, I'm against government subsidizing crummy jobs. But then you look at the data and 25% of all workers in California, earn \$11.60 an hour or less and so, should they, should people who employ those be able to get ETP money to train them? That becomes the issue. If I were starting over, I would not tie the ETP wages to the benchmark they are tied to, which is all of the money, including the money paid to very wealthy employees, put in one pot and dividing it by the number of employees. You could tie it to average manufacturing wage or some other wage, but that change isn't going to happen quickly; I don't know if there is support for that change.

There are other things that can be done that I promised I wouldn't talk about. Maybe you could require a contractor to come up with an average wage for all of the people in a program at the end of a program.

And the truth is you're going to have to do something with health benefits because under the Affordable Care Act everybody is supposed to have health benefits. And the statute says you can include health benefits only when they are voluntarily provided by the employer. Well, maybe it's not an easy question, and perhaps I'm not the best person to talk about it because I don't want to work for \$11 an hour, and nobody in in this room wants to work for \$11 an hour. I've said that; I'll go on to my next point.

We should go to a minimum of 8 hours of training instead of 24. There are a lot of people, companies that don't do the 24, and that's just an old rule and probably doesn't apply anymore, and that's again something you can do quickly. The other thing is the process needs to be speeded up. It takes 4,5, 6 months now from the time you want to start an ETP contract until you appear in front of the Panel, and that's too long. Everybody has their own ideas on how to fix it, I'm sure the staff knows how to fix that, and I think they could speed it up.

Fixing the OOS competition issue and unity of an employer's functions I think helps some of that. Some other things can be done that I think that need to be done; the process is just too long now.

Those are the most important things you can do; those are things you can do now. Those are things that can bring you new business starting in July and so that's what I want to emphasize; I will run through the others quickly, if I'm not out of time.

Barry

Keep going.

Steve

Productive Lab (PL). Eliminate the possibility of abuse by setting a limit on two trainees to one trainer, maybe three, no more than that. Nobody is going to make money on that; they could make money if you've got one trainer looking at ten trainees. Set a rule that gives you comfort and stick to it. Don't set that up as something to argue about. There is some very good PL; it is a good method of training but the idea that one person is going to supervise ten people during that, I don't think that's good, but set a clear-cut rule.

It's time for an inflation adjustment in the fixed fees. Most of them haven't been changed since 2006; give us what inflation requires. It's about a 16% increase from 2006; it's time.

The single employer small business contracts; they take up too much time of your staff and you're spending a lot of time on them here at the Panel too. I'm not sure how many of them succeed, but you need this. I know I'm being presumptuous in telling you how to run your business, but I've been doing this so long, so forgive me.

Barry

Well, that's what we're asking people to do.

Steve

I think for single employer direct contracts with ETP, the people that want \$25,000 from you, if you cannot refer them to a multiple employer contract, and some of them fit and some of them don't, offer them an off-the-shelf product. Don't give them a lot of choices cause they don't really know what they want or what fits. Most of us don't until we're offered something very specific. So I offer the example, and there may be others. If you are a small employer you're going to hire 10 new employees in the next 6 months. The reality is you're not going to put them in classroom training. You're going to have somebody else on your staff sit beside them, walk beside them for a month, or some period. I'm saying offer a couple

thousand dollars' worth of PL training for a new employee up to some limit of \$25,000. If you're expanding, if you're adding a person, you're really a small employer, you don't want much, here's something quick that we can give you. It's easy to apply for, easy for the staff to write, you just fill in a couple of blanks and bring it to the Panel and it's done. You need some things like that, and then try to offload that whole process to a MEC that you solicit to handle that work for you because I don't think it's likely in this day and age that you're going to get a lot more staff to handle 20%; you're not going to get 20% more staff to handle 20% more money, so you've got to address ways to put work off on someone else or eliminate the work.

Barry

Why do you think that we would only reduce the minimum number of training hours from 24 to 8? Why not 6? Why not 4 or why not 2?

Steve

Because it doesn't make sense, both on the staff side and company side. There's too much hassle in dealing with the state and the process; there's got to be some minimum that is worth the effort.

Barry

But let's say that we combine 2 of your ideas and let's say you're a small company and you decide that you want one person in your company to learn how to do PowerPoint presentations. So you buy an off-the-shelf training module on how to do PowerPoint and it's 4 hours long, and it costs 500 bucks. Why shouldn't we fund that?

Steve

Because it'll cost you \$500 to fund it or \$2,000 to process it, and it would probably cost the company 8 hours of somebody's time to work it through. That would be my argument.

Barry

I don't see why if we could, and if administrative costs were not burdensome, why we wouldn't; what would be wrong with that?

Steve

Because the administrative costs are too much.

Barry

That's really the only argument.

Steve

Well, the other argument is that there is a certain threshold of training that is going to make a long-term real difference in a person and a company and PowerPoint training is not going to do that. But if you had 24 or 40 hours of training for 100 people and in autonomous maintenance, that could have a real effect. That's the other argument, and that's why the minimums were there in the first place.

Number 9, simplify the curriculum. We spread out curriculum by type of training; nobody actually pays attention to that. It ends up being the employer's decision what kind of training

they need. You end up funding almost everything; we can go crazy trying to pinpoint specifics on that.

Accept copies of training rosters instead of original rosters. Make the recordkeeping easier. I think there still should be some recordkeeping, we need to prove that we have done what we say we're going to do, but needing a signature in ink for everything we do instead of a copy is kind of old-fashioned.

The other thing that is terribly important for larger contracts is be sure that you're really welcoming for computerized record keeping systems and learning management systems. I think you are moving in that direction, and that's good, but don't slip on that.

Your definitions of small business are quite rigid and limited compared to other agencies including the Small Business Administration. Your definition is 100 or fewer; the SBA's unfortunately is very complicated, but can go up to 500 or fewer people. You should take a look at how that works and then your definition also says that to determine if you are small or not you look at the worldwide employment, instead of just the employment at the place where the training is going on. Those need to be loosened up I think.

And finally, all of those MECs today who came in for repeat contracts, who you've seen time and time again, who are doing a good job, there ought to be a simple process for them to come to you. Right now, they are really treated as if they are a brand new contractor. They provide the same paperwork that somebody you've never seen before or somebody who has no record has to provide. Then your staff has to create the same paperwork to put in front of you that they would for some strange entity that you have never seen before. There should be some simpler ways to do that. I know that other people here today have other ideas, good ideas, and they probably should be adopted; but if we do nothing else, look at the first tier recommendations, because I think they can bring you new business quickly, which I think is most important. Thank you.

Barry

Alright, Rob Sanger, and I see there was a second person here, Dorinda McMillan? Are you folks doing it together, or are you doing one after another? How do you want to do it?

Rob Sanger, Manager of Training Services
California Manufacturers & Technology Association

Rob

Hi, Rob Sanger with CMTA, and I thank the dedicated Panel members here today and Chairman Broad for bringing up this opportunity to give our thoughts to the Panel; and thanks to the dedicated staff of ETP who are always working hard to assure that the funds are properly allocated to qualified companies.

CMTA has been a marketing partner, a MEC contractor, ETP consultant, general ETP enthusiast, since the start of the program. I have been around for about 10 years working with the program, but the Association itself has been around since inception working with the program. As far as the state manufacturing jobs, we have lost about 630,000 manufacturing jobs since 2001; the average wage of a worker in manufacturing is about \$76,000, so it's a

good paying job. Since 2010, we've kind of flat-lined. If we rate ourselves against other states, we are flat, and the other states have grown about 4% on average, so we're still kind of flat-lined right now, and we still need help. But it's getting so that we are not losing as many jobs as before. These are critical jobs we need to retain and grow in California, and this is one of the few incentive programs for California manufacturers and the high-tech companies that could move to other states. We compete directly; there are other retailers and wholesalers that yes, they do face some OOS competition, but they can't leave, they have to stay here, whereas you all know there have been quite a few manufacturers and high-tech companies moving out, and then there has been some success stories too, like Vision Service Plan adding jobs here locally. And with a lot of growing sectors, such as bio-tech and additions to manufacturing, there are lots of great opportunities.

But what I'd like to point out is that the program was founded to help keep high-tech manufacturing companies in California, because those are the companies that have the multiplier effect and they can move. So, I'm not saying we shouldn't broaden the program, but I want to keep the focus on those types of jobs and skills, and I know the Panel is supportive of that, but I want to emphasize that. When I looked at the last 10 years, about 67% of the companies that contract with the ETP are either manufacturers or high-tech; that stayed pretty solid because of the way the program is run. As more money becomes available, we'll still be able to keep that 67% or 60% plus, and grow, the whole will grow I think, so everybody should be able to take advantage of the program. I don't have written comments today; I will submit some for everybody after the meeting, early next week.

So 4 key points are; one, keep the priority on manufacturing and high tech; two, standardize in a streamlined ETP regulation to ensure all the field offices are applying new simplified rules in a standardized way. What I mean by that is if I go to a manufacturer, such as Owens Illinois in Los Angeles, which I was at early in the year, and they said okay great, we want to use these training funds. We have new hires, and need monitor training and safety training. Well, no, we can't do that; safety training is not readily allowed. Well what about new-hire orientation? We can't do that either. Well, we do a lot of PL training. Well, we might be able to do that, but what are your ratios? As you can see, all these questions really slow down the process, and then we bring in the analyst and the analyst says yes, we can do some of it but not all of it. So if we have good information, and we know exactly what we're good to run with, that would make it work a lot faster. I'm not putting blame on anybody. I think we are re-evaluating the program right now, but once we do get it aligned and get the rules simplified, that will make everything move a lot faster and allow the employers to move more quickly.

Another thing we are seeing more and more of right now is that the employer has to upload the social security number and demographic information, and I understand why and I think we're going to have to continue to collect that somehow. But right now, and what I do with a lot of single employer contracts, I tell them to upload it themselves and then I don't have to see it. But on the multiple employer contract side, such as CMTA, we hold the password, and we have several companies loaded in there, so I can't give them the password. So I have to collect that social security number information, all the privacy information that I don't want. I would rather have it so that, and I know you are building a new system, so this might be something, as I mentioned to Maureen, to take into consideration. When you build that system, allow us to just put in the employee number, and then later, separately, you can ask

the employer to match up the employer number with the social security number and don't post it on the password protected website. And then the multiple employer contractor never has to see it, and that would really protect ETP as well on some of these privacy issues, because we already have employers asking what your insurance is if these social security numbers get out, what insurance do you have? We don't have that now, we are looking into it.

Barry

You've contacted Target; figure out how to do it.

Rob

Yes, exactly; and so because of Target and other issues, that definitely has come to the forefront.

My fourth main topic is research. We are all wondering, what should we allow? What training is good training, what is not as good? So I think that research would be helpful and research on how effective the program is, so I think it would be helpful to get, perhaps on an annual basis, a third party to contact some of the contractors that have used the program, and on an anonymous basis, to solicit their feedback. How it happens today is that at the end of the contract the ETP analyst will give the contractor a rating sheet or survey, but they also say, well, you may be audited within the next 7 years. If the IRS handed you a survey sheet, I think we would all be very nice and say we're very pleased with the tax collection system, so I think a third party who could ask questions, may be a little better.

Then there are some things that Steve said, that I'll chime in on. Simplifying the curriculum. There is a new ETP system that is going to be launched. We have not seen what it looks like yet, but you know, just keep it simple. I'm hearing that there are going to be new things that are going to be added on there, but I don't think we want to put additional burden on the employers to upload more information; I think we should keep it at no more than the same level of complexity. That's one of my recommendations.

Regarding Computer Based Training (CBT), right now, if you want to include it, you have to match classroom training. So if you have 8 hours of CBT, you have to match it with classroom training on a per-person basis. That is waived a lot of the time, but you still have to go through that process and you have to tell the employer, well, you might be able to do that, but I've got to get a waiver and that just slows everything down; so that's just another example.

And then PL: I would recommend limiting it to a 1:5 basis but then take an average as well for both PL and classroom. Because classroom right now is limited to 1:20. What if you have 26 one day and the next day you have 13? If it all averages out to 20, then you are not getting any more reimbursement per hour, per person. It all averages out. So if there was a way to average that out or allow an average instead of spending a lot of time counting how many people are on each roster that would be a welcome simplification.

I have other streamlining ideas and other items that I'll put in written comment. I wanted to focus here on my top-tiered ones.

Barry

And do you agree about the reduction in training hours with Steve?

Rob

Yes, I agree, and I think 8 hours is a good number because of the two aspects that Steve talked about. One about critical mass of gaining some skills with the 8 hours, and then also the administrative burden. And then also on the high end for small businesses, we cap it at 60 hours, I believe, but I think some small businesses do need a lot of training for new hires and others. So I think 8 to 200 hours for small, medium, large, whatever size company; and standardize it is the idea.

Barry

Thank you. Dorinda McMillan?

Dorinda McMillan, Director of Operations
Woodmack Products, Inc.

Dorinda

I hope this is the right Forum for this, and I'm a little nervous. I'm an employer, and I'm here to voice my concerns about the wage increases that took place. We participated in ETP last year; 96% we completed. So we are the poster child for what I think this program was written for. We're a family run manufacturing company in Rancho Cordova; we've been in business for 50 years, and we hire second-chance employees. We bring in a workforce that isn't skilled, so our hiring wage is very close to minimum wage. And I wrote the ETP contract because of the competition that we have, not only within the U.S., but also overseas. I'll give you a little example: we had Day and Night Carrier, which is a heating and air conditioning company, with 75% of our business, and they were in Southern CA, which is where most of our customers were. Many years ago they shifted that to Texas, and then eventually over to China; we lost all of that business. So we had to replace it with things that were OOS, out of country, and our profit ratios are about 5%, so we don't have a whole lot of money to spend for training. But the goal is to improve our current workforce and those that we bring in and we did not use a consultant or anyone else. We developed our own curriculum; we taught our staff to use the ETP program; we really were a poster child for what happened. In order to reach the wage requirement in our last contract, we needed to have our employees elect to use our benefits. We've always paid medical for our employees.

Mike Hart, Panel Member

Mike

I just have a question for clarification; what is your business model? I'm not sure what you're talking about.

Dorinda

We are a manufacturing company; we work in metal tubing and piping. We create manifolds for the gas appliance industry. My apologies, I don't know what the routine is, I am just here.

Barry

You're doing great, you're doing perfectly fine, you are really doing fine.

Dorinda

We completed our first contract and our intention was to continue that training and the problem is, we have now been priced out. We cannot use the program any longer because we can't meet the \$15 requirement to do that. Our wage base is usually around anywhere from \$11 at the most for my production people, to higher than that for some of my tool and die people. This program, I think, was created to support people just like us, to keep us here, to make a stronger workforce, so that even if they leave my company, they are going on with those skills someplace else. I can no longer participate, and I just came here in case you want to speak to a real employer who went through the entire process, and this is not an easy process to go through, especially if you're not using the consultants. My feeling is this has become a program that supports the trainers and the consultants and all the others. The real people, the companies like myself that just want an even playing field so that we can survive and make a living and pay our people, we are not given that support to make it possible. I pay not only medical, but I pay dental, I pay vacation, health, sick pay, I match my employee's 401K; none of those things are legally required for an employer to do, but I do it because I'm committed to my employees. I can't use any of those in the ratios that I'm using for wages. I can tell you my competition isn't paying that, and I have to do all these things to survive and be in California. I don't want to move out of California. We have our family and our home base here, but it is very hard to do what we do, and ETP was a way for me to improve my workforce so I can be competitive.

Barry

Let me ask you a couple of things. First of all, we're glad you're here; that's the point of having this Forum and we hope our program is not just for consultants, that's not the point of it. Although I'm a little bit uncertain as to why, if you were here earlier today, you saw that people do come in here and ask and can ask for there to be a reduction of the wage.

Dorinda

Okay, I'm not familiar with that. Julio, who's been my contact, said that I did not have that option. Last year, because we are in an Enterprise Zone and what was a HUD zone at the time, the wage was reduced to \$11.45 an hour, which we were able to meet.

Barry

To do by using a healthcare, right?

Dorinda

Right, the problem I had is, I had a 96% completion rate but then when we went to turn that information in. I had employees that elected not to take the healthcare. They're at a wage category where they just figured they're going to risk it, so I lost a percentage of that. We actually ended up with 81% because even though we trained and did all we were supposed to do, if they don't elect the medical then I didn't qualify; that's what it boiled down to.

What I suggest, if you could do it as a Panel, if you could make it so that more of the benefits that an employer is paying, and that maybe their competition is not, could that be taken into account, not just medical, because medical is only a component of that. And also, if you could make the reimbursement a sliding scale. So don't give me the high-end; reduce my reimbursement even to the point where it's just my cost. Pay me \$12 an hour to train

somebody; make it so it's doable and usable; don't price me out of the market so I can't use the program that I'm paying taxes for and I am trying to survive in California. Make it so it is doable to have it happen.

Barry

Well, I think that's something for us to consider about perhaps allowing employers to use some portion of a voluntary amount that they're putting into retirement that they are putting in or something like that. I don't know, but I would certainly like to think about that, and we really appreciate you coming here, and we don't want you to feel like you are priced out of our operation at all here, or that you can't come back or anything like that.

Sam Rodriguez, Panel Member

Sam

Mr. Chair, I'd like to say first, that I think it takes a lot of courage for people who are not professionals in coming to this Panel over the number of years, like our two previous speakers, to speak to us. Thank you for coming to the Panel and being passionate and compassionate about your concerns and issues. I apologize, your name again please?

Dorinda

Dorinda McMillan.

Sam

I'd like to suggest that Ms. McMillan at least has the opportunity to talk to our staff before leaving today so that she can make specific contact with one of our senior analysts to really take into account her questions that she makes in her testimony, if that's okay with the Chairman.

Dorinda

I'd just like to see this stay real; make it so that if you really want to keep manufacturing in California, which is difficult. I've got EPA, I've got Cal OSHA, I've got all kinds of things that my OOS competitors don't have. At least let us use the things that are out there as programs to just try and stay in the market, so I have my business cards, I don't know if it's helpful to leave these in case anybody had questions.

Sam

Well someone on staff is going to need a contact to follow up, thank you.

Barry

We're not going to let you leave today without somebody over here talking to her.

Dorinda

Okay, thank you very much for your time, I appreciate it.

Barry

We really appreciate you coming forward.

Mike

Mr. Chairman, is this a time where I can bring up a question?

Barry

You certainly may.

Mike

Okay, I think she raises an interesting question and I don't know the answer to it. But let's say the employee doesn't elect the employer's healthcare, but is that employee then eligible to go and select something under the ACA or Covered California, and if so, what is the impact of that on our program?

Barry

We're going to need to have a discussion of the impact of the ACA because it is not clear to me what's going to happen in that area because the employer-mandated portion of the ACA hasn't kicked in. It's been deferred, and so how that will play out in terms of employers, we have to think about that. There is a kind of pay or play element to the ACA that will affect employers in the future that we may have to be looking at. We may have to disallow it if everyone has to pay it; it's kind of hard to say you add it in then. Maybe we'll have to look at switching from healthcare and look at other things that employers voluntarily pay for. I don't know the answer to that question, but I think we're going to have to grapple with that, along with all of the employers and all the rest of us who have to buy health insurance. Typically though, in an employment situation, the employer says, the employee doesn't take the healthcare because they can't afford the co-payment or the deductibles in a lower wage context. I'm not criticizing anybody for this but that's the reality of it. The take-up by the employee is dependent on the employee's ability to actually pay for their portion of it. And in certain employment situations, in lower wage employment situations, somebody may say, listen, I'm just going to go without this because I can't pay; this is going to cost me \$400 a month or something, and I'm making \$1,500 a month; I just can't afford it. It depends on what the nature of the employer's coverage is, and how much you can use and all that, and that's individualized.

But I do think we're going to have to come up with some kind of understanding of how the ACA will affect the way we apply healthcare benefits to raise the wages. I don't think there's any question about that because that is changing. It will no longer be a strictly voluntary decision, and employers who don't provide healthcare under the ACA are going to pay essentially a fee or a tax to the government, so we can hardly count the tax they pay to the Government as providing healthcare; but it kind of is, it's going to buy healthcare, so that's a decision we're going to have to make on a policy basis and I don't know how soon we need to make that decision. Probably when the mandate kicks in which I think is in another year, if I remember correctly, so that is the situation as I understand it. I think probably staff needs to come back to us maybe at the end of this process with some kind of a report on what they project the effect of the ACA will be on our program and what possible responses we should have and changes in our program as a result. Okay, next person.

Mike

Thank you.

Barry

Michelle Rychener, AK Thakore and Kim Parker are the next three.

Julianna Kirby, Consultant (on behalf of Michelle Rychener)
TFP Group

Julianna

Okay, Michelle Rychener swears she didn't sign up, so I'm going to take her spot. I signed up somewhere along the list and we work for the same firm, so my name is Julianna Kirby.

Barry

Who's not coming?

Julianna

Michelle Rychener.

Barry

Oh okay, and you're Julianna Kirby. Got it.

Julianna

I first want to thank the Panel for opportunity to give input on the things that you're thinking about, and I really did appreciate that you put out a topic of interest list to help frame our thinking. That was really helpful, and I'm going to kind of follow that list and touch on some of the topics.

As it relates to employer eligibility, there has been some suggestion to expand the OOS competition category, expand the list of any NAICS codes and types of industries that qualify under that, as well as streamline or smooth out or eliminate the review of eligibility not only at the entity level, but the location level, and then each function within that location. I definitely support a unity of operation concept. I believe it was that way years ago; I've been doing ETP work for 13 years. I've seen it go a lot of different ways, and I can tell you that going with the unity of the operation and expanding the OOS competition categories would achieve two things that I think the Panel is trying to do. One is to allow more employers to participate in the funding; two is to streamline the process. The eligibility phase can get very complex based on the type of industry, the type of functions that they have. You could have a complicated organization like AT&T that operates under multiple NAICS codes; there are many divisions and many different types of functions. That not only stretches out the eligibility phase of the process, but also building the application and structuring the contract can get very complicated. A project can go from 2 job groups to 5 job groups very quickly when you start breaking down the technicians versus the IT people versus the engineers and who work in this location and that county; so definitely thinking along the lines of broadening the scope of the OOS competition categories and looking at the business as a whole in regards to eligibility, I think would achieve quite a few things that the ETP is trying to do.

On the curriculum, there has definitely been discussion about reducing the minimum hours, and we think that 8 hours is a reasonable amount of training for skill transfer. There could be lots of discussion, 4 hours, 2 hours, 8 hours, 16 hours, depending on who you are and what your school of thought is about training and skill transfer. But 8 hours seems like a reasonable minimum; it's already your minimum for small business; your systems are already built to trigger to pay, like a progress payment, eligible at 8 hours, so I don't think that

reducing from 24 to 8 would have a large impact, even systematically, in your operation; and it seems reasonable to us and the employers that we work with, and we work with a lot of employers across many different industries, and some of them do really struggle for 24 hours, because part of their worker population needs the type of training that's lengthy and another part of their population might just need those PowerPoint skills or something short. So if you are trying to have more participation, if you're trying to meet the needs of those employers, which vary greatly, then lowering that minimum certainly would help.

Barry

Let me ask you a question. Should we have any requirement that there be OOS competition at all anymore? I mean, my casual observation is that the program started out to support manufacturing in CA, and what we've done over the decades is simply struggle with new ways to get more types of employers to come here; and as a practical matter, maybe we make people struggle to fit in a box and maybe we should just let everybody in and just forget that whole idea. Now, maybe it doesn't make any sense at all in the age of the Internet that there are some kinds of businesses where there is no OOS competition, but does it matter? What's your opinion on that?

Julianna

There are things about ETP that maybe over time has become a preference or policy or regulation or legislation. So maybe go back to how baked into the legislation is the OOS competition requirement? And can we change that without going back to legislation. But as far as the business is concerned, there are some people on one hand who would say, hey, if you pay into the fund you are eligible. On the other hand, that doesn't necessarily mean that those are the types of jobs that the program should be funding or supporting. The concept of helping manufacturing back in the past and the OOS competition idea were definitely good concepts, but as the make-up of the state's economy has changed as well as the types of businesses we have here, and the service economy we have and the technology economy that we have, I feel in some cases we are trying to fit them into a box. So obviously, it's a broader discussion involving more people than me; but I do think that if we're going to just broaden the scope and add all these NAICS codes to it, then it kind of loses its meaning.

Okay, back on the curriculum and the minimum of 8 hours and the other comment I would have about the curriculum. My experience is maybe different than others in this room, but we're finding that there's being more and more focus and time spent on more closely defining the curriculum and really getting detail, detail into that curriculum. And that is causing some employers to not have the flexibility that they need to get the training in that they need. Things change over time; the first thing I learned about training is that it changes all the time. There's are some schools of thought that we should have a very broad concept of the curriculum, but sometimes in practice it has to be a very defined thing. And I've noticed over the last few years, that we've started to do quite a few, way more than normal modification to the curriculum, maybe multiple modifications to that curriculum throughout the term of the agreement. And that's time consuming for the employer, the staff, everybody, to keep going back to make sure that we've modified and modified and modified that curriculum to meet today's need.

It doesn't mean that the purpose or the intent of the training plan at the beginning when it was approved and their business case for that has changed, but maybe the type of training that

they need to deliver has changed. So when we're thinking about curriculums, maybe think about ways to structure it so that it is more user-friendly in that way, so that the employer has some flexibility. There's categories of training that have limits so when you talk about the business and what they want to do and what's eligible and not eligible, and after you've weaved through the eligibility of the locations and functions, now you're talking about the eligibility of the training, and there's a 10% cap on safety and a 45% cap on vessel and a 50% cap on CBT, and it starts to narrow their ability to do what they really need to do. So I don't have the answer for that today, but I would like to put that on the table about maybe revisiting some of those limitations that are deep in the program that you don't find out about until you need to change something.

Delivery methods: I just touched on CBT a little bit and PL, and we agree nobody wants to be eliminating PL because that is, again, a useful delivery method for some employers. Nobody wants anybody to abuse that. Our experience with our clients is, we don't see 1:10 a lot, we see a lot of 1:1, 1:2 and maybe 1:5, so we don't really have a thought one way or the other because we are not seeing 1:10, our clients aren't doing that, they are pretty much down in the lower end. So I don't have any experience to draw from to say it's really important to have 1:10 because that's what's happening out there; I'm not seeing that.

Wages: A lot of discussion about wages today; great presentation just before me. It does get to the heart of some of the issues that come up with wages with some employers, especially in the SET categories, but maybe that becomes a non-issue if you broaden the OOS competition and there's less SET; and now everybody falls into the other wage bracket. Maybe that eliminates some of the heartache on the SET wages, but it does start to price some employers out of participation. Today if you're a non-priority industry SET employer, your wage minimum is like \$27.03 and that goes up arbitrarily every year; not arbitrarily, I know there's a calculation behind it; but employers are not keeping pace with those kinds of increases. They are increasing, but they are not keeping pace and so somebody who was a good contractor and had good training and participated in a contract or two at some point, they have to go away because they just can't keep pace with the wage, and this is a similar example to what the earlier speaker was talking about. I don't know again how much leeway the Panel has with changing the wage tables; you have a lot of different categories of wages, you've got job creation, retrainee, SETs, HUA, barriers to employment, all kinds of different categories, which is in some ways good because it allows you to bring in as many occupations or functional groups as you can based on these different areas, but it is complex. So if there is a way to blend some of those wage minimums, or that use an average, or some other way to put flexibility in that, I think it would be good for the program, and good to revisit all the different categories and maybe simplify them.

Attendance rosters: There's a lot there; we could have a whole separate meeting on monitoring and the administration of the program. Right now, you're requiring original rosters with live signatures, no white outs, strike through initial; there's all these little rules. And at the same time you're allowing LMS projects, like with AT&T, and there is no way they could do a statewide project without the use of their electronic tracking system. So if you're allowing electronic records which have no signatures, but ultimately rests with the trainer to confirm everybody's attendance, and that they were there the whole time, or part time, with only the trainer confirming that in the system, I think that definitely calls for some revisiting of why we require paper for some employers, and it's very difficult to produce original paper in

one location for a monitor visit. You might have a defense contractor who has to keep their original rosters at each of their sites, and they can't aggregate them, so everybody is FedExing their stuff for one day and FedExing it back, and so copies would definitely be a welcome change to a lot of those employers.

Streamline procedures: I think the pre-application and the application could be well streamlined just by the nature of maybe expanding the OOS competition categories and looking at the business as a whole, rather than trying to break the eligibility down into, literally down into all of the different departments within a building within a city of a county.

Certification of participating employers: When you do have a MEC, the people that are on that 100E where the employers that are listed, they have had to sign a certification statement. They have to say here's who they are, here's our CEAN number, here's what we think we want to do in this training project. If it were to be approved we think we'd want to send this many people, so they have kind of bought in. It doesn't mean that they will all follow through, but that is a cumbersome part of doing a multiple employer contract. I don't disagree with the concept of having the employer commitment and knowing that they are going to be able to spend the funds, but streamlining that form would be helpful. They're providing a lot of data about occupations, wages, head counts; and it's early-on; they don't even know if it's approved yet. They sometimes get tentative, and they have to sign a certification statement that's not binding, it's more of intent if you will. I think there could be some simplification of that process as well, to allow some of these small employers who may want to jump into a multiple employer contract a better opportunity to participate.

Service small business: I don't work with small business a lot, but I do know that there is angst about the benchmark which qualifies them as a small business or not on the headcount in the state and worldwide, and I know that the Small Business Administration has a different definition of that, so I would visit the idea that if it qualifies as a small business with the Small Business Administration, then to align with that seems to make sense to me.

Program outreach: I'm standing here as a consultant. We market your program every day, and we're out there telling employers about the program, about the benefits of the program, about trying to understand what they do and a lot of them have never heard of the program. You know a lot of them just aren't tuned into these things, and they're grateful to hear about it and some purchase the idea and some don't. I mean some of the barriers that they have to entry that we definitely see, have to do with the social security number. We explain it till the cows come home. You're a sister agency of such-and-such; you already release this information when you pay payroll. You know you can bypass us with the social security number; we can do all our work with an ID number and you can layer on the social and upload it; we'll show you how to upload. We go through significant IT security reviews before we get any data and we've spent up to a year with some clients before we can even get engaged being reviewed by their IT security team and their privacy team and all of these things because of the data that you need to have. There are other programs around the country that require social security numbers, but maybe not up front, maybe when it is done. And at the end, the employer can provide a list that it says here's all the people that were trained and compare their employee ID number to the social so that can be audited. I don't know how that works with your new system that's coming out; I know that you have to tap into EDD to confirm certain things about them, so I don't know if with the socials, if there is any

way around that, but that is a barrier to entry definitely for some employers, and some just can't get around it. Alright, that's all I have, thank you.

Barry

Thank you.

Mike

May I ask one quick question? Can you give me an example of an event or a circumstance which might necessitate you to change your curriculum, training curriculum?

Julianna

Sure, let's see, so we build the curriculum, you've got business skills, computer skills, continuous improvement skills, commercial skills depending on the business, manufacturing skills and underneath that, you list 10, 12, 30. You know with AT&T I had a 15 page curriculum. Topics, because you try to think of everything that could come down the pike conceptually, what kind of skilled area are you going to need to cover and then a year later. The company comes and says we're going to implement a new ERP system, we didn't know we had to, and there is no home for it on a curriculum. Now we need to implement Oracle, and there's no mention of Oracle on the curriculum. We have to modify the document with staff in order to get that training counted. It's still computer skills training, it's good training, it's in alignment with the strategic plan and what we talked about in the business case, but it's something new that came online. So a lot of times the people at the company who are developing the training plan, first of all they don't have visibility of everything coming down the pike and sometimes things change at corporate, or at facility, or they go a different direction with something, and you know, adding a new computer skill or maybe all of a sudden they have to do a Microsoft project, they didn't think they were going to have. That never came up before and now one of their divisions tells them they need a Microsoft project that has to be added to the curriculum.

Mike

Thank you.

Barry

Alright, so we have a request from someone who has to leave if they could jump ahead and as someone who has been a witness his entire life, I generally don't like this, but anyway, please, Jeff Hull, are you here?

Jeff Hull, Stakeholder
Employers Group

Jeff

I will be very quick.

Barry

Okay, great, I appreciate that, and please thank the guys coming behind you for being so indulgent.

Jeff

Thank you, I'll be very quick. I deleted all the stuff that was already covered.

Small employer definition: I actually would like a tiered approach because an employer at 101 employees is treated as a large employer. So if you were able to do tiered funding for up to 500 employees, maybe increase the large employer rate or something like that, that would be very helpful, especially for smaller employers.

If a company is a priority industry, I think they should be automatically approved for OOS competition. We talked a little bit about removing that, so I won't go with that any further.

When a contract hits 75%, I think it should be a streamlined process to ask for an additional 25%, I think that would be very helpful for contractors.

Jan Roberts, Panel Member

Jan

I'm sorry sir, what did you mean by that?

Jeff

When a contract gets up to 75% performance, and if there's adequate time frame on the contract, to ask for and automatically approve the 25% increase in that so that it streamlines, and then don't have to come up to the Panel, wait, and they can start the training plans. Cause a lot of times what contractors do, once they get to that amount, they sort of wait until they can come back for more funding, so they put training on hold and if they know that they can just automatically request 25%, they can continue with the training plans.

Concurrent enrollments: We talked about that briefly with another contractor today, but I think it should be eliminated because most employers that are sending employees to training, let's say maybe we are doing a continuous improvement program but we're not a computer skills trainer, but they want to send that employee to computer skills training with another vendor. Right now they can't do that, they have to finish my program, wait 90 days, and then put them into that program, and that's not really serving the employer's interest because of that concurrent enrollment requirement. So I'd suggest a second look at that.

ETP payments: They're kind of antiquated. Maybe if it's based on how many trainee hours are put into the system on a monthly basis and you're paid for those training hours, that'd be helpful, you could reduce it by 25% too, to make up for that 90-day retention period. Then it's like a normal system instead of the 25% that you get up front and it's really tied to exactly what you're delivering. I think the infrastructure is there to be able to do that pretty easily.

Jan

How can you verify that they've retained for 3 months if you get paid out that way?

Jeff

Well, what I'm recommending is that you reduce the payment by 25%. So let's say the reimbursement is \$20, so you just give them \$15 out of that. That 75% of the funding would be advanced, and then the last 25% remains for that 90-day period, if that makes sense.

Jan

Not really, because I'm thinking that we're going to pay you on somebody that may not even be employed after that.

Jeff

Yes, but then you batch all the employees up together and so you might have Joe Smith that completed all the requirements; Mary Smith did not. Well, Joe is going to make up for Mary's shortcomings and so that basically offsets it.

Jan

So then you would have to pay back; there'd be claw back of the money that you received, is that right?

Jeff

Yes, you'd have to pay that back just like we would now with the 25%. Because if you advance us 75% of the funds, five employees leave, that has to go back to you anyhow, so it's the same thing; it's just a different methodology to it.

Attendance rosters: Copies would be great. I'd actually go a step further; upload those copies so the monitors can see them so they don't have to always be out monitoring; it saves some time.

E-learning/LMS documents: We talked about that. But I also think that the perception is that E-learning for a lot of companies is not cheaper. So I would like those rates to be re-examined, especially if you're only training five people on one E-learning topic, the cost could be a lot. Whereas if you are training 500, you're getting economies of scale and the rate is cheaper; it's something to consider.

Personal information: We are running into more and more problems with trainees not wanting to give their marital status. I mean, how relevant is that; and their date of birth and their zip code. It's kind of stalkerish so I'd re-think that; especially when it's going to a third-party, it's just kind of weird.

Minimum training hours: Fully support the 8 hours and I recommend that if a company wants to do all E-learning, that you fund that. Right now it's limited to 50%. Supervisory training is limited. All the companies we work with, just about everybody is promoted from within. We really can have the most effect on employee populations with better trained supervisors. And I don't mean on compliance stuff, I mean on how to be a better supervisor and leader within a company. And I think that you can really affect a lot of organizations by allowing more supervisors to be trained. Thank you.

Barry

Thank you very much. Alright, AK Thakore; and then it'll be Kim Parker and then Phil Herrera.

AK Thakore, Consultant
Saisoft, Inc.

AK

Thank you Mr. Chairman and esteemed Panel members; thank you for the opportunity to present the current state of the technology and upcoming technology enhancements in the areas of online learning and electronic recordkeeping.

In the area of online training, technology advances have made this training modality more attractive and responsive to the employers' needs than ever before. The current state of technology already enables live-instructor led online training. In this modality, the instructor and trainees gather virtually, and the trainees learn by listening to and watching the instructor screen. Further, under the supervision of the instructor, trainees perform hands-on lab exercises and full multi-way audio and video capabilities also are leveraged to make the training attractive. Now, here's where this technology is headed to further improve the training experience. Shared interactive white boards allow trainees to work on group exercises. Trainees use these virtual flip boards, if you will, to draw, write, and annotate just like a physical clip board. Some examples where this is applied, is software-user interfaced design session or a design review exercise. Once they are done with this task, the group can then save this white board in the cloud, submit it to the instructor for review, or publish it as a webpage for further use.

Another emerging technology is shared 3-D workspaces. This allows trainees to work in 3 dimensions as a group. Applications range from mechanical design for parts and assemblies as in CAD design, to 3-D architectural walk-throughs, as well as medical technology training. Leveraging these technologies will allow ETP contractors to remove the distance barrier and reach out to employers across the state to meet their training needs as well as to address the training needs of a wide variety of employers.

In the area of electronic recordkeeping, technology exists today to verify trainee attendance in an online training session. To elaborate, it is possible to take periodic screen charts to validate that the trainees are present and participating in the training, and we do this to date. This will continue to reassure ETP that the online training method is not only very effective, but it's also verifiable. That's all I have to say and would like to say thank you.

Jan

Okay, so what were you trying to get at? What do you want us to do; what is your recommendation?

AK

I wanted to share the state of the technology and what's coming up next just to spur some ideas; I don't have any specific recommendations.

Jan

Okay.

Barry

But we're not prohibiting the use of this now right?

Jan

No, right?

AK

Correct, no you're not; I just wanted to share where we are and where the technology is headed, thank you.

Barry

Thank you. Kim Parker? Going once, going twice, gone. Phil Herrera.

Phil Herrera, Consultant
Herrera & Company

Phil

Thank you Panel, I'll be brief. First, I'm going to say that I generally defer to Steve Duscha's tier 1 and tier 2 descriptions of improvements, and I do want to share a few observations.

Barry

So you generally have the same views.

Phil

I do. However, I just want to say one thing about reducing the 24 hours to 8 hours. I closed out Agilent Technologies last week and did a calculation, in that if you had 8 hours instead of 24 hours, it would have added about 15% to the performance rate, so one quick fix for the program would be to allow contracts at 8 rather than 24. That would increase performance automatically, by 10% to 15%.

Barry

Phil, can I ask you a question? A really candid question?

Phil

Absolutely.

Barry

Do you guys have to reach to get to the 24 sometimes? Is that really going on out there? Are you sitting there thinking, I gotta get to 24, I gotta get to 24, but there's really only 17 there. Does that happen?

Phil

Right, unfortunately it does, I think the advent of more E-learning, which takes less time, and the anomalies inherent in the ETP contract, and that you can have an enrollee toward the end of the contract that hasn't had a lot of time to get to 24. It's just painful. So I do the analysis and there are all those trainees at 23.5, or at 22.5, and you close the contract out and you get zero money for that. It's just one of those things Barry. When we look at that threshold, it is something that we tell our companies that we strive for, to get to 24. It's a zero if they miss. If they do make it, they get the money, if they don't, they get nothing.

Barry

And you think 8 at the bottom; you agree that is really where it ought to be?

Phil

Absolutely, for a few reasons. One, there is some legacy history to that number 8; it's a P-1 payment thing; but it's also an indication of the hours that it takes in E-learning, which is less, and the content being similar to ILT training. 8 is one-third of what it would take previously. So 8 is just a good number administratively.

Barry

Okay, alright.

Phil

And then the last thing is electronic records. I've been very involved with all the offices in implementing that. I would encourage the Panel to pay close attention to the new system that's being developed to ensure that it really reflects how corporations and MECs track training. Particularly, groups of hours, not daily tracking. I would highly encourage the Panel to continue that initiative to adopt electronic records. And it's been a good experience in the last 6 months working with all the field offices in getting those approved; so thank you very much.

Barry

Thank you. Alright, we have three people left, actually we have 4. But John Millburn is on here twice, and I assume there are not two John Millburns, so we have John Millburn, Mario Diaz and Carl Cimino.

Jan

Kim Parker did come in.

Barry

Where is Kim Parker?

Jan

Is there a Kim Parker?

Barry

No, there wasn't.

Jill

One more, this one would like to be added.

Barry

Okay, well that's great; well we will do the next four since there's only four. John Millburn, Mario Diaz, Carl Cimino and Hellan Dowden. Alright, we're good.

John Milburn, Director

Employee Training Institute/College of the Canyons

John

Thank you, I first want to thank the Chairman and the Panel for holding this Forum. I think it's extremely important. I was excited when I saw the opportunity to speak to give stakeholder

input on how ETP might be changed, so I'm very thankful for this opportunity; thank you very much. I'll submit my comments after the meeting to the Panel, and I tried to narrow it down to some of the most important parts from what I've experienced with ETP.

I think the number one thing is to ensure the permanence of ETP. You know, when we go through cycles when funding can begin to disappear, then of course that impacts all the businesses in our area, and it also impacts our ability to build more long-term training programs that we can ensure will be there, year after year after year. So, as a broad view, if there's an opportunity to make ETP more permanent than it is now, I think that would be very helpful to all of us.

Secondly, the thing that comes up for us, and I'm with College of the Canyons in Santa Clarita in Northern Los Angeles County, the ETP minimum wage requirement poses a huge challenge to most of our employers in our area. They are primarily manufacturers in aerospace and bio-medical and many of these companies, if not most of them, have a substantial number of employees that don't meet the minimum wage requirement. In our area and Northern Los Angeles County, we're not a HUA, so our minimum wage requirement is \$16 per hour. And even when you include the benefits that the employer pays, we have employers that regularly cannot enroll their employees because they don't meet the minimum wage requirement. So my thought on that was, at least in our area, if that minimum wage requirement was lowered to something along the lines of \$12 per hour, we could reach hundreds of more employees that need the training. And the thinking here is along the line that some of the lower paid employees desperately need training to get a promotion or to get a raise. They come in a lot of times without the skills, and they learn by on the job training, or just by watching, or from others that have done this, like say for CNC machinists or those kinds of positions, and they're not earning enough money to qualify to be eligible for ETP training. And so consequently, they don't get it, and I think the result is lost productivity with the companies and a higher turnover, because the company, many times, if that employee can't cut it, they'll just replace them. And so the ETP funding could be very, very useful if we could reach that segment of the employee base that's in our area.

Barry

Let me ask you this question. The tension that exists is when you get down to the lower wage employees. If the cost of training is high and you're training somebody to work in a low skill job, it's hard to justify in the sense of being responsible to the taxpayers, to say you're going to pay \$5,000 to train somebody to do a \$20,000 a year job, when they're not likely to go anywhere. So there's a built in problem here with lower wages. Somebody comes in and says we want to do a low dollar amount worth of training; then it's somewhat in proportion. But there's sort of a built in bias towards higher wages, not only because it's good to have people making more money generally for them in society, but because we're getting the most bang for our buck. So what are we supposed to do? If you were me, how do I fix your problem and deal with that problem?

John

I've thought about that and I would readily accept a lower reimbursement rate for training offered to lower wage employees. So that might be part of the answer. We're currently at \$18 for most training, a \$26 reimbursement rate for advanced technology, and it could be something less than the \$18 for these lower wage workers, so that it stays in line with what

might make sense, and with what you just said. I think another option is, and this occurs in our area, it may not exist everywhere, but in Santa Clarita we are, as I mentioned earlier, we are not a HUA, but our neighbors to the north and east of us, Lancaster and Palmdale are a HUA. Many of the employees that work in Santa Clarita Valley in manufacturing live in Palmdale and Lancaster. So, if we were allowed to utilize the home zip code of employees, perhaps under certain circumstances, or perhaps across-the-board, we might then get into a lower wage, a minimum wage requirement for those workers, even though they're in our area. Does that make sense?

Barry

I think that's a pretty valid point because we're trying to measure something about the employee. When we look at their wages, their neighbor would qualify if their employer happened to be located next to where they live, but if they happen to be going to work in a long commute to Beverly Hills, there just not going to happen. That's what you're essentially saying, I think that's a valid point; I don't know what we do about it; but it's a valid point.

John

That's what I'm saying, in our case. The home zip code as the determinant of the minimum wage requirement could help.

Barry

For some employees, it could be an administrative nightmare, right?

John

And it also could work the other way around if someone lives in a higher area and so yes, so my first choice would just be an appropriate reimbursement rate for those workers if possible.

Barry

Okay, sometimes we ask pretty pithy questions.

John

Yes, and you know employers have mentioned this to me on several occasions. I had the CFO of a very large aerospace company say I pay into this fund, why can't I use these funds for the employees that I want to use it for? I was working to try to come up with a way to help them offset the cost of training. They're looking at hiring 100 to 200 new employees in the next couple of years and they're going to all come in at, frankly, \$10 an hour, so none of them would be eligible for ETP funded training until some later date when they make more money.

Jan

Can I make a suggestion here? I look at all the states around training and one of the things with the lower wages, let's say \$12 or even \$10 an hour, instead of reimbursing the employees, and why not reimburse the trainers' wages for those employees that have lesser wages. So we're still getting money out to do the training, but maybe just the trainer gets a wage.

John

Like an internal trainer with the company?

Jan

Right, or an outside vendor; you would pay the outside vendor if they send an invoice in, you pay the outside vendor fees versus per the trainees; see what I'm saying?

John

Sure.

Jan

So they get through training, the trainer is getting higher wages, usually.

John

Right.

Jan

But you pay the trainers' wages for the amount of hours that you train.

John

That might be a way to look at that, and I think the key is to find a way to provide ETP-funded training for these workers. The initial idea was to lower that minimum wage requirement, but I can see there might be a number of ways to achieve that. And I think the benefits would far outweigh the costs if we were able to provide not necessarily introductory training, but so many of these workers need basic skill training and here's an example. In this day and age, advanced technology is impacting everyone, especially in manufacturing, so they have identified employees that they're paying a low wage to now, but they would like them to get some training so they could become, in our case, Solid Works is a 72-hour training program for beginning Solid Works in advanced technology. So it's a couple thousand dollars if you were to pay cash for that class. The people that need to go to it, many of them can't go because they aren't making the \$16 yet. Once they completed Solid Works and had a working knowledge of that software, the employer is going to pay them more. I had an employer tell me to look at developing this employee over a couple years, to where they become the go-to employee for certain kinds of special projects. But until they make \$16 an hour, they're not going to be able to access the training programs they need and many employers are just not going to pay for those training programs out of pocket. I wish they would, but the truth is they're not going to, and they really can't afford it as you've heard and as you know as well as anybody.

California employers are under a lot of requirements and different kinds of things end up being expenses and as a previous small business owner myself, I know how that feels. Each fee that you have to pay; city, county, state, federal, they all add up and eventually any funds that you might use to develop the workforce gets diverted, especially in the smaller companies, but I see it even in the larger companies. So training goes away. In our case, I wasn't at the college at the time, but when the ETP funds ran thin, training went away in our area; there wasn't nearly as much training; it sort of follows ETP funding. So two things: one, employers rely on it; it's vital to helping keep employers here in CA and helping them keep their workforce competitive so they can continue to compete and stay here. And two, there's a whole group of folks that aren't getting the benefit of it. And that's the part that is really apparent to me as I talk to these employers, and I have to tell them I'm sorry, we can't use ETP for all those employees. So, I have one more. I just wanted to see...

Barry

Thank you, oh I'm sorry I thought you were done; I'm not meaning to rush you.

John

This one's a little more internal for the way I look at it and what this would involve. We have an MEC variable contract with ETP now, it's our second one, and this is our 11th ETP contract at College of the Canyons, but it's our second variable contract, and I'm just in the beginning of it now, in the first six months or eight months or so. And I found that the P-2, you know the second progress payment, we're only supposed to put in for the second progress payment when an employee has completed training, and then that signifies they enter retention period. In a two year ETP agreement with multiple employers, I never know when an employee is done training. The last contract we did our P-2 toward the end of the 2 years. Because if we put an employee into retention, and then they want to come back and get some more training, we have to back them out of the system, and start all over, then re-enter everything that they did, and get the P-2 reversed, and then go forward. And since we deal with multiple employers, it's not like a single employer contract where we know that entire training program; and we know each trainee and when they're going to end their training. In this case, I rarely know when a company or an employee is not going to do anymore training. So I don't know when to do the P-2; does that make sense?

Barry

A little bit.

Jan

So what would you recommend?

John

I would recommend that the P-2 be allowed to be invoiced when say 50% of anticipated training is complete and the employee has not yet entered retention. This would allow them to come back and access more training, and a retention period would start at the end of all their training. Sometimes we get an idea of that; I talk to companies, especially as the contract is coming to a close. Within 6 months of the end of a contract, I have an idea of who I can P-2 for, but again it's just an idea, it's a guess. So it would be ideal if the requirement that they go into retention was removed, and we were allowed to just ask for the second progress payment.

Barry

Okay, I think this stuff probably loses the Panel members because we're not that familiar when you get down into the actual weeds on contract administration. However, that doesn't mean that these things shouldn't be done, and when we hear about this kind of stuff, staff ought to come up with streamlining proposals, or hear ideas on contract administration, and we should think about that stuff too. It's hard, but I can't quite wrap my head around what you're saying.

John

Right, I totally understand, it took me a while too.

Barry

I hate to confess that.

John

And I'm not sure I fully understand it, but I do know that we don't ask for that second progress payment on hardly anybody until we're nearing the end of our contract because there's no way to know when an employee is finished with their training. I wish employers would sit down and do training plans, but they don't, and to try to get them to do that is, you know, delicate. I finally have a relationship with some of these employers where we're starting to have that conversation, but it takes a long time and involves a lot of relationship building, and while there's certain companies that are interested in doing that and have an idea of what we need to know, more of them are just kind of going along, like, we have these employees now and we'd like to get them some of this kind of training. Can you guys come out here and do that? That kind of thing; can I submit that idea and maybe someone can look at it?

Just a couple other comments: I just wanted to second rethinking the OOS competition concept again, and from hearing other speakers today, it really occurred to me that type of competition might not be as relevant as it used to be; if they are a CA based employer that might be enough.

The concurrent enrollment requirement is, you know, where an employee cannot be concurrently enrolled. That does create issues a lot of times. Employees in our area might live in another college's district and work in ours or vice versa, and so they may be enrolled in another college's training program under ETP and then want to enroll in ours, and even if it's not concurrent, they can't do that until the other college releases them, essentially P-3's them, and closes them out. So many employers have to pull employees from our training programs because they weren't released from the other one yet, and we don't always talk between the colleges; we don't call them and say can you release you know Joe Smith, so again, those kinds of technicalities are troublesome and I can spell that out a little better in my written comments.

And lastly, the other thing regarding the retention period, we've had a number of companies invest their cash portion in the training program. We use ETP funds, we train employees and occasionally employees leave the company during the 90-day retention period. And if they don't go to another similar company in the same industry, we have to back-bill the company for the training because ETP won't reimburse for that employee anymore. We had an example where a company training one of their engineers, did really well and then he took a job with Apple up in the Bay Area, and Apple did not qualify for ETP, it was a research position, but I have to bill the first company for the trainee's training, which is fine except they now lost the employee and they have to pay for that person's training; the employee benefitted but the ETP reimbursement was removed. Am I making sense on that?

Barry

You're making sense on that, I don't know how much that we could do about that one because once we start relaxing, that is the true slippery slope into oblivion because the fundamental thing that keeps this program really honest is the retention requirement. Because it means the employer has to be invested in the employee's future, at least for 3 months. If we get it to be less than 3 months, then that slips away and then they're less

concerned. It could be an injustice with one employee, but as soon as it got to be 10% or something, then something is going wrong; do you see what I'm saying? So I don't know how we can really mess with that very much. I'm open to suggestions, I can see in that situation it looks like a pretty lousy day from the employer's perspective. They trained, and maybe with really high wages, high-skilled employees, like I've invested a gazillion dollars in training this guy and then he just left, left me in the lurch and went to Apple or wherever he goes to and now I'm getting billed. He got the training, now I'm paying for the whole thing, the worker is gone, and you know it looks like a really bad day, I don't know, I mean I get it.

Jan

But that's with anybody. I mean you could train somebody you know, and in 8 months they are onboarding, and after that they say no, I'm leaving the company. They haven't done anything productive, all we've done is train them for 8 months; I mean that happens with any company.

John

Right and I think the retention requirement is a good one. What I'm suggesting is that if the employee leaves and is still employed, but it's not necessarily in the same industry, could the training still count. Because if the employee leaves and goes to the same industry, we just have to find out where they went and ETP will still reimburse for that training. Since they just moved between companies, but they stayed in the same industry. But when they move out of a priority industry into another industry that's not ETP eligible, they're still employed, they're still working.

Barry

So they went dancing with the stars, have become a professional dancer after being an engineer; you want them to get reimbursed, I don't know.

John

Well, maybe that's a stretch.

Barry

Alright, we get it, thank you.

John

Alright, and that's all I have; thank you very much for listening and for your time.

Barry

Alright, Mario Diaz? Okay, Mario had enough with CA government, okay. Carl Cimino?

Carl Cimino, Director

Pipe Trades Training Center of Santa Clara & San Benito Counties Local 393

Carl

Hi, I'm Carl Cimino. I'm with the Pipe Trades Training Center; Plumbing, Steam fitting and Heating and Air Conditioning Apprenticeship Program in San Jose, Local 393. I didn't realize until I got here this morning, that you're going to have a special session for Apprenticeship, so if you'd like, I can hold my comments and attend that session.

Barry

I'd rather you do that because I, and I'm really sorry that you're here, but I'd really like it if all the other people that are interested in Apprenticeship could hear what everybody else in Apprenticeship has to say, and so what you'd do is just wind up coming back again anyway.

Carl

I understand and I learned a lot today anyway.

Barry

Okay, I mean you're free to say it, but it seems like you're just going to say it twice.

Carl

It's quite alright, thank you.

Barry

Alright, last but not least, Hellan Dowden?

Hellan Roth Dowden, Stakeholder
Jewish Vocational Services

Hellan

I'm Hellan Roth Dowden, representing Jewish Vocational Services of San Francisco. And wanted to make some comments and to thank the board for holding this hearing because I think it's a really important subject and program. I was involved in writing the first legislation; I'd hate to say how many years ago, when it was first established. It's changed and CA has changed over the years, and I think this is a point where it needs to be modernized and re-examined. Not to throw the baby out with the bath water, but just to keep that bath water that's gotten kind of cold.

First what I would say is, I think you should allow the existing entities, who already qualify, to continue in the system. So if you have 60% manufacturing, maybe you set some sort of goal of maintaining that as a baseline. But to make ETP more like some of the legislation and laws that have gone through since, like SB 118, to modernize it and broaden its appeal. And that means increasing its focus on sectors which certainly has been one of the movements in terms of looking at employment policy rather than at individual businesses, to look at sector-based strategies. Which is something that 118 and some of the other bills have recently been enacted, have proposed. And then take the program, which frankly was written from a very defensive point of view: we need to keep people in CA, they are all moving out of state. And to make it much more proactive, I mean creating and enhancing CA jobs, CA industries, rather than defending against something. So if you read the preamble of the law the way that it's written, it really is a very defensive statement; it isn't a proactive statement, and I think we are moving towards that new proactive look in employment policy particularly as our economic climate is improving in CA.

And I would also make it easier for multiple employer grants and consortiums through ETP. Right now, you can do it, but it's very difficult. It really should, and this is going back to sector strategy, to make it easier to do these multi-employers in a different way. And to also link

incumbent training with career pathways, particularly for some low-income jobs. I can point to the recent request for a proposal that just came out at \$250M, career tech training, for K-12. What we are doing at our community colleges and high schools, is trying to link those jobs with actual kids going into industry right from high school. And only 30% of our population goes on to college right away. What's happening with those 70%? If we could start to link them in, and then be able, once they go into those jobs, to link that training once they're in the workforce, that I think that that would create a more seamless system, both for community colleges and for our K-12 youth. And that's where the highest number of unemployed is, in those age brackets; so address that in a more seamless policy. And that may also mean addressing the minimum wage qualifications which are now in the law, because that would be a barrier to making those kinds of changes.

Allow non-profits to participate as part of an employer consortium, if they provide in-kind funding, or a monetary match. I'm thinking in health, for example, you may have a radiology training program that costs \$100,000 to bring in a trainer. If you allowed a for-profit hospital to pay that, but brought in two non-profits who would pay their own share, it would be \$33,000 per employer rather than \$100,000 per each employer. That would save ETP money since you would only have to provide \$33,000 rather than the whole \$100,000, by sharing that training opportunity. With the Affordable Care Act, I think you're going to see a lot of emphasis on changing the way, and what people do within those hospitals and medical workplaces. So allow those kinds of training between the for-profit and non-profit. Not that they would get ETP funding, but you could split the cost between those who qualify through ETP and those who don't qualify. And make it easier to do that, which lowers the cost for everyone. I'm sure the trainers aren't going to like it as much, since rather than making \$300,000, they're only going to make \$100,000, but in a sense it's a lot more efficient for those employers to be able to join and do that.

I think the other issue is online education. We know that that's what employers are doing. If we can figure that out a little more, put some regulations or maybe put that in a statute; I think we need to address that as an issue. I don't have a resolution to that issue, but I do think it needs to be addressed, and then figure out what we need to do and modernize the statute to reflect that. And what we can do in regulation, do in regulations. Over the years, our regulations in this program have grown because we're trying to fix the box that we have originally created, to make it more flexible. But frankly, if we go back to that original statute and make some of these changes, say take the sort of OOS emphasis and put that with our growing economy in CA. We want to make the statute reflect the current reality in CA, and also the idea that we are a proactive agency rather than a defensive one. Thank you very much.

Barry

Thank you, so that concludes the people that have signed up. Is there anybody else that wants to be heard?

Steve Duscha, Consultant
Duscha Advisories

Steve

May I correct something that's been said a couple of times?

Barry
Okay.

Steve

OOS competition was not there at the creation; it didn't come until about 10 years after ETP was created. And if we could, I'm recommending broadening it instead of eliminating it, because that could be done now without going through legislation, which unless you slip it into a trailer bill, wouldn't take effect until another year or more.

Barry

I understand; thank you for that correction. With that, I think we conclude the day's festivities and thank you all for being here and being patient and for your very valuable comments. I think we really would like to make some changes here. I think it's time to make some changes. I think it's pretty clear, at least from the speakers, there's a consensus on a number of issues around OOS competition, a minimum number of training hours, some really complicated streamlining that sounds almost as complicated as what we've already got, but maybe there's something there. But I do think that we should look at it, and I think you know, all of you who are active in this area, and us, we need to talk, have a discussion with the administration about whether they're amenable to statutory changes like maybe this OOS competition thing just doesn't make any sense in the modern world; maybe there's nothing but OOS competition. I don't know. Anyway, I do appreciate all of you coming. Thank you; and with that we're adjourned. (meeting adjourned at 2:12 p.m.)