



EMPLOYMENT  
TRAINING  
PANEL

---

Strategic Plan  
2005-06

# Contents

A. Vision Statement .....	2
B. Mission Statement.....	2
C. ETP's Role In The Economy .....	3
D. Assessment Overview .....	7
E. ETP's 2005-06 Budget.....	13
F. Funding Priorities .....	15
G. Goals and Objectives.....	18

## APPENDIX

- A. 2005-06 Revenues and Expenditures

## **A. Vision Statement**

*ETP will maximize leveraging of ETP funding by partnering with other workforce development programs to strengthen the skills of California workers and maintain a healthy state economy.*

## **B. Mission Statement**

*The mission of ETP is to provide financial assistance to California businesses to promote customized worker training through partnerships with government, business, and labor for the purpose of:*

- ◆ *Attracting and retaining businesses that promote a healthy California economy;*
- ◆ *Providing workers with good jobs that pay good wages;*
- ◆ *Successfully competing in the global economy; and*
- ◆ *Promoting the value of employee training.*

## C. ETP's Role In The Economy

### Fulfilling Its Mission

Established in 1982, the Employment Training Panel (ETP) has proven itself over the past two decades as one of the State's key economic development programs, administering the only statewide program of its kind. As the State's only employer-driven training program supporting retraining for incumbent workers, ETP differs from other workforce development organizations whose emphasis is on pre-employment training. The Panel fulfills its mission by funding employer-driven training and supporting industry-specific training for incumbent workers and the creation of high-wage, high skill jobs to ensure California businesses have the skilled workers they need to compete globally.

A skilled workforce is key to a company's ability to remain competitive. Employers must be able to effectively train workers and to maintain a skilled workforce capable of responding to changing business and industry needs. While the need for workforce training is critical, businesses generally reserve training dollars mostly for training in highly technical and professional occupations – limiting investment in training for frontline workers who actually provide goods and deliver services. ETP helps to fill this gap - funding training that is targeted to frontline workers.

ETP funded training works because it is predicated on simple, highly effective protocols:

- Employers make decisions about the training program. Employers are involved in every aspect of training. Companies assess their workforce training needs, customize curricula to address the specific needs of their business, and implement and administer the training. ETP-funded training is driven by employers.
- Training investments help companies become more profitable, so companies should share that profit with workers involved in training. ETP contracts promote wage increases and require employers to retain trained workers for specific periods in order to earn ETP funds.
- Employers are encouraged to assume greater risk and responsibility for more expensive training. ETP reimburses contractors based on flat rates. Companies must pay the difference between ETP reimbursement and their actual training costs. As training costs increase, companies pay a larger percentage of the training costs.
- Performance-based contracting ensures success. A business may earn Panel funds only after a trainee completes all training, and a subsequent employment retention period (normally 90 days) at a required wage, in a job using the skills learned in training. Other performance requirements specified in each training contract ensure that each stakeholder – the company, the worker, and ETP – share responsibility for expanding the amount of high-wage, high-skill employment in California.

- ETP funding is a catalyst for future workforce training. Employers who participate in ETP-funded training and experience the benefits of training are more likely to invest in future workforce training. The ETP experience invests contractors in the concept of workforce training, providing them practical knowledge and tools to successfully implement a training plan.

ETP's role in the economy has evolved from its initial mandate in 1982 of moving large numbers of unemployed workers quickly into employment and saving the jobs of workers threatened with displacement. The program has since taken on an increased economic development focus in support of retraining incumbent workers of businesses in basic industries challenged by out-of-state competition (primarily manufacturing and high technology sectors). Today the Panel is focused on its emerging economic role of supporting business attraction, retention and expansion, and job creation throughout the State.

- The Panel partners with State and other economic development entities to support economic development incentives that attract new businesses to California, encouraging companies to stay in the State, and foster company growth. In this joint effort, the Panel funds training for Critical Proposal projects, providing special contracting incentives (e.g. higher reimbursement rates) to certain businesses considering moving into California or expanding within the State, or that might be amenable to altering plans to move their California operations out of the State.
- The Panel funds training for basic industries that have the greatest economic impact and return on the investment to the State.
- The Panel works directly with business and labor, collaboration that has shaped the program over the past years and will ensure its continued success in the future.

ETP's performance in funding training to help employers become more successful and to expand the number of secure, good jobs in the State is exceptional:

- Since it began operation, ETP has funded training for over 600,000 workers in more than 55,000 businesses. Approximately 60 percent of the businesses served have been companies with 100 or fewer workers.<sup>1</sup>
- Independent research findings support the value of ETP-funded training, including a return on investment of over \$5 for every \$1 in ETP funds spent on training, as measured in benefits to companies, workers, and California's economy.<sup>2</sup>

---

<sup>1</sup> ETP 2003-04 Annual Report.

<sup>2</sup> CSUN: "Training That Makes A Difference", 2000.

ETP accomplishes its mission without impacting the State's General Fund. ETP's programs are funded by a special employment training tax paid by California companies to promote the development of an improved State workforce. Only those employers subject to this tax can directly benefit from ETP-funded training.

## **Overview Of Organization**

ETP is one of several Departments within the Labor and Workforce Development Agency. The Labor Agency is led by a Cabinet-level Secretary and encompasses ETP, the Department of Industrial Relations (DIR), the Employment Development Department (EDD), the Agricultural Labor Relations Board (ALRB), and the Workforce Investment Board. ETP retains its autonomy under this organization, and continues to independently act on proposals for funding and in setting program policy. The Labor Agency promotes opportunities to collaborate and expand workforce training, particularly in regard to economic development.

ETP is governed by a seven-member Panel.<sup>3</sup> They are appointed by the Governor and Legislative leaders. The purpose of the Panel is to act on funding proposals, to adopt appropriate program policies and regulations, and to make final determinations regarding appeals from decisions of the Executive Director.

The Governor appoints a Chair to lead the Panel's deliberations. The Panel selects a Vice Chair to assume the Chair's role when needed. All actions require a quorum of the Panel members and a majority vote of the quorum. The Panel normally meets each month in metropolitan areas throughout the State.

ETP has a professional staff of 88 full-time positions. Approximately one-half of the staff is located in Sacramento, with the remaining staff located in regional offices in San Diego, San Francisco Bay Area, and North Hollywood. ETP staff administers the program statewide by marketing the ETP program; developing, monitoring, and auditing training contracts; providing program and administrative support to the Panel.

The staff is led by the Executive Director (currently a vacant position) who is appointed directly by the Governor. The Executive Director has the overall authority for administering the program.

---

<sup>3</sup> ETP's enabling Legislation includes an eighth Panel member – The Secretary of the Technology, Trade & Commerce Agency; however, that Agency was eliminated effective January 1, 2004, and the Panel is constituted of seven members pending amendment to the Legislation.

## **Planning For The Future**

In recent years, the Panel has faced significant reductions in its funding level (see page 14, E., ETP's 2005-06 Budget for details). In Fiscal Year (FY) 2005-06 the Panel's appropriation is 50 percent below ETP's historical funding level. The Panel has also experienced a 25 percent reduction in staff in the past two years. Thus, the Panel's biggest challenge is to determine how to best utilize its finite funds and limited staff resources to carry out its mission.

The updated Strategic Plan outlines the Panel's strategies for accomplishing its mission in the next fiscal year based on an assessment of the state of the economy, ETP's economic development role, results of the California Performance Review, employer demand for training, key workforce initiatives, program research, continuous process improvement, and the Panel's budget and available resources. The Plan establishes Panel funding priorities, and corresponding goals and objectives to address the Panel's challenges and opportunities.

## D. Assessment Overview

Staff reviewed ETP's external and internal environments to identify factors, trends and issues with potential impact on the program. Following is a brief overview of this assessment.

### State of the California Economy

California's job growth is contingent upon the national rate of job growth, the number of industries that have higher than average growth, and the attractiveness of the State as a location for entrepreneurs and workers competing globally, which supports the State's economic base.

The California economy continues to rebound -- The State's rate of growth is consistent with the nation's, but has decreased from the pace of 2004. Nonetheless, in the past year, California has experienced solid economic growth, led by continued gains in consumer spending, large increases in business investments, and expanding exports.<sup>1</sup>

Economic indicators suggest that the State will continue to see modest growth for the next couple of years. The decrease in the value of American currency abroad has prevented entertainment production companies from moving elsewhere, and strengthened manufacturing and tourism.<sup>2</sup>

Despite manufacturing losses in recent years, California remains a manufacturing powerhouse, boasting one of the most sophisticated and diverse manufacturing bases anywhere in the world. High tech goods -- computer and electronics, semiconductors, medical devices and communications equipment—account for a large proportion of manufacturing employment (22 percent). However, a full third of jobs (33 percent) are in “heavy manufacturing”—automobiles, fabricated and primary metals, and aerospace and defense equipment. Consumer perishable goods—food, apparel, and beverage and tobacco—make up another 18 percent of jobs. Nonetheless, according to the California Manufacturers and Technology Association, so far, an estimated 200,000 manufacturing jobs have been lost in California due to economic conditions and improved productivity, while 90,000 have been lost due to falling exports and 20,000 due to jobs moving to other states.

The high tech industry has finally recovered from the downturn and added 28.3 percent in new high tech manufacturing jobs. Additionally, California still remains attractive to businesses and workers for its natural amenities.<sup>3</sup>

---

<sup>1</sup> Legislative Analyst's Office, “Overview of the 2005-06 May Revision”

<sup>2</sup> UCLA Anderson School of Management Forecast March, 2005

<sup>3</sup> UCLA Anderson School of Management Forecast March, 2005



While the rate of unemployment has decreased, so too has the rate of job creation. A slow recovery has caused the private sector to be more conservative in creating new jobs.<sup>4</sup> In addition, economies within California vary by region. Accordingly, each ETP regional office responds to the needs of the region it serves, based on the economic trends in that area. The largest basic industry job growth is projected for professional and business services and wholesale trade and transportation. The Bay Area has an above-average concentration in both these sectors, and therefore has the highest projected regional basic industry growth rate between 2003 and 2012. However, with a projected job increase of 24.6 percent in the decade ahead, the San Diego County region is expected to be the job growth leader. The region's proximity to the Mexican border will enhance its foreign trade growth.

Continued growth will be dependent upon new and evolving industries, such as nanotechnology. A qualified workforce in long-term careers with upward mobility, such as nursing; support for construction (residential housing, commercial construction, public works); and, improved workplace policies will be critical to growth.

The State continues to be challenged by a critical shortage of nurses. Studies indicate a minimum of 9,500 new nurses are needed each year to keep pace with the demand. Nearly half of the State's nurses are currently coming from outside California. The changing demographic of California's aging population contributes to the importance of reversing this nursing shortage.

Small business remains the economic engine of the State economy, with great potential for generating economic growth. The Panel has a history of primarily serving small employers with 100 or fewer employees. More than 80 percent of all businesses served by ETP funds are small businesses, two thirds of which employ 100 or fewer, with more than 50 percent employing 50 or fewer.

## **California Performance Review**

On August 3, 2004, the California Performance Review (CPR) team released its evaluation of California State Government, as requested by Governor Schwarzenegger. The CPR Report is a comprehensive examination of the methods and practices of government, with the goal of increasing efficiency and accountability while achieving savings for the State.

---

<sup>4</sup> Center for Continuing Study of the CA Economy (CCSCE): CA Economic Growth, 2004

Among the CPR proposals was the elimination of approximately one-third of all current State boards and commissions, including ETP's governing board. However, the CPR proposed retaining the ETP program function within the Workforce Development Division of a new Labor and Economic Development Department – one of eleven proposed newly-integrated State departments. After a series of public hearings to gather public testimony on the CPR findings, the Employment Training Panel was removed from the list of boards and commissions proposed for elimination – affirming the Panel's unique and continued role in California's economic development.

## **An Increasing Economic Development Role**

With an increased role in supporting statewide economic development initiatives, the Panel will continue to assist efforts that attract and retain California businesses, and support job creation. The Panel will also support Red Teams and the need for trained workers in growth industries.

In 2004, the Panel approved amendments to its "Critical Proposal" regulation to better support statewide economic development efforts. The updated regulation provides for an expedited application process, modified contracting requirements, and higher reimbursement rates for applicants who are (1) locating into California, (2) expanding their California workforce, or (3) retaining their California workers and making efforts to remain in the State, rather than relocating elsewhere.

Critical Proposals are joint efforts initiated by other State and local economic development entities, to bring proposals to ETP after determining that workforce training would be a meaningful incentive to certain businesses considering moving into California or expanding within the State, or that might be amenable to altering plans to move their California operations out of the State.

Two important incentives to businesses eligible for Critical Proposal funding are: (1) the availability of modifications to certain conditions ordinarily required in ETP training contracts, subject to the Panel's discretion, and (2) an increase in the reimbursement rate of up to 20 percent more than the rate available for similar training in other funding categories.

In support of these and similar efforts, the Panel approved nearly \$15 million in training funds for business expansions to create an estimated 3,500 new high-wage jobs in FY 2004-05. Currently the Panel is working with its State and local partners – with ETP funded-training being the major incentive - to encourage over 40 companies to locate to California, expand their workforce, or retrain workers rather than locate out of the State. However, as the State's only source of discretionary funds to be used as an incentive for economic development, the projection for this fiscal year will likely increase as the Panel encounters new opportunities to support economic development.

## **Targeted Marketing**

ETP's marketing efforts are driven by the Panel's priorities and the need to reach businesses that have the most impact on the California economy. ETP has therefore enlisted key partners to provide marketing outreach to target industries. Current partners include the California Manufacturing and Technology Association and the California Labor Federation. ETP has targeted specific industries through marketing contracts with these partners, which include specific performance requirements. ETP also works with local Workforce Investment Boards (WIBs), training consultants, and other interested stakeholders to market ETP to potential businesses.

## **Supporting Employers' Demand for Training**

The Panel continues to experience an ongoing high demand for its regular training funds. As a result, the Panel has approved funding limitations to ensure optimal targeting of its limited resources (e.g. a moratorium on the funding of budget-based contract reimbursements, first-time training agencies and grant recipients under the Workforce Investment Act, truck driver training, and limited training for non-frontline workers.) Nonetheless, at the start of the fiscal year, the Panel had already received more than 100 requests for training (not impacted by the funding limitations) amounting to approximately \$34 million in potential funding.

## **Addressing Key Workforce Needs**

In FY 2005-06, the Panel will fund training to address key workforce needs, supporting California businesses and workers through the following efforts:

- Fund training to retain business in California and attract companies into the State, resulting in job creation;
- Fund training to support new and emerging industries such as life-science and advanced transportation (i.e. hybrid vehicles, bio/alternative fuels) as well as for firms in basic industries, including manufacturing and high technology services, to assist in their economic recovery;
- Fund training for the aerospace and defense industries, supporting the Governor's efforts to increase aerospace and defense companies' share of federal homeland and national defense contracts;
- Fund training for the construction and transportation industries, supporting efforts to rebuild California's infrastructure;
- Fund training to address California's nursing shortage;
- Fund training for small business, supporting the economic engine of the state; and,
- Fund training for companies in high unemployment areas (HUA) of the State, with a focus on the "working poor". ETP defines HUAs as counties or sub-county areas with unemployment rates 25 percent higher than the State average. HUA

training is focused on workers who have full-time jobs and fairly stable employment, but earn low wages, and lack the essential job skills necessary to improve their employment opportunities.

## **Program Research**

The Employment Training Panel has been successful because it continually evaluates its programs and operations for refinements to better meet the needs of California businesses. Processes are simplified to expedite the contracting process and provide better service to customers. Technology is enhanced to make information and services more accessible to customers. Research is conducted to evaluate the program to ensure adjustments are made to address changing workforce needs. For example:

- The most recent program evaluation by researchers at California State University, Northridge (CSUN) in 2004 found ETP to be an effective catalyst for continued employer-provided training; that ETP-funded training had significant positive impacts on workers and companies, including significant earnings increases; and that single employers were better served than employers in multiple employer contracts (MECs) by ETP-funded training. Furthermore, the larger the percentage of workers trained, the larger the growth seen in company employment and payroll records.
- In September 2002 the Panel initiated a Small Business Pilot Project (SBPP), implementing an expedited contracting process to facilitate direct contracts with businesses having 100 or fewer employees. Upon completion of the \$1 million pilot in 2003, ETP contracted with California State University, San Francisco (CSUSF) to evaluate the project and to determine if the SBPP should become a permanent program feature. The researchers at CSUSF found the pilot to be successful in increasing direct small business participation in the program. The Small Business Program is now a permanent ETP feature.

Based on recent studies, the Panel will further assess Multiple Employer Contracts (MEC) (retraining and new-hire training) for the purpose of improving the effectiveness of MEC contracts. Panel staff will conduct research on the issues and report back to the Panel during the upcoming fiscal year. In addition, staff will undertake internal studies and research on: (1) the consistent application of criteria to justify that training is supplemental to existing training programs and funding sources, (2) an evaluation of the need to increase fixed-fee reimbursement rates, and (3) project management of Small Business Program training projects.

## **Program Budget and Staff Resources**

ETP is funded exclusively by the Employment Training Tax (ETT), which California companies pay to promote development of an improved State workforce. The ETT was established solely for the purpose of funding ETP. Historically, ETP's annual appropriation from the Employment Training Fund (ETF) has been close to \$76 million. However, revenue shortfalls and annual transfers from the Fund to other programs for which these monies were not intended have drastically reduced funds available for ETP, and the Panel has had to deal with a lean budget over the past several years.

ETF transfers to other programs, especially to the Department of Social Services (DSS), have had substantial impact on ETP's available funds in recent years. Over the past three fiscal years, DSS has been the primary recipient of the ETF – with 52 percent going to DSS over this period, and only 39 percent going to ETP, which is the program for which the ETF was intended.

In addition, a 25 percent reduction in staff resources in the past two years has challenged the Panel's ability to develop and monitor a sufficient number of training contracts to meet the increasing training demands of California employers.

As described in Section E, "ETP's 2005-06 Budget", the Panel's appropriation in FY 2005-06 is well below its historic levels. Though operating on a leaner budget and with less staff resources, the Panel anticipates continued progress in meeting its mandates and priorities, maximizing its resources through strategic planning.

## E. ETP's 2005-06 Budget

There is \$84.7 million available in the ETF for this fiscal year. However, of that amount, only \$38.2 million is appropriated to the ETP program, while \$46.5 million (55 percent) is transferred to other programs, primarily to the Department of Social Services (DSS) for CalWorks. (See "FY 2005-06 Revenue & Expenditures" table in Appendix A.)

Thus, estimated total funding that will be available for the ETP program is \$52.2 million. This consists of the Budget Act appropriation of \$38.2 million, and an estimated \$14 million in disencumbrances (unearned funds) available for reinvestment in new training projects. As illustrated in Appendix A, these funds are allocated for expenditure within the following budget categories:

- 1) Program Funds: \$42.3 million to fund training and employment retention for incumbent workers and unemployed workers;
- 2) Marketing and Research: \$425,000 for strategic program marketing.
- 3) Administration: \$8.4 million for operational costs to administer the program, which includes \$500,000 to the Employment Development Department for administrative support.
- 4) Statewide General Administrative Costs - ProRata: \$1,063,000 for indirect costs incurred by central service agencies from special funds (per Government Code [GC] 11270 through 11277).

The demand for program funds continues to exceed ETP's program fund budget. The Panel has already received over 100 requests for funding this fiscal year. These are in addition to more than 40 potential critical economic development incentives that may become training proposals in the current or future years. While the Panel's appropriation is actually a 30 percent increase over last year's, it is still 50 percent below historic levels. Further, given ETP's incremental funding process, obligations in prior year contracts account for \$12 million of the \$42 million in available program funds, leaving only \$30 million in funds available for new training projects this fiscal year.

These factors require the Panel to take steps to prioritize the best use of its limited funds this fiscal year. Therefore, the Panel will take the following actions:

- Continue to apply funding limitations, as follows:
  - Limited training for non-frontline workers (supervisors and managers);
  - A moratorium on the funding of first-time training agencies and Workforce Investment Act (WIA) grant recipients, given their lack of familiarity with

the Panel's contract performance requirements, higher risk, and lower success rate;

- A moratorium on the use of budget-based contracts given their higher costs;
  - A moratorium on funding training for truck drivers, given that most such training is mandated by the industry and should be the responsibility of trucking companies;
  - Lowest funding priority for all training for the adult entertainment industry, and card rooms and casinos; and
  - No research contracts, as research funds may instead be invested for training, ensuring additional training funds for the remainder of the fiscal year.
- Continue to incrementally encumber funds at minimal levels to maximize the number of new training projects the Panel can fund while also ensuring first-year contract costs are covered. The Panel will initially encumber 35 percent of the contract amount to cover first year costs and mitigate future year liabilities. This will enable the Panel to fund about \$87 million in new contracts in the fiscal year.
  - Limit contract amounts at project approval -- with the provision that additional funds may be amended into a contract consistent with contract performance and Panel priorities.

These actions will be taken to ensure optimal targeting of ETP's limited funds, in support of the State's critical industries. In addition, the Panel has set specific priorities for the expenditure of funds, by funding category, as outlined in Section F, "Funding Priorities".

## F. Funding Priorities

Based on staff's assessment of the program's environment and available resources, the Panel will prioritize the use of its funds in FY 2005-06, as follows, according to each budget category.

### 1) Program Funds

The Panel funds training under two categories: 1) Economic Development, which targets job creation and retraining for businesses facing out-of-state competition; and 2) Special Employment Training (SET), for projects that do not meet the "Economic Development" project criteria, but have characteristics that make them a priority for economic and workforce development.

Most projects are approved under the Economic Development category, primarily to support retraining of incumbent workers. Some funds under this category are to support training for unemployed workers (i.e., "New Hires").

- Retraining programs train employed individuals in companies that are facing out-of-state competition and need to retrain their employees to improve the business's competitiveness.
- New Hire training programs train unemployed individuals who are currently receiving unemployment insurance benefits or have exhausted their benefits within the last two years.

Ten percent of ETP's training funds are available for projects approved under the Special Employment Training (SET) category. The purpose of the SET category is to fund projects to improve skills and employment security of frontline workers in projects that do not meet standard employer or trainee eligibility requirements, but are a priority for workforce training. SET projects target frontline workers (i.e., those workers directly producing goods or services) earning at least the State average wage. SET funding also allows training of frontline workers who do not earn the State average hourly wage, if they are in high unemployment areas, have multiple barriers to employment, or are small business owners.

Under both the Economic Development and SET categories, the Panel funds "Critical Proposals" as part of statewide economic development initiatives in support of business attraction, expansion and retention.

The Panel also prioritizes training under both funding categories for small businesses, and for businesses and workers in high unemployment areas (HUAs) .



### **Funding Priorities for FY 2005-06:**

- Under the Economic Development category, the Panel will prioritize training support for the manufacturing industry and other basic industries key to the State's economic health, including aerospace, life sciences and high technology. Funds should be specifically targeted to businesses in these sectors, given their importance to the State's economy, and their high return on the investment of training funds
- Under SET, the Panel will target specific industries and occupations that do not have out-of-state competition, but which are key to the State's economy and the Administration's priorities – major emphasis will be placed on training support for the healthcare and construction industries.
- Under both the Economic Development and SET categories, the Panel will prioritize:
  - The funding of Critical Proposals in support of statewide efforts to retain and attract new businesses to the State, while expanding California jobs and thereby increasing needed State revenues. As one of the few economic development tools available in California, ETP is essential to these economic development efforts.
  - Support of small business. The Panel will continue to emphasize small business and publicize the program's small business efforts, including its Small Business Program, which facilitates the direct contracting process for businesses with 100 or fewer workers.
  - Training in high unemployment areas (HUA) of the State, with a focus on the "working poor", which continues as on-going priority of the program.
- The Panel will continue its efforts to restore resources that have been diverted from the ETF to DSS to ensure the Fund is used for the program for which it was intended.

### **2) Marketing and Research Funds**

Under this budget area, the Panel funds contracts with outside entities for marketing and independent research. The Panel has restricted any funding for new research studies in this fiscal year. However, up to \$425,000 will be available for new marketing contracts that will target a number of key business-labor initiatives.

### **3) Administration Funds**

Administration funds are used for activities in developing and monitoring training contracts, fiscal accounting, information technology (IT) support, ETP staff marketing activities, performing internal research studies, and overall administration of the program.

#### **Funding Priorities:**

- Continue refining information technology (IT) capabilities, streamlining the contracting process; increasing program effectiveness; and enhancing service to customers.
- Conduct internal research on key program issues.
- Continue reviewing and refining regulations, policies, and agreement requirements.

## **G. Goals and Objectives**

In support of its FY 2005-06 funding priorities, the Panel has developed the following strategic goals and objectives for the fiscal year:

### **Goal #1: Increase businesses' competitiveness through a trained workforce.**

*Objectives:*

- *Target at least 90 percent of funds approved under the Economic Development category for retraining of workers, prioritizing businesses in the manufacturing, aerospace, life sciences, and high technology sectors.*
- *Target up to 10 percent of funds approved under the Economic Development category for job creation, resulting from the training and employment of unemployed workers in good paying jobs.*

### **Goal #2: Support key growth and demand occupations in businesses that do not meet standard criteria.**

*Objective:*

- *Target 10 percent of available funds for frontline workers in Special Employment Training (SET) projects, to support growth industries having a high impact on the economy, that do not have out-of-state competition, prioritizing healthcare and construction.*

### **Goal #3: Participate in statewide economic development initiatives by funding Critical Proposals.**

*Objective:*

- *Prioritize funding for proposals that represent collaborative efforts at the local level to support statewide economic development initiatives focused on business attraction, expansion, and retention, and job creation.*

### **Goal #4: Support Businesses and Workers in High Unemployment Areas (HUA).**

*Objective:*

- *Target up to \$10 million for training in areas of high unemployment with a focus on helping the working poor move to higher-wage jobs.*

**Goal #5: Support small businesses.**

*Objectives:*

- *Increase, by at least 25 percent, the number of small businesses with 100 or fewer workers contracting directly with the Panel.*
- *Simplify project management requirements for the Small Business Program.*

**Goal #6: Increase ETP funding to standard levels.**

*Objective:*

- *Restore ETF funds that have been diverted to DSS back to the ETP program to ensure that the ETF supports the training and workforce needs of the employers for whom the Fund was intended.*

**Goal 7: In conjunction with marketing partners, provide outreach to customers for ETP training projects that meet the Panel's top priorities.**

*Objective:*

- *Develop and execute new marketing contracts based on a Request for Proposal, including specific performance requirements for bringing in targeted clients.*

**Goal #8: Continuously increase the efficiency and effectiveness of the ETP program, to improve customer service.**

*Objectives:*

- *Continue implementation of automated processes, including an on-line orientation and application, and seek additional methods of improving automation of processes, forms, and procedures.*
- *Assess data needs pertinent to each critical function, and ensure that automation processes yield necessary data.*
- *Develop means for automated contract management.*
- *Obtain customer feedback and improve processes continually based on feedback.*
- *Continue an ongoing review and refinement of regulations, policies, and agreement requirements.*

**Goal #9: Address key policy issues.**

*Objectives:*

- *Assess the effectiveness of traditional new hire training, in order to better support job creation.*
- *Assess the multiple-employer contractor (MEC) provided retraining and implement changes to improve the effectiveness of MEC retraining.*
- *Establish a Supplemental Training Policy to ensure that funded training is supplemental to training provided by a company during the normal course of business, or funding available through other sources.*
- *Review fixed fee reimbursement rates to determine if they need to be increased.*
- *Address training needs of workers in seasonal industries.*
- *Refine subagreement requirements for ETP contracts.*

**Goal #10: Promote the value of employer-provided training, and serve as a catalyst for employers to invest in worker training.**

*Objective:*

- *Promote the value of workforce training to employers via the ETP Home Page and other avenues*
- *Collaborate with other workforce partners such as California Workforce Investment Boards in efforts that promote workforce training.*

## Appendix A

### FY 2005-06 Revenue & Expenditures

The following table illustrates anticipated revenues and expenditures in FY 2005-06.

<u>Employment Training Fund (ETF)</u>	\$ 84,687,000
 <u>ETF Transfers</u>	
Department of Social Services	(\$37,930,000)
Department of Industrial Relations	(\$3,143,000)
EDD Tax Collections	(\$5,317,000)
State Controllers Office	(\$80,000)
Additional Pro Rata	(\$35,000)
 <u>ETP Program</u>	
Appropriation .....	\$ 38,182,000 <sup>1</sup>
Funds Reinvested .....	<u>14,000,000<sup>2</sup></u>
Total .....	<u>\$ 52,182,000</u>
 <u>Expenditures (Planned)</u>	
Program Funds .....	\$ 42,294,000
- <i>Economic Development</i> .....	38,064,600
- <i>Special Employment Training</i> .....	4,229,400
Marketing and Research .....	\$425,000
Pro Rata – Program 50.....	\$1,063,000
Program Administration .....	<u>\$8,400,000</u>
Total	<u>\$ 52,182,000</u>

<sup>1</sup> Funds appropriated for the operation of the ETP Program in State Budget Act. It should also be noted that while approximately \$84.7 million in Employment Training Tax funds are projected to be collected in fiscal year 2005-06, ETP is only appropriated \$38.2 million of that amount.

<sup>2</sup> Training funds approved in prior contracts that were unearned and subsequently disencumbered for use in FY 2005-06.