



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL**
Sacramento City Hall
California Environmental Protection Agency
1001 I Street, Sierra Hearing Room
Sacramento, CA 95814
May 25, 2017

PANEL MEMBERS

Barry Broad
Chair

Janice Roberts
Vice-Chair

Gloria Bell
Member

Will Koch
Ex-Officio Member

Gretchen Newsom
Member

Edward Rendon
Member

Jeff Robinette
Member

Sam Rodriguez
Member

Executive Staff

Stewart Knox
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 9:39 a.m.

II. ROLL CALL

Present

Gloria Bell

Barry Broad

Gretchen Newsom

Edward Rendon (departed at 12:41 pm)

Janice Roberts

Jefferson Robinette

Sam Rodriguez (departed at 12:47 p.m.)

Absent

Will Koch

Executive Staff Present

Stewart Knox, Executive Director

Maureen Reilly, General Counsel

III. AGENDA

Chairman Broad asked for a motion to approve the Agenda.

ACTION: Ms. Roberts moved and Ms. Newsom 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 March 24, 2017 meeting.

Motion carried, 7 – 0.

V. REPORT OF THE EXECUTIVE DIRECTOR

Stewart Knox, Executive Director, said, welcome and good morning Panel members, applicants, and stakeholders. Following the Panel meeting in March, we have a smaller Panel meeting today with approximately \$5.3M in projects with another \$1.6M in Delegation Order for a total of just over \$6.9M.

Today we have a mix of Single Employer and Multiple Employer Projects. Diana Torres, San Diego Regional Office Manager, Anna Nastari, Foster City Regional Office Manager, and Mark Mazzone, Sacramento Regional Office Manager, are here today to present the Proposals.

Regarding the Budget for Alternative Fuels and Vehicle Technology Program, \$2M was approved through an Interagency Agreement in partnership with the California Energy Commission (CEC). We have had two proposals in the last few months totaling over \$900,000, leaving approximately \$800,000 for this Fiscal Year (FY).

In regards to Core Funds for FY 2016/17, today the Panel will consider \$5.3M in projects with an additional \$1.6M approved by Delegation Order. Should the Panel approve all the projects today, ETP will have approximately \$0 for the remainder of the Fiscal Year (FY) 2016/17.

Under Delegation Order, all project proposals are capped at \$100,000 to be approved by the Executive Director on a continuous flow basis, and as of today, 29 projects were approved totaling over \$1.6M.

For FY 2016/17 program funding to date, we have approximately 594 projects submitted, with a value of just over \$110M. If all the projects are approved today, the Panel will have approved 440 projects with a value of under \$96M in proposals. Our staff has done a great job.

Regarding applications for contracts that are remaining in the Regional Offices: Single Employer Contract requests are at \$38M; \$0M in allocation. Multiple Employer Contract (MEC) requests are at \$10M; \$0M in allocations. Small Business has \$3.8M in demand; \$0M in allocations. Critical Proposals are at \$630,000 in demand; \$150,000 in allocations. Apprenticeships are at \$2.8M in demand; \$0M in allocations. Overall demand is approximately \$56M.

The number of total projects in the Regional Offices are 223; total number of projects in the Applications and Assessment Unit is 81; overall total of 304.

In terms of legislative updates, we have provided copies for the Panel members. The Employment Training Panel (ETP) is mentioned in a couple of pending bills at this point. We will keep you posted if we receive any new updates.

VI. MOTION TO ADOPT CONSENT CALENDAR PROJECTS

Mr. Knox asked for a motion to adopt Consent Calendar Items #1 through #5.

Armstrong Flooring, Inc.....	\$127,617
Levlad.....	\$224,340
Los Angeles Pacific College.....	\$146,629
TRL Systems, Inc.....	\$189,000
Waterman Industries.....	\$117,860

Mr. Knox said, Item #1, Armstrong Flooring, Inc. was reduced by 15% from the original amount.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of Consent Calendar Items #1 through #5.

Motion carried, 7 – 0.

VII. REQUEST MOTION TO DELEGATE IN EVENT OF LOSS OF QUORUM

Mr. Knox asked for a motion for the Panel to delegate authority to the Executive Director to approve Proposals and other action items on the Agenda in consultation with the Panel Chair or Vice Chair.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the approval to delegate authority to the Executive Director in event of loss of quorum.

Motion carried, 7 – 0.

Mr. Broad said, there is a discussion item to move \$2.8M from ETP to fund the Apprenticeship Program at the Apprenticeship Council. If that happens, we would have to reduce the funding for the Apprenticeship Programs. I just want to note that for those who are concerned about apprenticeship. Mr. Knox said, that is a discussion item at this point. I will continue to update the Panel if I hear anything new.

VIII. ACTION ON FUNDING LIMITATIONS FISCAL YEAR 2017/18

Total Projected Budget

Fiscal Year 2014/15: \$81,230,292
Fiscal Year 2015/16: \$98,241,488
Fiscal Year 2016/17: \$97,200,000
(\$89.5M projects approved through March 2017)

Number of Approved Projects

Fiscal Year 2014/15: 413
Fiscal Year 2015/16: 403
Fiscal Year 2016/17: 447 (projected)
(398 approved through March 2017)

Number of Approved Trainees

Fiscal Year 2014/15: 84,964
Fiscal Year 2015/16: 105,143
Fiscal Year 2016/17: 106,416 (projected)
(100,925 approved through March 2017)

ETP Funding Strategies

- Multiple Employer Contracts (MEC)
- Single Employers
- Small Business
- Continue to encourage the Small Businesses to move in MECs
- Critical Proposals and Apprenticeship Program/Non-Traditional Outreach/Women in the Trades
- Limit MECs and Single Employers to once a year funding and 70%
- Allocate funds based on historical demand of these categories. This seemed to work very well the last 3 years in terms of management and oversight of funds.

Mr. Knox said, we will continue to work the Apprenticeship Program and hope that we can increase the number of women in the trades. I think I have quoted some statistics in the past, and we were almost at a 50-50 split; now we are down to 37%. Currently, the program consist of 6% women, and we would like to see that number increase. Maybe we can have a discussion with the Panel, and see how we can increase that number.

Priorities / Sectors

Mr. Knox said, the priority industries that we have this FY are: Manufacturing/Food Production, Biotechnology, Life Sciences, Information Technology Services, Multi-media and Entertainment, Good Movements and Transportation Logistics, Agriculture, Allied Healthcare, Construction, and Green/Clean Technology.

Methods

- Develop around Governor's Office of Business and Economic Development (Go-Biz) /Labor and Workforce Development Agency (LWDA) within each category: Investing in California's workforce – Minimum wage/Industry Certifications
- Non-Traditional Apprenticeships Programs (women/minorities)
- Green Industries
- Critical Proposals/Business Expansion/Retention

- Veterans and Special Populations
- High Speed Rail
- Job Creation
- Training that leads to industry recognized credentials.

Mr. Knox said, we are working with Go-Biz with critical proposals and business expansion, and we will continue to work with them. We have seen a huge spike within the veteran's population, especially with the apprenticeship programs.

Proposed Funding Allocation

Allocation by Category

- Single Employer: \$46M (\$1M increase from the previous year)
- MEC: \$21M ((\$1M increase from the previous year)
- Small Business: \$6M
- Critical Proposals: \$6M (\$1M decrease from the previous year based on usage)
- Apprenticeships: \$14M
- Non-traditional/Special populations: \$2M
- Total: \$95M

Continuation of 38% encumbrance level

Mr. Knox said, the non-traditional and special population's category is new. The total is \$95M; last year, we spent close to \$97M. Some monies were not fully utilized, and that was returned into our account. I also recommend the continuation of the 38% encumbrance level, since that amount works pretty well with the system. Again, the Panel has the authority to move the money around as necessary

Mr. Rodriguez asked, are the Critical Proposals mostly associated with Go-Biz? Mr. Knox said, yes. Typically, we look to Go-Biz, but technically, I do have the authority to bring Critical Proposals to the Panel as well.

Funding Caps

Mr. Knox said, the current and proposed funding caps for contractor by category: MECs \$950,000; single employer \$750,000; small business \$50,000; critical proposal \$900,000; apprenticeship per sponsor \$450,000. The funding caps are working very well; maybe next year, we might have to increase some of the caps.

Mr. Broad said, I think we will have to entertain some notion of capping the number of times you can return for Small Business contracts; possibly to \$15,000, and limit it to once every couple of years, so that you can't do \$99,000, and ask for an increase or return immediately. Coming to ETP, getting \$100,000 in three easy parts just won't work for us, and I want folks in our community to understand that we will not tolerate this kind of stuff, because this is the latest manipulation of our system that we have discovered, and no good or bad deed goes unpunished. We will have to look at a way on how to roll this back to \$50,000, and we are not going to have our system gamed.

Mr. Knox said, we will talk a little bit more later about some of the ideas behind that. Generally, it is a Delegation Order component where we see quite a few that are coming around \$99,000. In the future, maybe we will make an option to drop that down to \$50,000, and that truly might meet the small business needs, but not so much for the larger businesses who are using the Delegation Order.

Funding 17/18

- Continue the current encumbrance rate
- Continue to update Panel of Fund Status by Category at each meeting
- Develop a strategic ETP study/phase in 17/18
- Schedule meetings on priority settings, wages, etc.
- Develop a strategy on Employer outreach and training for specific occupations

Mr. Knox said, we had a stakeholder meeting yesterday and it went very well. We were able to get some input from the stakeholders on behalf of their employers.

Looking Forward

- Develop a “simple” way to work through proposals in the 17/18 fiscal year for determination of funding within each category.
- Does it meet the Panel’s Priority Industry?
- Does it meet the Governor’s Priorities?
- Occupation Specific?
- Special Populations?
- Rural Areas?
- Low Priority: Banking and Lending, Moratorium: adult entertainment, car dealerships, truck driving schools

Priority Setting

- Non-Priority proposals
- Options – Hold in Assessment through December 2017
- Provide Panel General information on Categories being held (Industry Sectors)
- Dollar Value of Projects on Hold
- Remaining Balance within the Fund/Priority Projects in pipeline
- Non-priority projects on hold set a value on in December
- Only on proposals after July 1, 2017, anything already in the pipeline you may see.

Mr. Knox said, we will continue to look at the priority setting, and we will have the Panel vote on all of the components other than priority setting component, and I think we will just leave it a status quo. We have provided you a report of the funding limitations, and my recommendation is we continue with status quo, we won’t hold those, as we were proposing, and I think we’ve come up with some ideas that we may want to look at, and bring back to the Panel in the very near future.

Mr. Broad said, sooner or later, we will have to find a way on how to deal with the cannabis industry. Recreational marijuana and medical marijuana is clearly lawful under California law. There may be a difference between the two, so that deserves a policy discussion and some thoughtful consideration.

Discussion Items

Panel Featured Items

- Health Care Benefits rule making
- Diversify marketing targets, smaller and more contracts/fund study
- Non-priority projects
- Substantial Contribution
- HUA/Regions

On-Going Delivery

- 70% plus 1 year contracting/MECs and Single Employers
- Evaluation of programs
- Industry/MEC Forums
- ETMS and sustainability
- Minimum Wage and ETP's role
- Contingency Funds

Mr. Knox said, we are in the process of requesting between \$6 to \$10M additional dollars in terms of our allocations for the next year; we already received \$6M from last year.

Mr. Broad asked, what if the economy takes a downturn? Mr. Knox said, the Department of Finance wants to have three months operating capital for ETP, which is about \$12 to \$14M, and we are well into that amount. We work for a Governor who is very conservative, and likes to have a large amount, if possible, in terms of economic downturn. I think \$15M, and at this point, we are getting closer to a larger proportion amount than that, so we have requested no more money for the FY 2018/19, and we are always much farther ahead in terms of projections.

Mr. Knox said, our monies goes up fairly quickly because it's based on the Unemployment Insurance (UI) from the private-sector employers, and so as the economy turns the other way, our money drops fast and so we would want to be able to be prepared to make moves in that direction. At this point, we look great; everything is running smoothly.

Mr. Broad said, I have seen the economy take a downturn. So I would like to see a recommendation from staff, should we face a sudden loss of tax revenue. Right now, we are spending lots of money because we have it, but we should have a plan if the funding drops precipitously. When the money goes down as we are approving proposals, we are going to have a difficult time. If we can, we should have a countercyclical policy, so if we hit a recession, we won't slow down on the approval of proposals, and we can ease into a smoother transition, rather than a precipitous fall.

Mr. Knox said, I agree. Our appropriation goes through the Governor's office in terms of approval, and the increase is based on the tax; as the tax increases, our output amount also increases. I have been here for almost three years, and we haven't increased our cap funding, which is good news. Should a downturn happen, we can quickly reduce the caps quickly, and we can look at changing some of the priorities to be more conservative in terms of what we fund.

Mr. Broad said, that works great on the way up, but not on the way down. Mr. Knox said, thankfully it's been going up, so we have had some good news in the last three years, and you live through the 2008, 2009, and 2010 years when it was chaotic.

Ms. Roberts said, the great thing about it is everybody was cooperative when we dropped our funding down to \$350,000; everybody was in agreement.

Mr. Knox said with that, I would look for a recommendation, minus the non-priority proposals components for approval of the action on the funding limitation caps, unless anybody has any questions.

Mr. Broad said, what about this issue of the Small Business category? Mr. Knox said, we have some ideas around the priority setting. If you want, we can bring back a full scope of idea for the June meeting, and that can still work for the July kick off.

Mr. Knox said, in terms of the Delegation Order issue, the Panel has the authority to drop the dollar amount to \$50,000, and anything above that amount will have to go before the Panel. It does not limit the ability of the Delegation Order, it just limits the dollar amount. In other words, it would fall under the Consent Calendar, which is \$250,000. Right now, the Panel only sees the dollar amount under the Delegation Order, and the staff takes the brunt of making the approval decisions based on what we have in front of us; under Consent Calendar, the Panel will be able to view the full proposal. Mr. Broad said, I think I would be more comfortable taking it back down to \$50,000.

Ms. Robert said, we don't know the everything that is on the Delegation Order. Mr. Knox said, Mr. Broad suggested that we bring it down to \$50,000; everything over \$50,000 will now go before the Panel, even if it's under Consent Calendar. Mr. Broad said, we may have a bigger Consent Calendar. Mr. Knox said, yes; we will have a bigger Consent Calendar. Mr. Broad said, I'd be more comfortable with that.

Ms. Reilly said, might I ask, if you would want to continue to have the Delegation Order to specify that matters under \$100,000, could continue Delegation Order, if there is an unexpected loss of quorum, and the Panel meeting is canceled at any given month, which is how we are operating now? Mr. Broad said, isn't that a separate issue? Ms. Reilly said, as long as you continue with that; is that the intent, cap it at \$50,000 ongoing, but if there is a cancellation, allow? Mr. Broad said, I am a little confused. What are you saying? Ms. Reilly said, if the meeting cancels in any given month, for a reason on ETP's part, in other words, that the Delegation Orders could go to \$100,000, so there is some flow basis. Mr. Broad asked, is that only when the Panel meeting is canceled? Ms. Reilly said, yes. In other words, if the Panel meeting is canceled, to allow the \$100,000 proposals to go forward, so that projects can go on a flow basis. Mr. Broad asked, would this be for projects between

\$50,000 and \$100,000? Ms. Reilly said, yes. Mr. Broad said, so they would go forward, even though the Panel does not approve the proposals? Ms. Reilly said, under the delegation of authority, which by statutes is capped at \$100,000. So in other words, the normal cap now is \$50,000, but if the Panel meeting is cancelled, you could allow some things to move forward on a flow basis.

Mr. Knox said, I am good with that. The Panel would still see those proposals at the following Panel meeting. In the past three years, we have had one cancellation for each year, which is not a huge number; I am fine with that, in order to keep the flow moving. Mr. Broad said, OK; that is fine. Can we consider that to be a friendly amendment to the motion? Do we understand what the proposal is? We are dialing it back to \$50,000, but if we cancel the meeting, through no fault of anyone, proposals up to \$100,000 could move forward.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval to cap the Delegation Order at \$50,000.

Motion carried, 7 – 0.

Ms. Reilly said, for the record Mr. Chairman, I will prepare a Delegation Order revision for you to sign. Mr. Broad said, OK.

IX. REPORT OF THE GENERAL COUNSEL

Ms. Reilly said, this is to provide the Panel with an overview of regulation procedures, in connection with a later presentation concerning potential revisions to ETP program areas. As you will hear, some of those revisions may require a change to existing Panel regulations.

The purpose of regulations is to assist program administration by interpreting the underlying statutory requirements, and making them more specific. The Panel is authorized to adopt regulations at UI Code Section 10205(m). Once adopted, regulations have the force and effect of law, although they must be consistent with the statute.

Regulations are codified by the Office of Administrative Law (OAL) for ease of reference. Panel regulations appear in Title 22, California Code of Regulations Section 4400 et seq. OAL was created under the Administrative Procedures Act (APA) to safeguard the regulatory process. (Govt. Code Section 112340 et seq.)

Regulations are defined in the APA as “a standard of general application.” By way of comparison a guideline is not regulatory. If a guideline were to be applied across-the-board then it could be challenged as an “underground regulation.” As such, all Panel guidelines are implemented on a case by-case basis.

The regulatory process begins with the Panel’s approval of a proposed action to amend, adopt or repeal regulations. In keeping with APA safeguards, this action must be noticed for a 45-day public comment period.

Comments can be presented in writing, or at a hearing scheduled apart from a Panel meeting. The Panel is not required to make revisions in response to public comments, but it

must account for why it did (or did not). If revisions are made in response, they must be noticed for an additional 15-day comment period. Any additional comments must again be considered by the Panel.

Finally, the proposed action is submitted to OAL for a 30-day review period. If OAL approves the action it is filed with the Secretary of State, taking effect 30 days later in order to allow time for codification.

Typically, the rulemaking process takes at least six months to complete.

There were no questions or comment regarding the regulation procedures.

IX. REVIEW AND ACTION ON PROPOSALS

Single Employer

TechStyle Inc.

Ms. Torres presented a Proposal for TechStyle Inc. (TechStyle) in the amount of \$355,740. TechStyle is a company engaged in the design and manufacture of apparel, footwear, and accessories sold in its retail stores and online worldwide.

Ms. Torres introduced Malory Katz.

There were no questions from the Panel,

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for TechStyle Inc. in the amount of \$355,740.

Motion carried, 7 – 0.

ARB, Inc.

Ms. Torres presented a Proposal for ARB, Inc. (ARB) in the amount of \$399,024. ARB builds power plants, refineries, and parking structures. The Company also lays underground pipelines, provides cable and conduit installation, fabricates structural steel and provides installation work and horizontal directional drilling for the mining, oil and gas, and utility industries.

Ms. Torres introduced Chris Moulden, Corporate Safety Directory, and Christopher Anderson, VP of Industrial Group.

There were no questions from the Panel.

ACTION: Mr. Rendon moved and Ms. Roberts seconded approval of the proposal for ARB, Inc. in the amount of \$399,024.

Motion carried, 7 – 0.

Auto Center Auto Body, Inc., dba Fix Auto

Ms. Torres presented a Proposal for Auto Center Auto Body, Inc., dba Fix Auto (ACAB) in the amount of \$258,924. ACAB is an auto body collision repair company with 10 locations in Southern California.

Ms. Torres introduced Michelle Farnum, Human Resources Manager, and Jill Muewsen.

Ms. Roberts said, this is a great contract; great wages and veteran component. Keep up the good work.

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for Auto Center Auto Body, Inc., dba Fix Auto in the amount of \$258,924.

Motion carried, 6 – 0. (Ms. Newsom stepped away from the dais and was not available to vote.)

L3 Technologies, Inc.

Ms. Torres presented a Proposal for L3 Technologies, Inc. (L3TRF) in the amount of \$489,224. L3 TRF provides high-reliability components and subsystems to space and defense customers worldwide including the US Government and commercial satellite manufacturers.

Ms. Torres introduced Lynette Martin, Vice President of Human Resources, and Paul Johnson.

There were no questions or comments from the Panel.

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for for L3 Technologies, Inc. in the amount of \$489,224.

Motion carried, 6 – 0. (Ms. Newsom stepped away from the dais.)

DAA Draexlmaier Automotive of America LLC

Anna Nastari, Foster City Regional Office Manager, presented a Proposal for DAA Draexlmaier Automotive of America LLC (DAA) in the amount of \$749,400. DAA was founded in 1958 by parent company DRÄXLMAIER, headquartered in Vilsbiburg, Germany. DAA manufactures car interior (ambient lighting, consoles, door panels, and instrument panels) and electrical (high-voltage connectors) components for both electric and hybrid vehicles.

Ms. Nastari introduced Sherali Jiwant.

Mr. Broad asked, what do you manufacturer in your Livermore facility? Mr Jiwant said, electrical harness, car door panel, and front panels. Mr. Broad asked, who do you supply to?

Mr. Jiwant said, Tesla, and BMW. Mr. Broad said, so you are a subcontractor to auto manufacturers? Mr. Jiwant said, yes.

Ms. Roberts asked, are you familiar with the ETP program? Do you have any support? Mr. Jiwant said, I have worked for Johnson & Johnson, and we have used this program in the past, and we were successful.

Ms. Roberts said, you don't have any kind of infrastructure that's going to handle this project, and I'm concerned as to how you are going to handle the training; you don't have any support. Mr. Jiwant said, I have a technical trainer, and we are planning on hiring an administrative human resources trainer who can do all the paperwork and input data for ETP. I fully understand that this is not a one-person job. We will have the assistance of the technical trainers.

Ms. Robert said, don't forget to utilize Ms. Nastari and her staff, because they can help you monitor your progress.

Mr. Broad said, we have raised this concern with the first-term applicants who are asking for a lot of money. What we can do is bifurcate this, cut it in half, and have them come back once they have earned the first half, so that they do not underperform. We can make you do this, but it would be nice if you are amenable to it. What we would do is cut the funding in half. Once you have showed performance, you can come back to the Panel, and request for the other half of the funding.

Mr. Jiwant said, I think 50% is too much. Mr. Broad said, I understand this is a significant amount, but this is your first proposal. Ms. Bell said, I agree, and I was going to ask if this project was right size. I agree with Mr. Broad's recommendation.

Mr. Broad said, I make a motion to approve this at half of the requested amount, with the proviso that they can come back for the second half when they have made substantial progress in earning the first half, so we can move forward seamlessly for them.

ACTION: Ms. Newsom seconded approval of the proposal DAA Draexlmaier Automotive of America LLC in the amount of \$374,700. (Original amount requested \$749,400)

Motion carried, 7 – 0.

Sutter Home Winery, Inc.

Mark Mazzone, Sacramento Regional Office Manager, presented a Proposal for Sutter Home Winery, Inc. in the amount of \$522,250. Sutter Home is a family owned winery that produces more than 45 acclaimed wine and spirit brands for distribution worldwide. Customers include retail grocery chains, club stores, restaurants and establishments serving liquor. Sutter Home is applying for training funds on behalf of itself and its affiliate Sierra Sunrise Vineyards dba Torro D'Oro. Training under this proposal will be for their six facilities in California.

Mr. Mazzone introduced Nicola Duffy, Program Manager, Melissa Lomas, Training and Development Managers, Tom O'Brien, Director of Human Resources, and Marlena Griffin, Training Coordinator.

Ms. Newsom asked, on Page 1 of 3, it states that your health benefits is \$18.75. Mr. Knox said, that is an error on our part. Mr. O'Brien said, when you look at our whole suite of benefits, we have a very comprehensive healthcare package, which would include profit-sharing, life insurance, disability insurance, and dental health coverage. The cheapest program that we would have from a healthcare perspective would probably add to about \$3 for an individual, and that would go up from there. So when you look at the \$16 to \$18, it's really more of a total package.

Ms. Newsom asked, how much is being applied to meet the post retention-wage is? Ms. Robert said, that is an error on our part; that has nothing to do with you. Mr. Knox said, that amount should be \$1.70.

There were no further questions from the Panel.

ACTION: Mr. Rodriguez moved and Ms. Roberts seconded approval of the proposal for Sutter home winery Inc. in the amount of \$522,250.

Motion carried, 7 – 0

Multiple Employer Proposals

Southern California Heat & Frost Insulators and Asbestor Workers Joint Apprenticeship Committee

Ms. Torres presented a Proposal for Southern California Heat & Frost Insulators and Asbestor Workers Joint Apprenticeship Committee (JAC) in the amount of \$509,790. JAC was founded in 1962 by a consortium of labor and management organizations to provide training for Insulators and Asbestos workers in Southern California. It's comprised of six members, three each appropriated by the Western Insulation Contractors Association; and the International Association of Heat & Frost Insulators & Allied Workers Union, Local No. 5.

Ms. Torres introduces Tony Magallanes, Administrator and Steve Duscha, Consultant.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Newsom seconded approval of the proposal for Southern California Heat & Frost Insulators and Asbestor Workers Joint Apprenticeship Committee in the amount of \$509,790.

Motion carried, 7 – 0.

Orange County Electrical Joint Apprenticeship and Training Fund

Ms. Torres presented a Proposal for Orange County Electrical Joint Apprenticeship and Training Fund (OCETT) in the amount of \$655,010. OCETT is administered jointly between the Orange County Chapter of the National Electrical Contractors Association (NECA) and the International Brotherhood of Electrical Workers (IBEW) Local 441. The Trust is located in Santa Ana. Its mission is to provide up-to-date industry skills training and secure high-quality job opportunities for Journeymen and Apprentices and Pre-Apprentices in four electrical occupations.

Ms. Torres introduced David Lawhorn, Training Director, and John Brauer, Cal Labor Fed.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Newsom seconded approval of the proposal for Orange County Electrical Joint Apprenticeship and Training Fund in the amount of \$655,010.

Motion carried, 7 – 0.

San Mateo County Electrical Joint Apprenticeship and Training Committee

Ms. Nastari presented a Proposal for San Mateo County Electrical Joint Apprenticeship and Training Committee in the amount of \$490,158. SMJATC is located in San Carlos. SMJATC is governed by a Board of Trustees comprised of four labor and four management representatives, and is a joint effort of the International Brotherhood of Electrical Workers (IBEW) Local 617 and the National Electrical Contractors Association (NECA).

Ms. Nastari introduced Kathleen Barber, Training Director, and John Brauer.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Newsom seconded approval of the proposal for San Mateo County Electrical Joint Apprenticeship and Training Committee in the amount of \$490,158.

Motion carried, 7 – 0.

Valley Roofers & Waterproofers

Mr. Mazzone presented a Proposal Valley Roofers & Waterproofers for Valley Roofers & Waterproofers (Valley Roofers) in the amount of \$112,230. Valley Roofers trains Apprentices and Journeymen in the roofing industry working for small and large businesses in Northern California. This will be the Valley Roofers first ETP Agreement.

Mr. Mazzone introduced Morgan Nolde, Adminsitrator, Carol Pherman, Coordinator, and Steve Duscha, Consultant.

ACTION: Ms. Roberts moved and Mr. Rodriguez seconded approval of the proposal for Valley Roofers & Waterproofers for Valley Roofers & Waterproofers in the amount of \$112,230.

Motion carried, 7 – 0.

Mr. Broad said before we get back to the Agenda, at the request of General Counsel, I want to make some clarifications. The change from \$100,000 to \$50,000 will be effective July 1, 2017. Any new proposals, after today, would be subject to that. For proposals in the application process, those will go through next month.

X. POTENTIAL REVISIONS TO ETP PROGRAM AREAS

Presented by Lis Testa, Planning and Research Unit

Potential Revisions to ETP Program Areas

In an effort to simplify and streamline various areas of the ETP program and processes, staff has been reviewing and brainstorming ideas for potential revision to the following seven areas:

1. Health Care Benefits (p)
 2. Substantial Contribution (r)
 3. Funding Priorities (p)
 4. Wages (p/r)
 5. Reimbursement Rates (p/r)
 6. Non-Traditional Apprenticeships (p)
 7. Delegation Order (p)
- (p – policy change; r – regulation)

1. Health Care Benefits:

ETP Rules

- Unemployment Insurance Code (UIC) 10201 (f) allows Panel to consider voluntarily paid Health Benefits to meet her wage requirement.
 - No dollar amount limits or verification requirements are listed
- Regulation 4418 allows medical, dental, and vision premiums paid by employers to be used to meet the wage. These payments must be reliable and verifiable with documentation.

ETP Current Practice

- Applicants are allowed to use the amounts paid by employers for health, dental, and vision premiums to assist them in meeting the ETP minimum wage.
- Currently, approximately 8-10% of all ETP trainees need to use health benefits to meet the ETP minimum post-retention wage. These trainees are spread over approximately 50% of all ETP projects.

Potential Alternate Options

- Set the maximum amount per hour for health, dental, and vision benefits to \$2.50 per hour.
 - This is the average employer cost for Single Payer plans.

- Health benefits wages must be verified by:
 - Collective bargaining agreement wage tables for those trainees covered by a Union
 - Employer certification for those trainees not covered by a Union.

Mr. Broad asked, if the UIC says that we can count health benefits that are voluntarily paid by employers, what is the legal impact of the employer mandate in the Affordable Care Act? Ms. Reilly said, I have not researched that issue. Mr. Broad said, you might want to research that, because it's not voluntary if the government makes you do it. We might have been in violation of the law here for some period of time. If that is the law, and it remains the law, which of course is an open question itself, or if there is no longer an employer mandate. I believe there is an employer mandate. Ms. Reilly said, at present, yes; it may change. I can render an opinion to the Panel, of course, and it will be confidential, and I will be glad to do so in the near future. Mr. Broad said, I would request that you would do that. Thank you.

2. Substantial Contribution:

ETP Rules

- UIC 10209 (c) allows ETP to require applicants to contribute proportionately more to training workers' at a facility that was already included in a prior project.
- Regulations 4410 (a), (d), and (e) establish the 15%-30% and 30%-50% limits for locations that have earned over \$250,000 in the last five years.

ETP Current Practice

- ETP follows the formula laid out in the Regulations to assess a Substantial Contribution to locations that have earned over \$250,000 in the prior five years.
- In the last five FYs (13-17)* there have been:
 - 53 contracts assessed a 15% Substantial Contribution
 - 36 contracts assessed a 30% Substantial Contribution
 - 13 contracts assessed by a 50% Substantial Contribution
 (*out of approximately 1800 projects)

Practices in Other States

- No other states use Substantial Contribution in the way ETP does.
- Some states put a waiting period for new application for 6 months to a year after the prior project has termed out. (MA, TX, NY)
- One state allows 2 contracts within a 5 years period. (WA)
- One state limits multiple employers to 2 projects per year with a cap of \$80,000, and limits single employers to one project every other year. (FL)

Mr. Broad said, when you say much smaller, what's the second-biggest state? Ms. Roberts said, Texas is the second largest state. Ms. Roberts said, they have a lot of money, but it's very restrictive, and you have to go through the community college to get funded; they don't fund the employer directly. Mr. Broad said, OK.

Mr. Rodriguez said, did you find out why there is a six-month waiting period? Ms. Testa said, it was a way to allow more companies to come through, not certain companies would be monetizing by coming back for contract after contract, especially with a small dollar amount; especially to be able to give money in the state so they wanted to do some kind of limit. Ms. Roberts said, North Carolina has a lifetime cap of \$50,000.

Ms. Testa said, in New York, it's all grants, but they don't have an actual retention training program. In Washington, there was a particular program that only have \$30,000 per year. Ms. Roberts said, that's the Governor's discretionary fund. Washington only funds companies headquartered in their state.

Mr. Rodriguez said, just following on the Vice-chair's question, I think she's referring to states that have a restriction on companies that are multi-state, meaning that there is a preference to companies that are headquartered in their state. Ms. Testa said, I didn't find anything of that in their documents and when I would call them and ask, "Do you have any other limits on your contractors?", and they all said, "No".

Potential Alternate Options

- Single Employer contactors will be subject to Substantial Contribution if:
 - The employer receives two or more contracts with start dates that fall within three consecutive fiscal years
 - The contracts total \$400,000 or more.

3. Funding Priorities

ETP Rules

- UIC 10200 (b) requires Panel to set priorities for projects that reduce layoffs, promote manufacturing, develop career ladders, and / or in other ways enhance California's economy.
- UIC 10214.5 (b) requires Panel to set priority industries.
- Regulation 4405, 4416, and 4402.2 allows ETP to set project caps, limit contract terms, apply in-kind contribution and substantial contribution, give priority to industries, new hires, small businesses, and critical proposals.

ETP Current Practice

- ETP leverages:
 - Priority Industries by NAICS code
 - A subset of these are automatically eligible for Out-of-State Competition funding
 - Critical Proposals
 - Funding Caps
 - Funding Allocations
 - Priority Industries are noted in the Strategic Plan
 - Low Priority Funding project types
 - Adjusting priorities during the course of the Fiscal Year

Potential Alternate Options

- Accept Preliminary Applications for non-priority projects beginning on 7/1/17, but take no action on these projects until Panel assess the demand for priority projects.
- Assessment of demand for priority projects will be scheduled for the December Panel meeting.
- The Executive Director may grant exceptions to this guideline for projects with exceptional potential for the creation of large numbers of high-wage, high-skills jobs.

4. Wages

ETP Rules

- UIC 10200 (a) (1) states that a goal of ETP is to foster the creation and / or retention of high wage, high skilled jobs.
- UIC 10201 (f) defines wage as used by ETP
- Regulation 4418 sets wage criteria, and says that all wages must be reliable and verifiable by ETP contractors.
- Regulation 4409 establishes the SET wage
- Regulation 4429 establishes the HUA wage

ETP Current Practice (1)

- ETP uses a Wage Table that takes into account the state average wage, SET vs OSC funding source, HUA area versus non-HUA area, trainee population, new hire versus retrainee status, county, and standard wage levels.
- All wages may be further adjusted to include health benefits.

ETP Current Practice (2)

Employment Training Panel - Trainee Wages

ETP Minimum Wages for calendar year 2017

(Health benefits may be used to meet all wage requirements, subject to Panel approval)

WAGE NAME	Previous Name	Attributes with the wages
STANDARD		SET Multiple Barriers; HUA; Seasonal Workers; all programs not specified
REDUCED STANDARD	HUA Wage	Approved HUA Waiver; Approved Seasonal Worker Waiver
STATEWIDE AVERAGE	SET Wage	Special Employment Training (SET)
MODIFIED STATEWIDE AVERAGE	SET Wage	Priority Industry; Critical Proposal

STANDARD WAGES			REDUCED STANDARD WAGES (HUA)		
COUNTIES	NEW HIRE	RETRAIINEE	NEW HIRE	RETRAIINEE	
	MINIMUM WAGE AFTER RETENTION	MINIMUM WAGE AFTER RETENTION	MINIMUM WAGE AFTER RETENTION	MINIMUM WAGE AFTER RETENTION	
<ul style="list-style-type: none"> •Alameda •Contra Costa •Marin •San Francisco 	<ul style="list-style-type: none"> •San Mateo •Santa Clara 	\$14.69	\$17.63	\$11.02	\$13.22
•Los Angeles		\$14.13	\$16.96	\$10.60	\$12.72
•Orange		\$14.35	\$17.22	\$10.76	\$12.92
•San Diego		\$13.94	\$16.72	\$10.50	\$12.54
•Sacramento		\$13.72	\$16.46	\$10.50	\$12.34
•All Other Counties		\$13.22	\$16.16	\$10.50	\$12.12
STATEWIDE AVERAGE WAGE (SET)			MODIFIED STATEWIDE AVERAGE WAGE (SET)		
TERM BEGINNING DATE Jan. 1, 2017 - Dec. 31, 2017		\$29.38	<i>Trainees may earn up to 25% below the State average hourly wage. Workers must work in a priority industry sector or be funded for training under a Critical Proposal. This wage modification will be determined on a case-by-case basis</i>		\$22.04

Potential Alternate Options

- Divide the state into two or more regions that reflect the state’s economy
 - For example: a lower wage Inland Region (like a HUA) and a higher wage Coastal Region
 - Set an ETP minimum wage \$3 above the state’s minimum wage for all trainees (new hires and retrainees) in the Inland Region
 - In the Coast Region, set retrainees at 60% and new hires at 50% of the state average wage.
 - Establish the SET wage at 75% of the state average wage
 - Allow a \$2.50 reduction for Health Benefits for all
- Sample Potential Wage Table

○ Potential ETP Wage Chart			
○	○ New Hires	○ Retrainees	○ SET
○ Coastal Region: Standard	○ \$14.69	○ \$17.62	○ \$22.04
○ Coastal Region with Health Benefits	○ \$12.19	○ \$15.12	○ \$19.54
○ Inland Region: Standard	○ \$13.50	○ \$13.50	○ \$22.04
○ Inland Region with Health Benefits	○ \$11.50 (CA State Minimum Wage)	○ \$11.50	○ \$19.54

Mr. Rodriguez said, I understand, at one time, there was a conversation of six regions. Ms Testa said, this is just a suggestion or idea to start everyone thinking to try to look at things in a different way. Mr. Rodriguez asked, are they all economic regions? Ms. Testa said, yes. We could also make regions that go along with the Workforce Development Board; regions that they have. There’s a zillion ways we can do it in Northern California, or Southern California, or whatever. These are just some stimulating ideas.

5. Reimbursement Rates

- Currently, ETP’s Fixed-Fee Reimbursement Rates are set using a complex combination of over a dozen variables.
- An option would be to simplify our rates down to four rates only: \$8 CBT, \$14 Apprenticeships, \$20 all Retrainees, and \$22 for all Special Populations.
- This is just an example of a potential simplification method.
- Due to the complicated nature of this issue, we will bring this back to the Panel later.

Ms. Reilly said, simple rate setting would not require regulation changes; a structure of how to raise settings would.

6. Delegation Order

- In FY 16-17 so far (through March Panel), there have been 188 projects processed through Delegation Order for a total of nearly \$10.5M.
- In an effort to have Panel engaged in thoroughly reviewing all projects:
 - Cease or limit the Delegation Order process by lowering the Delegation Order project funding limit to \$50,000
 - All projects under \$250,000 would still remain on the Consent Calendar.

7. Non-Traditional Apprenticeships

ETP Rules

- UI 10205 (c) (1) allows ETP contract with group of employers
- Regulation 4400 (j), (3) defines one type of group of employers as the Joint Apprenticeship Training Committees (JATCs)

Current Practice

- ETP accepts JATCs that are Division of Apprenticeship Standards (DAS) approved Program Sponsors as a type of MEC.
- The Related Supplemental Instructions (RSI) portion of the Apprenticeship training is reimbursed by ETP when given in conjunction with an approved Local Educational Agency (LEA).

Potential Alternative Options

- DAS has been starting to approve LEAs as Program Sponsors.
- To parallel this, ETP could develop a new Pilot Program allowing LEAs that hold Program Sponsor approval from DAS to contract with ETP.
 - This new pilot could receive approximately a \$2M allocation.

Next Steps:

- We can bring 3 or 4 of these ideas back to the Panel in June or July for further consideration
 - Which would the Panel like to work on?
 - Note that changing anything with wages and rates will be complicated in the new Employment Training Management System (ETMS).
 - What would the Panel like more information on?

Mr. Broad said, if it's okay with the Panel, what I would like to do is to take public testimonies on this general subject. There are a couple of things that we are interested in hearing. I would also like to have a discussion with Ms. Torres and the rest of the staff regarding the different wages; we don't have to do it today.

Simplifying the process may not be the correct thing to do, if a more complicated process is required by statute to fulfill our statutory mandate. However, I am curious about whether the application of health benefits, and various minimum wage would take an enormous amount of staff time, and with our new ETMS, which is still in its infancy stage, would making the

change in these areas simplify the process, so that it would be more easier for people to use. I would also like to hear from the general public.

Ms. Torres said, we all know every action has a reaction. It is not so simple, even our goal is to simplify. At the end of the day, it's the means to the ends. I would need to have a little bit more time to be able to go through each one of those issues.

Mr. Broad said, are there changes in some of these areas that would affect our ETMS? Mr. Knox said, part of the reason, most of these seven areas that we discussed are based on the new system. We have determined that these are probably, or a portion of these, if we simplify, it would actually simplify a new ETMS system. or a system that comes out of ETMS. It may be a different system, it might be ETMS, or we might have to change drastically. ETMS should not drive what we do; we should drive what ETMS does. I don't want the system to stop us from moving forward. Regardless of the complexities of what ETMS can or cannot do, I don't think we should stop moving forward for ETP. Mr. Broad said that makes sense.

X. PUBLIC COMMENTS

Steve Duscha

I want to emphasize that I'm speaking for myself today. Foes may or may not agree with a lot of what I'm saying. I think the complexity issue is very important, that is why ETMS has been such a mess.

ETP's current wage chart is built into the ETMS. You have four basic wage groups, and each of those wages varies by county, and subgroups within the county. Alameda County is simple; no high unemployment areas in it. It also has an Out-of-State Competition (OSC). By my count there are 24 different wage rates on this chart and there are 170 different jurisdictions, and most of the jurisdictions have to do with high unemployment areas (HUA), which has to do with getting a contractor approval to train people with more wages.

All of this is growing out for reasons that is understandable, but it has created a mess. Then you try to add an old computer system, and it becomes a bigger mess. A couple of my favorite anomalies are in the Los Angeles County, and other HUA, which means you can train incumbent employees for \$12 an hour and new hires for \$10.60 an hour. In the city of Vernon, that is not an HUA, so you get paid a different amount. That is totally ridiculous, because nobody lives in either place because they are industrial cities.

When you look at the numbers, California is really divided by coastal and inland areas in terms of both average wages and average unemployment benefit unemployment rates. It really make sense to divide California into two. The minimum wage that I propose are on the chart that I have provided.

The ETP statute requires ETP to fund high wage high skilled jobs. I don't know what a high wage job is, and I know it's not minimum wage. I don't think it's a dollar above minimum wage. My suggestion is that the Panel should set the minimum; set a minimum without health benefits. I'm suggesting it would be a number that changes as a state minimum wage

goes up to \$15 over the next few years. What McDonald's or Walmart pays should not qualify for ETP funds. I think you need to address the complexity issue, and I think I've seen all of your wrestle with proposals that come to you at a minimum wage. I do not think you like them very much, but you set up a system that allows that, and I think you need to set up a system that sets a higher standard. You have the authority to do this right now, and you need to set a clear standard.

On the health benefits issue, I think you can permit health benefits as long as they are documented, as discussed. I initially thought that didn't work, but I've been corrected on that; it does seem to work, but I don't think you should allow health benefits to take people down to the minimum wage, or even a dollar above the minimum wage. I think you have a responsibility, under the statute, to fund only high wage, high skilled jobs.

I could run through the other issues briefly, but I do not have handouts on the fixed fee issue that also is too complicated, and I look forward to a discussion of that in the near future, because it needs to be simplified as well.

The Substantial Contribution issue needs to be fixed. Once again, I've stood up here and seen that the Panel members are not comfortable with the current system, and the system creates anomalies. We don't know if Substantial Contribution should be at the facility level, which is what the statute says. Should it be at the level of the potato chip factory, or the level of Frito-Lay or PepsiCo? Should it be at the level of Kaiser medical office building, Kaiser Medical Center or statewide Kaiser? Those difficult questions.

On the Delegation Order, process you have made progress. I would do away with it completely. I was once an Executive Director for ETP, and I have a warm spot in my heart for directors; they shouldn't have to take all the rap.

Regarding ETMS, put it out of its agony; that's all I have to say.

Mr. Broad said, with regard to bifurcating the state I understand why we have things they way we do, because what works in one county does not necessarily work in others. I do not know if it would make sense to do it by county.

Mr. Duscha said, there needs to be some rural carve outs. Mr. Broad said, Los Angeles is a complicated area. Mr. Duscha said, we need it to be simplified. Mr. Broad said, I understand, but simplicity does not reflect reality. I do agree; it should be simplified, if we can. Mr. Duscha said, in many cases, it does not reflect reality. Mr. Broad said. that may be explained by the canvas industry.

Mr. Duscha said, ETMS has made it worse, and another thing to remember is that the chart changes quarterly. As new data is released by EDD, the chart changes; that is crazy. I've been around ETP for a long time, and recently one of your former managers, Rosa Hernandez, came to work for me. She and I have argued about what the rules are because they are so complex and we cannot figure them out.

Ms. Roberts, said, I have a comment on the health benefits as listed in your presentation. Only 8% to 10% of the people need the health benefits, so I would just do away with them; it's a small portion of the population.

Mr. Dusha said, the problem with health benefits is for the low-wage jobs. Many people don't take it on, and many people sign up for Medi-Cal instead of health benefits if they're getting paid 10 or \$11 an hour. Ms. Roberts said, with all the changes going on right now; if we don't even use them, then it's not an issue anymore; it just simplifies it. Mr. Dusha said, I will let other people argue with that. Ms. Roberts said, I think you were arguing with that earlier. Mr. Dusha said, maybe it's the same thing.

Ms. Newsom asked about the health benefits. Ms. Torres clarified that the verification of the wages comes at the end, which is through the final payment of each retraining.

Ms. Torres said, sometimes we get accused of asking too much question, but it is for the protection of the contractor to make sure that they are properly reimbursed. We asked them all sorts of questions because we want to know if they are going to need healthcare benefits in order to meet the ETP minimum wage. It's complex, but at the same time, it is not.

Ms. Newsom asked, is that where you found the 8% to 10% of the trainees who are receiving that lower wage? Ms. Reilly said, I don't believe health benefits are reported in the payroll; EDD verifies the wages that are paid. This becomes an issue of wage verification, so there's a lot more work that goes into it, and that is one reason why Mr. Knox was proposing a set fixed rate.

Mr. Broad said, correct me if I'm wrong; what the employer gets to count is offering healthcare? Mr. Dusha said, no. Ms. Torres said, it's not the offering. It's the actual part the employer pays towards health benefit.

Mr. Broad said, this is a threshold matter, and we better figure out this legal question first. We may have a situation where we could have to count the benefits statutorily for at least several years.

Ms. Roberts said, Mr. Dusha, I want to thank you for using the analogy of Frito-Lay and PepsiCo in your explanation around Substantial Contribution. The thing is that it is a wishy-washy thing for us, and I know most people gain the system with it because they come in with a higher amount from their previous contract. To me, it just becomes a non-entity; I don't even look at it anymore. Mr. Dusha said, I will take that under advisement the next time we bring Kaiser, but you always gain the system before you bring them any way you do it. Ms. Robert said, don't tell me you don't.

Dorothy Rothrock

Ms. Rothrock said, we really appreciate all the work that the Panel does. The California Manufacturer's has been partners with you for a long time. While I don't know the technical issues around, I just want to reemphasize that they're always available 24-7 to help you with whatever you want to know about how we do the program. Whatever assistance or

problematic feedback you'd like from us, we are available, and we really want this to work for manufacturers particularly, because they are the best employers in the State. California is really challenging place to do business, and it's not getting any easier, and the ETP is one of the best, and one of the most important programs we rely on to keep manufacturers healthy in the State.

Mr. Rodriguez asked, has there been an uptake in manufacturing over the last four and half years in the state of California? Ms. Rothrock said, there's been 4% growth in manufacturing jobs in the state, and the US manufacturing jobs have grown more than 8%, so we are not keeping up with what we see as a national trend of manufacturing growth. We also just have information back from 2016 on the level of investments in California compared to the US in 2016. We only received 3% of the investments for new expansion and new sites out of the United States total. If you assume we are at 10 or 11% of manufacturing here, we are not getting a fair level of new investment in order to maintain that base.

Mr. Rodriguez asked, in terms of expansion in existing manufacturing, has it been relatively stable for the last 20 years? Ms. Rothrock said, when you say stable, there are many things that are happening underneath the surface.

Mr. Rodriguez said, in California, productivity doesn't really match the uptake in employment. It's really been the correlation because of artificial intelligence in automation and technology. Ms. Rothrock said, I don't know how to sort out the impact of all the various elements there. I think it's a combination productivity, because it's simply higher skilled workers, even if the technology remains. There's another shift going on with the types of industries that are remaining in California. Perhaps higher margin, higher wage level; those are the companies that see the value in California.

Mr. Rodriguez said, lastly we, at the Panel we have a genuine interest in really supporting emerging new manufacturing. Ms. Rothrock said, thank you.

John Brauer

Food for thought on the healthcare piece, even outside the construction industry, we have a number of unions and collective bargaining agreement, and health insurance is a big part of that equation. We would like to receive credit for the collective bargaining agreements for the contribution that the employers make in that particular equation.

As far as Substantial Contribution, I'm not familiar with the history, but again, the proposals that go through an apprenticeship program or other labor management program to come with a group of new employees and workers.

Ms. Roberts said, you are not subject to Substantial Contribution. Mr. Brauer said, I want to make people understand why that particular piece is here.

Mr. Brauer said, I would also like to raise the region issue. For example, Monterey and Salinas; those are coastal areas. The State's workforce board and community colleges have divided the regions into 14 sections, and I think there may be some geographical discrepancies in terms of other things, but there is also the idea of employers who are doing

more rounded job quality and aspects and other employers in a particular sector. It is not just the wage aspect, and provision of benefits and pension. The issue of job quality is not your primary purpose.

Lastly, regarding the non-traditional apprenticeship piece, if you end up going forward with that at some point, I think our request would be to be juxtaposed with the existing apprenticeship proposals in terms of performances. The results, overtime, will be ominous.

Mr. Broad said, your point about the retirement is well taken, because retirement is considered deferred wages. We don't count retirement contributions made by the employers as deferred wages, and that is a savings plan for someone at work. We should consider that because that is significant. We could have an employer who pay average, but their retirement contribution is enormous; we don't count it, but we should count it in our system. That is actually easier to calculate than the healthcare piece. Mr. Brauer said, policies that contribute to job quality and promote employers make it better.

Mike Jester

Mr. Jester said, this is complicated, but I do not find it complicated as others do. I have submitted 13 applications through the ETMS; some are in the pre-application stages, and some have been approved, and I do not find it to be difficult. I disagree with what Mr. Duscha said, but we remain friends.

California is, quite honestly, a country. It is hard when you compare it to the world global economy because it is very diverse. It is an amazing state and it should be supported by ETP, and there is a part of our state that has a vibrant economy that takes place in Salinas Valley, and somewhere between Stockton and Bakersfield, which is the agriculture business.

Agriculture is a priority industry, and they are supported by small businesses that are service oriented who are thrown into SET, which causes a few wage problems with regard to qualifying employees.

With regard to frontline worker wages, I personally do not care what you do, but I will note that the 8% to 10% of those numbers will likely skew upward if you look at the Central Valley on its own. It would make a larger impact on us than the rest of the state.

A \$12 an hour job in the McFarland area would be equivalent to an \$18 an hour job in the Pasadena area. A \$12 an hour job with some health benefits may be good for others in the Central Valley because of the relative difference in costs. So if you were to raise the wage up to \$13.50 an hour, then all we are doing is taking away the significant training from the priority industries in the Valley. Even though your heart is in the right place, I believe that what you would be saying in effect, and unintentionally is that an \$18 an hour job for frontline worker in Pasadena is relative to the frontline worker in the Fresno area.

Ms. Robert said, my plants were in the Modesto area, we were paying, at the time, \$20 an hour for manufacturing. Based on your references, are you talking about small manufacturing companies? We were losing employees to our competitors who were paying \$20 an hour, so I'm not sure where you are getting your numbers from.

Mr. Jester said not every manufacturer in the Valley is Pepsi. I have large manufacturers like Foster Farms, ConAgra foods, and I would say the entry levels range between \$13 and \$16 an hour, and not \$20 an hour and my contracts in the books will show you that. Are there some that pay that amount? Absolutely. Some companies start higher rate, and there are smaller midsize manufacturers that don't pay, but that's just a microcosm of the total.

Ms. Robert said, I'd like to know the percentage that pay \$13 an hour, because within 90 days, they may pay at a higher rate than that. Mr. Jester said, not all companies do.

Mr. Jester commented on the Delegation Order cap. Mr. Knox clarified that moving forward, the Delegation Order is now at \$50,000. He has the authority to sign for \$50,000. But the caps can still go to \$200,000.

Mr. Jester said, my point for the entire presentation was that I'm in a different world than most of the people in this room. Decisions that seem fair, or maybe fair for all those other places maybe terribly unfair and exclusionary in my area.

Mr. Rodriguez said, there was a special report on national radio about the agricultural industry in California, particularly in Salinas Valley regarding the picking of lettuce. There is a labor shortage, and the shortage continues. There is a particular company who had 50 robots that would gather the lettuce, and the big challenge is to train the workers to operate the robots. Ultimately, the 50 robots will replace 200 to 400 workers.

Mr. Broad said, hopefully the people who are operating the robots will be making more than minimum wage, because this involves high skills. I can tell you one thing, I will never approve funding for training of robots. That will never, ever happen on my watch. Ms. Robert said, I don't think those robots have Social Security numbers.

Jill Meuwsen

I made a request for the Panel to look at an industry that has never been considered a priority industry. I am the auto body consultant, and most of the proposals from the collision shops were probably presented by me. This industry has a growth of 10% over the next few years, and the average age of a technician is 40 years old. They are going lose 20% of those employees over the next 5 to 7 years. There is a dire need for training employees because a huge training trajectory will take place, and there are many training methods of entry into this industry in terms of training. There are employers that need workers, and those workers will need a lot of training in traffic jam assisting, and other high technology training, and most of the training takes place in an HUA. You had a project come before you today, and they are coming in with a new generation; low wage and they are providing a huge amount of training. They are not your typical college kids; they are skilled trades workers, and I would like the Panel to look at some of the specialized industries that bring high paying jobs, and give them a little more love.

Ms. Roberts said, we don't make a decision whether it comes before us or not. Do you feel that you weren't considered a priority because your proposals were pushed back? Ms. Meuwsen said, industries that are a priority pretty much fly right through. However, I get more questions when I have an auto body shop proposal. Ms. Roberts asked, you do feel

more scrutinized by staff? Ms. Meuwsen said, the wage scale should be look at when a company can bring in a \$14 an hour job, and that job can increase up to \$25 based on an 18-month contract.

Ms. Torres said. I can give a quick example for that instance. Those proposals are funded under SET which has a higher wage requirement. If it is a priority industry, they have the advantage of having a lower minimum wage.

Mr. Broad said, our goal is to produce high wage jobs. Instead of looking at everything as a high wage, priority, or non-priority, maybe we should consider you a priority if you are paying a wage that is 40% above the state average. If you are a high wage employer, you step up to the front of the line, regardless of whether you are a priority industry or not. In an industry like yours, what may happen is that there may be sort of unconscious bias by staff who is looking at your application. I do think that you raised a very good issue here.

Ms. Newsom said, I love the concept of prioritizing high wages. I have heard from friend and colleagues that your industry is still compensating workers by piece rate, or commission based; is that this the case? Ms. Meuwsen said, that is a good question. I have consulted both in Southern and Northern California. Flat rate, which is a flat commission or hourly plus productivity, the wages are still the same.

Ms. Meuwsen said, technicians make close to \$100,000 a year, and an estimator can make up to \$90,000 a year. Since we have lost the auto body shops in high school and community colleges, getting in is difficult because there are so many barriers. We need a long term investment, and not limit us to a two-year contract. You should reward companies that are investing in high paying jobs. So, to answer Ms. Newsom's question, there are still some that pay piece rate, but the end wage are high wages.

Ms. Newsom said, but the worker is always rushed, that is my concern. Ms. Meuwsen said, the employee wants the piece rate because they can make more money. The trend is more towards an hourly rate, and there is still the commission structure, which is prevalent in Southern California. I am asking for a fresh look at this issue, and I appreciate your feedback.

Mr. Broad said. I really appreciate the issues that you have brought forward. Thank you.

Tom O'Brien

We are a California-based company, and everything we do stays here in California. We don't go anywhere else, and we don't outsource. We pay high wages, we have a profit-sharing, and that is not taken into account. We are not allowed to use ETP funding to fund training in sales, which brings in revenue.

Ms. Robert said, regarding investments, you might want to look at Go-Biz incentives that we have here for California. One of them is California Competes Tax Credits, as well as the sales tax exemption that you can get for new manufacturing.

Mr. O'Brien said, we like the idea of simplification, but not closing off stores that are valuable to organizations. I would encourage all of you to contact us keep this discussion going.

XI. MEETING ADJOURNMENT

Mr. Broad adjourned the meeting at 12:51 PM.