

**STATE OF CALIFORNIA  
EMPLOYMENT TRAINING PANEL MEETING**

California Environmental Protection Agency  
1001 I Street  
Central Valley Auditorium  
Sacramento, California  
February 21, 2002

**PANEL MEMBERS**

Marsha Kwalwasser  
Acting Chairperson

Barry Broad  
Member

David Brown  
Member

Aram Hodess  
Member

Robert Lennox  
Member

Patricia Murphy  
Member

Tom Rankin  
Member

**Executive Staff**

Peter McNamee  
Executive Director

Ada Carrillo  
Acting Assistant Director

Peter G. DeMauro  
General Counsel

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**I. PUBLIC PANEL MEETING CALL TO ORDER**

Mr. Hodess, Vice Chair, called the public Panel meeting to order at 9:15 a.m.

**II. ROLL CALL**

Members Present

Barry Broad  
David Brown  
Aram Hodess  
Pat Murphy  
Tom Rankin

Members Absent

Marsha Kwalwasser  
Robert Lennox

Executive Staff Present

Peter McNamee, Executive Director  
Ada Carrillo, Acting Assistant Director  
Peter DeMauro, General Counsel

**III. APPROVAL OF MINUTES**

ACTION: Mr. Rankin moved and Mr. Brown seconded the Panel approve the Minutes of January 24, 2002.

Motion carried, 5 – 0.

**IV. APPROVAL OF AGENDA**

ACTION: Mr. Brown moved and Ms. Murphy seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

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

There were no reports.

## **VI. REPORT OF THE EXECUTIVE DIRECTOR**

Mr. McNamee reported on a letter from Economic Development Network (EdNet) requesting participation from the Panel on April 17 at its Annual Conference in Burbank. EdNet is affiliated with the Community Colleges and wants to partner with ETP in coordinating training.

Mr. McNamee stated he was recusing himself from any participation in the Governor's Nurse Workforce Initiative due to a possible conflict of interest. He delegated to Mr. DeMauro the capacity of Executive Director to act on all projects related to the Governor's Nurse Workforce Initiatives.

## **VII. FUND STATUS**

Ms. Carrillo reported at the beginning of this fiscal year the Panel had \$82 million available for training funds. To date, if all the projects presented today are approved, 85 percent of the available training funds will have been funded, leaving a balance of \$12 million. She stated it is projected that \$30 million in contracts will be presented at the March Panel meeting. Ms. Carrillo stated there would be no policy issues presented at the March Panel meeting due to the number of projects that will be presented. She announced the March Panel meeting originally scheduled for March 28 has been moved to March 27.

Ms. Carrillo stated a few of the items listed in the Implementation Plan are being deferred to later in the fiscal year due to the many projects expected to be presented to the Panel at the March meeting. Deferred items include the Small Business Workgroup findings and the definition of Supplemental Training.

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

Mr. DeMauro reported on the Governor's intent to place priority on addressing the State's shortage of nurses. The Nurse Workforce Initiative is a three-year, \$60 million project incorporating both short-term and long-term measures to build and sustain a culturally diverse nursing workforce to meet California's health care needs. He stated many agencies, such as Workforce Investment Board, ETP, Community Colleges, Department of Health Services, Employment Development

Department (EDD), Office of State Health Planning & Development, Department of Consumer Affairs, Bureau of Registered Nurses, and several grants, are being brought together and hopefully this program will serve as a model for other training initiatives.

## **IX. LEGISLATIVE SUBCOMMITTEE REPORT**

Mr. Rankin stated budget issues are still top priority. He also reported on the Governor's future proposal of a reorganization plan of creating a Labor Agency, which would include EDD, the Department of Industrial Relations, and several smaller Commissions, and Agencies. The Governor's intent is to create better coordination of training programs. Mr. Rankin stated there would be a hearing at the Little Hoover Commission, which will make recommendations to the Legislature on adoption of the Reorganization Plan.

Mr. McNamee presented a list of legislative deadlines. He stated On March 26 there would be a joint committee pre-hearing on the formal budget hearings. The Assembly Budget Subcommittee is scheduled for April 3 and the Senate Budget Subcommittee is scheduled for April 4. He requested the Panel to make note that the Legislature is planning to hold budget hearings between May 15 and May 24. He stated at that point, ETP should have a better picture of where it stands relative to the Budget Year and its funding. Mr. McNamee reported on a recent meeting with Patrick Johnston, former State Senator, who authored the enabling legislation for ETP. He stated Patrick Johnston's mission from the Governor is to examine workforce issues in a broader context than just the Labor Agency proposal and to identify programs that are successful.

## **X. AGREEMENTS AND AMENDMENTS**

### **Oakland Private Industry Council, Inc.**

Creighton Chan, manager of ETP's San Mateo field office, presented a Final Agreement for The Oakland Private Industry Council, Inc. in the amount of \$301,090. This project was approved as a Proposed Agreement by the Panel at the November 2001 Panel meeting. This project supports the Techforce initiative to meet California's need for skilled Information Technology workers. This project proposes to provide 200 incumbent California workers of small business with Information Technology skills.

Mr. Chan introduced Debora Pinkas, General Counsel, Evelyn Ashcroft, Chief Operating Officer, and June Hartley, Special Projects Coordinator.

**ACTION:** Mr. Rankin moved and Ms. Murphy seconded the Panel approve the Final Agreement for Oakland Private Industry Council, Inc.

Motion carried, 5 – 0

### **Comp USA, Inc.**

Diana Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Comp USA, Inc., in the amount of \$198,900 to train 125 employees. Comp USA, Inc., is the nation's largest computer superstore retailer and it also provides personal computer related products and services. Small to medium sized businesses in manufacturing and in the information technology industry are the primary focus for this ETP-funded training. Companies that have insufficient resources to provide needed training will be recruited to participate in this training effort. CompUSA training staff conducted a training-needs analysis for participating companies to develop the training plan. The Menu Curriculum was designed with the assistance of participating employers who reviewed it to ensure that their training needs were met. The initial core group of participating employers will pay wages, benefits, and travel costs while the employees are in center-based training. Participating employers will absorb lost production time. It is estimated that each participating employer will contribute a minimum of \$1,400 per trainee per each 40-hour module of training.

Ms. Torres introduced Dan Tharp, Senior Director of Field Operations, Karen McCormies, Training Consultant, and Sam Sanchez, Vice President of Marketing & Fulfillment with Alpha ITEC, The Grants and Training Company.

**ACTION:** Ms. Murphy moved and Mr. Brown seconded the Panel approve the One Step Agreement for CompUSA, Inc.

Motion carried, 5 – 0.

### **Santa Monica College**

Ms. Torres presented a One-Step Agreement for Santa Monica College in the amount of \$199,575 to train 87 employees from small companies in the textile manufacturing industry. This project is a referral of the California Technology, Trade and Commerce Agency and is a Career Ladder project. A customized training program was developed to meet the workforce training needs of Los Angeles area textile industry companies. The ETP-funded training will provide trainees with the necessary skills to promote to higher-level occupations. Santa Monica College requests a waiver to the ETP minimum wage requirement. The ETP minimum hourly wage for Los Angeles County is \$11.78 without benefits. The base hourly wage during training for the Career Ladders trainees will range from \$7.50 - \$20.00. The trainees will receive a 3 - 5 percent wage increase within one year of completion of training.

Ms. Torres introduced Lupita Tannat, Ph.D., Assistant Dean, Continuing Education, and Marvin Martinez, Associate Vice President of Planning & Development.

Mr. Broad asked if there were any labor law violations with any of the participating employers. He was also inquired about the low-wage workers working without any benefits. Mr. Martinez stated an assessment was made on all participating employers, and each employer stated there were no labor violations. Ms. Tannat stated the training proposed is designed to provide employees with skills that will enable them to advance from lower paying positions into higher skilled, higher paying positions. Mr. Martinez further responded that businesses Santa Monica College works with are those that are committed to training and elevating employees into more skilled positions, increasing wages, and do not have any labor issues. Mr. DeMauro stated ETP would check with the Labor Commissioner on any possible labor issues. Mr. Rankin questioned a 3 - 5 percent wage increase for trainees upon completion of training. If trainees are to be advanced up a Career Ladder, the increase would be significantly higher. Mr. Rankin requested this project be carefully monitored. Mr. DeMauro quoted from the proposed ETP Regulation Section 4408(d): "Contractors shall demonstrate that each trainee will advance to a new job with higher earnings in accordance with the progression of earnings provided by the Contractor at the beginning of the agreement... Similarly, cost of living allowances, shift differentials, do not constitute a progression in earnings as specified in this section." Mr. Broad requested adding to the Agreement that the employer maintain or increase the level of health care coverage for trainees. He also requested the approval of this Agreement be contingent upon no labor violations. Mr. Hodess requested staff to check with both the U.S. Department of Labor and the California Department of Industrial Relations. Mr. Hodess requested the Contractor provide a monetary calculation of equipment declared as in-kind contribution. Mr. Hodess stated capital investments that are going to be used for production should not be included as an in-kind contribution. Ms. Carrillo requested the Panel allow prorating a share of the equipment that is being used for training.

**ACTION:** Mr. Brown moved and Ms. Murphy seconded the Panel approve the One-Step Agreement for Santa Monica College contingent upon the Contractor's provision of a monetary calculation for machinery costs for in-kind contribution, maintaining or increasing the level of health benefits, an increase in wages within one year of completion on training, and verification that participating employers are free from any current labor law violations.

Motion carried, 5 – 0.

### **Technology Integration Group**

Ms. Torres presented a Proposed Amendment for Technology Integration Group for an additional \$149,650 to add 120 employees. The total in-kind contribution amounts to approximately \$787,500. The initial Agreement was limited to \$200,000, and a request for additional funding was contingent upon the successful completion of the Agreement. Performance, thus far, indicates that the initial funds should be fully utilized.

June Montenegro, School Director, and Barbara Bea, Education Consultant were present to answer any questions from the Panel.

**ACTION:** Mr. Rankin moved and Mr. Hodess seconded the Panel approve the Proposed Amendment for Technology Integration Group.

Motion carried, 5 – 0.

### **Entertainment Industry Development Corporation of Southern California**

Ron Tagami, manager of ETP's North Hollywood field office, presented a Proposed Agreement for Entertainment Industry Development Corporation of Southern California (EIDC) in the amount of \$2,656,800 to retrain 1,584 employees in Motion Picture, TV & Interactive Digital Media Production, and Technical Support. This project is supported by the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts; the International Brotherhood of Electrical Workers, Local Union 45; and the National Association of Broadcast Employees and Technicians Local 53. EIDC will not charge participating employers for any training or administrative costs. The principal employer contribution to training will be wages and benefits paid to employees while in training. Mr. Tagami stated the issue to consider is whether, when there is no participating employer monetary contribution per trainee, a significant contribution of equipment, materials, or space may justify the absence of monetary contributions.

Mr. Tagami introduced Kathleen Milnes, Senior Vice President of Public Affairs. Mr. DeMauro stated the issue before the Panel is the type of acceptable multi-employer contribution. He stated when a Contractor requests funding in excess of the fixed fee, the Panel has previously required the Contractor to provide a contribution or provide information indicating a quantifiable commitment from each participating employer. Ms. Milnes stated information from the core group of participating employers shows approximately \$8 million in in-kind contributions of which approximately \$1.7 million is wages that will be paid to employees while in training. Mr. Rankin requested the Contractor provide a breakdown of the occupations and wages in the lower wage range.

**ACTION:** Mr. Hodess moved and Mr. Rankin seconded the Panel approve the Proposed Agreement without waiving the monetary contribution and contingent upon submission, review and approval of budget work papers, the Primary Contractor Certification Statement, final employer in-kind contribution amount, final curriculum, Certification Statement for each core employer, and quantifying the in-kind contribution in dollars.

Motion carried, 5 – 0.

Mr. Broad suggested the Panel establish a policy or indemnity agreement on multiple employer proposals; specifically when a public agency is providing training and the ETP contract conditions are not met, the employers may be required to reimburse the public agency.

### **Bay Area Video Coalition**

Mr. Chan presented a Proposed Agreement for Bay Area Video Coalition (BAVC) in the amount of \$1,492,800 to retrain 848 employees in Advanced Technologies. BAVC is a training agency that provides high-end technology skills in video, web, and multimedia production. BAVC is requesting a reimbursement rate of \$37.50 per hour. Staff has requested BAVC to submit a budget to support the \$37.50 per hour cost and also verifying the in-kind contributions.

Mr. Chan introduced Tamara Gould, Executive Director, Kris Palmer, Associate Director, and Cynthia Metcalf, Education Manager.

**ACTION:** Mr. Hodess moved and Mr. Rankin seconded the Panel approve the Proposed Agreement for Bay Area Video Coalition without waiving the monetary contribution and contingent upon submission, review and approval of budget work papers, the Primary Contractor Certification Statement, final employer in-kind contribution amount, final curriculum, and a Certification Statement for each core employer

Motion carried, 5 – 0.

### **CCT Computer Learning Center**

Charles Rufo, manager of ETP's Sacramento field office, presented a One-Step Agreement for CCT Computer Learning Center in the amount of \$167,660 to retrain 116 employees in Computer Skills. CCT Computer Learning Center provides customized onsite computer software training. The employers participating in this training plan are small businesses located in rural communities in Trinity, Humboldt, and Shasta Counties that have limited resources. CCT Computer Learning Center will provide customized training at the employers' work sites. The employers have been involved in the development of their specific curricula, and the training has been designed to meet their specific needs. All training will be delivered at the employers' work sites to ensure continuous employer feedback on the effectiveness of training. Employers participating in this program will provide an in-kind contribution of approximately \$157,400 of employees' wages paid while in training.

Mr. Rufo introduced David Clark, CEO.

**ACTION:** Mr. Rankin moved and Mr. Hodess seconded the Panel approve the One-Step Agreement for CCT Computer Learning Center.

Motion carried, 5 – 0.

Mr. Hodess announced the policy discussion scheduled for this month's Panel meeting on Tips and the ETP Minimum Wage has been postponed to a later date.

**Penske Automotive Group, Inc.**

Mr. Tagami presented a One-Step Agreement for Penske Automotive Group, Inc. in the amount of \$422,760 to retrain 813 employees in Business Skills, Commercial Skills, Computer Skills, and Continuous Improvement Skills. Penske Automotive Group is headquartered in El Monte, California, which is a high unemployment area. There are five Southern California dealerships covered under this ETP Agreement. The Contractor requests that the ETP minimum wage be waived for 34 trainees employed at its El Monte facility. The Contractor has agreed to provide these employees a post-retention wage increase of at least 5 percent more than the trainees' wages before and during training. The turnover rate for the Company during the last calendar year was 23.74 percent. Employees classified as "Valets/Porters" accounted for a large percentage of the turnover rate. The Company will provide training to employees in that classification at its own expense to give those employees the skills to eventually move into higher-paying jobs and reduce the turnover rate. To further reduce the turnover rate the Company has improved its 401K plan, will be absorbing the increase in the cost of health care coverage for its employees, implemented an employee coaching program for new employees, and offers long-term disability insurance, carpool reimbursement, and employee discounts on vehicles, service, and parts. The Agreement includes the required language in the Agreement Terms and Conditions, stating that the final 25 percent progress payment for each trainee is earned only if the Contractor achieves a turnover rate of 20 percent or less for the last twelve months of the Agreement.

Mr. Tagami introduced Kenneth Rankin, Human Resources Manager, and Dave Nagy, Consultant, Bolero Associates, LLC. Mr. Brown requested an explanation of the high turnover rate. Mr. Rankin stated the high turnover is with the Valets/Porters classification of workers, who are entry-level, high school graduates, hired right out of high school, with no business skills. The Company will be providing, at its own expense, training for the Valets/Porters and for the managers of this staff. He stated the turnover rate for all other workers in the Company is 15 percent. Mr. Broad questioned the calculation of wages for the salaried sales staff. Mr. Rankin stated all the sales staff, technicians, parts staff all earn more than 1½ times the minimum wage.

**ACTION:** Mr. Brown moved and Mr. Broad seconded the Panel approve the One-Step Agreement for Penske Automotive Group, Inc.

Motion carried, 5 – 0.

## **SYSCO Food Services of Los Angeles, Inc.**

Mr. Tagami presented a One-Step Agreement for SYSCO Food Services of Los Angeles, Inc. in the amount of \$518,940 to retrain 345 frontline workers in Computer Skills, Commercial Skills, and Continuous Improvement Skills. SYSCO Food Services of Los Angeles, Inc., is the largest marketer and distributor of food service products to restaurants, major hotels, and other institutions located throughout Southern California. SYSCO's shipments have been considerably reduced since the events of September 11, 2001. To improve productivity and enhance its market share, SYSCO must evolve into an Internet-based operation and implement a LEAN distribution system. This project has the full support of Teamsters Union Local 630.

Mr. Tagami introduced Nick Abley, Vice President Marketing, Tom Ross, Director of Training, and Frank Nobbe, representing Local 630. Mr. Rankin asked Mr. Abley if he would accept a contingency that the final 25 percent progress payment for each trainee is earned only if there is a turnover rate of 20 percent or less for the last twelve months of the Agreement. Mr. Abley stated yes.

**ACTION:** Mr. Rankin moved and Ms. Murphy seconded the Panel approve the One-Step Agreement for SYSCO Food Services of Los Angeles, Inc.

Motion carried, 5 – 0.

## **Safeway, Inc.**

Mr. Chan presented a One-Step Agreement for Safeway, Inc. in the amount of \$495,600 to retrain 625 frontline workers in Continuous Improvement. This project was brought to the Panel through the marketing efforts of California Manufacturers & Technology Association (CMTA). This project has the support of the United Food & Commercial Workers Local 588 and the Bakers' Union Local No. 85.

Mr. Chan introduced Tammy Alameda, Manager Human Resources Development, and Matt Maynard, CMTA.

**ACTION:** Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement for Safeway, Inc.

Motion carried, 5 – 0.

## **U.S. Foodservice, Inc. d.b.a. Alliant Foodservice**

Mr. Chan presented a One-Step Agreement for U.S. Foodservice, Inc. d.b.a. Alliant Foodservice in the amount of \$349,040 to retrain 300 employees in Computer, Continuous Improvement, Business, and Commercial Skills. This project was brought to the Panel's attention through the efforts of the Technology, Trade, and Commerce Agency. Alliant Foodservice, a major food distributor located in

Livermore, California, operates a broad line food warehouse and distributes freezer, refrigerated and shelf supplies, food, utensils, paper products, china, silverware, and kitchen equipment to a variety of customers, including independent and multi-unit restaurants, hotels, and healthcare organizations. In order to remain competitive, maximize operating efficiencies and reduce costs while meeting customer expectations and delivery times, Alliant must become a high performance workplace and quickly adapt to the U.S. Foodservice business practices, systems, processes, products, services, and culture.

Mr. Chan introduced Angela Monier, Vice President of Finance. Mr. Rankin questioned the possibility of labor issues with U.S. Foodservice, Inc., and requested this project be held over until next month's Panel meeting to allow the Panel time to gather information on that issue. Ms. Monier stated the issues are not connected to this project, which is with Alliant's Livermore facility; the labor issues concern U.S. Foodservice's Southern California facilities. Mr. Rankin stated that Alliant is owned by U.S. Foodservice, Inc.

**ACTION:** Mr. Rankin moved and Mr. Broad seconded the Panel hold the U.S. Foodservice, Inc., project over until next month's Panel meeting.

Motion carried, 5 – 0.

### **Kwikset Corporation and Price Pfister, Inc. d.b.a. Black & Decker Hardware and Home Improvement Group, a Black & Decker Company**

Mr. Torres presented a One-Step Agreement for Kwikset Corporation and Price Pfister, Inc. d.b.a. Black & Decker Hardware and Home Improvement Group, a Black & Decker Company in the amount of \$545,000 to train 333 employees. Black & Decker Hardware and Home Improvement Group (Black & Decker), located in Lake Forest, California, provides research and development, engineering, manufacturing and testing prototypes for Kwikset and Price Pfister products and supports California and out-of-state production and distribution facilities. Black & Decker faces increased competition from overseas companies and has determined it must improve quality, reduce costs, and minimize waste of all its products. The Company recently invested over \$3,000,000 in a new software system designed to improve the efficiency of costing and inventory levels, purchasing, order entry, and order routing. These new business changes require Black & Decker to have a better skilled and trained workforce by implementing a comprehensive, company-wide training plan that will move the Company toward a high performance workplace. Black & Decker's in-kind contribution will be approximately \$545,000 for employee salaries while they attend ETP training.

Ms. Torres introduced Ronald Webb, Vice President, Human Resources, Brett Skousen, National Training Manager; and Paul Johnson, President, California Training Coalition. Mr. Rankin questioned the closure of the Pacoima facility that had 300 employees, which included Teamster Union representation. Mr. Webb stated the

Pacoima facility closed but the Company has made a \$28 million investment in the Lake Forest research and development facility that employs 380 employees.

Mr. Broad recused himself from discussion and action on the Kwikset Corporation and Price Pfister, Inc., d.b.a. Black & Decker Hardware and Home Improvement Group, a Black & Decker Company project. Mr. Hodess asked Mr. Webb if the Company would consider extending the three-year requirement of moving facilities or jobs to five years. Mr. Webb agreed.

Mr. Hodess announced that due to a lack of a quorum for a vote, this project will be held over until next month's Panel meeting.

### **Dream Works, LLC**

Mr. Tagami presented a Proposed Amendment for DreamWorks, LLC, in the amount of \$438,600 to add an additional 155 employees to be trained in computerized animated feature film production. Training is supported by the Motion Picture Screen Cartoonists, Local 839, IATSE.

Mr. Tagami introduced Frank Gladstone, Senior Manager of Animation.

**ACTION:** Mr. Broad moved and Mr. Rankin seconded the Panel approve the Proposed Amendment for DreamWorks, LLC.

Motion carried, 5 – 0.

### **Hawker Pacific Aerospace**

Mr. Tagami presented a One-Step Agreement for Hawker Pacific Aerospace in the amount of \$197,890 to retrain 312 employees in Continuous Improvement, Computer Skills, and Manufacturing Skills. Hawker Pacific Aerospace repairs and overhauls aircraft and helicopter landing gear, hydro mechanical components and wheels, brakes, and braking system components. The Company also distributes and sells new and overhauled spare parts and components for both fixed-wing aircraft and helicopters. The events of September 11 had a severe impact on the airline industry. The events caused a drastic decline in the number of people flying commercially. The Company's aircraft customers are demanding increased efficiency, lower cost, and on-time delivery. Hawker Pacific Aerospace has participated in three ETP Agreements designed with a view toward becoming a high performance workplace.

Mr. Tagami introduced Dave Clark, Director Engineering Quality Assurance.

**ACTION:** Mr. Brown moved and Ms. Murphy seconded the Panel approve the One-Step Agreement for Hawker Pacific Aerospace.

Motion carried, 5 – 0.

**ACTION:** Mr. Hodess moved and Mr. Brown seconded if a lack of a quorum exists on prospective projects, the Panel delegate to the Executive Director authority to approve projects after consultation with the Chair and/or Vice-Chair.

Motion carried, 5 – 0.

### **LeFiell Manufacturing Company**

Mr. Tagami presented a One-Step Agreement for LeFiell Manufacturing Company in the amount of \$110,240. LeFiell manufactures precision tubular parts for the aerospace industry. In order to meet its customers' demands for product quality and on-time deliveries, LeFiell plans to retrain 78 production workers in Manufacturing Skills, and Continuous Improvement Skills.

Mr. Tagami introduced George Ray, Chairman & Chief Executive Officer.

**ACTION:** Mr. Rankin moved and Mr. Broad seconded the Panel approve the One-Step Agreement for LeFiell Manufacturing Company.

Motion carried, 5 – 0.

### **Celestica, Inc.**

Mr. Chan presented a One-Step Agreement for Celestica, Inc. in the amount of \$138,100. Celestica is a world leader in the delivery of innovative electronics manufacturing services for the information technology and communications industries. To remain competitive, Celestica is planning to implement Lean Manufacturing techniques and is proposing retraining 147 employees in Continuous Improvement. Celestica is requesting a waiver to ETP's turnover rate requirement that contractors not exceed 20 percent turnover annually. Celestica's 25 percent turnover rate for the year 2001 was due to a consolidation of several of its California manufacturing plants, the general slowdown in the economy, and the downturn of the electronic manufacturing industry as a result of the events of the September 11, 2001. The Contractor understands that it will have to reduce its turnover rate to 20 percent during the final 12 months of the Agreement or forfeit collecting 25 percent of the total Agreement amount upon closeout of this project.

Mr. Chan introduced Stephanie Thompson, Senior Human Resources Manager.

**ACTION:** Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement for Celestica, Inc.

Motion carried, 5 – 0.

## **XI. APPROVAL OF PROJECTS LESS THAN \$100,000 (OUT OF ORDER)**

**ACTION:** Ms. Murphy moved and Mr. Broad seconded the Panel delegate to the Executive Director the authority to approve the following proposals for projects less than \$100,000:

Citation Precision  
Crest Coating, Inc.  
John H. Harland Company  
MCP Foods d.b.a. Firmenich Inc.  
Tenneco Automotive, Inc.  
Wynn Oil Company  
Redwood Empire Electrical Training Trust  
Certis USA, L.L.C.  
United Parcel Service – Visalia Credit Office

Motion carried 5 – 0.

## **XII. PUBLIC COMMENT**

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

## **XIII. AGREEMENTS AND AMENDMENTS CONTINUED**

### **McCormick & Company, Inc.**

Mr. Chan presented a One-Step Agreement for McCormick & Company, Inc. in the amount of \$199,375 to train 299 employees in Computer Skills, Continuous Improvement Skills, and Manufacturing Skills. McCormick & Company, Inc. is a manufacturer and distributor of spices, seasonings, and flavors to the food industry. With the implementation of a new advanced integrated information technology system that will integrate its procurement, order processing, production, quality assurance, and financial processes, all employees will be required to enter computer data in real time.

Mr. Chan introduced Mark Mizuki, Manager, Process Improvement & Organizational Development.

**ACTION:** Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement for McCormick & Company, Inc.

Motion carried, 5 – 0.

## **Viansa Winery and Italian Marketplace**

Mr. Chan presented a One-Step Agreement for Viansa Winery and Italian Marketplace in the amount of \$106,192. Viansa Winery produces and sells 50,000 cases of wine per year, and develops recipes for food products reminiscent of Italian cuisine with a California flair. Viansa has experienced a decrease in sales and in order for staff to better promote sales, staff must have a complete understanding of the Company's products and services. The Company has decided to change the manner in which it does business by moving from an individual sales environment to a team sales environment that requires employees be cross-trained in Viansa's products and sales options in order to move to a high performance workplace. Viansa proposes to retrain 69 employees in Business Skills, Computer Skills, Continuous Improvement Skills, and Management Skills.

Mr. Chan introduced Jane Schneider, Director of Human Resources, and Rachel Wyckoff, Owner/Director, The Monticello Group. Mr. Brown questioned what percentage of sales is through the Internet. Ms. Schneider replied less than 10 percent are direct sales through the Internet. Most sales are through the "800" number listed on the Website.

**ACTION:** Mr. Brown moved and Mr. Broad seconded the Panel approve the One-Step Agreement for Viansa Winery and Italian Marketplace.

Motion carried, 5 – 0.

## **Kraft Foods North America, Inc. – Fresno**

Mr. DeMauro announced that he had recused himself from any review or discussion regarding any Kraft Foods, Incorporated projects.

Mr. Rufo presented a One-Step Agreement for Kraft Foods North America, Inc. – Fresno in the amount of \$307,880. Kraft Foods in Fresno manufactures and ships beverage products. Kraft Foods recently invested approximately \$50 million for new equipment, production lines, a new warehouse and building expansions. Kraft officials state that in order to remain competitive in California, its entire workforce needs to be relied upon for a greater degree of technological proficiencies and problem solving abilities. Company officials have formulated a training plan for 290 employees that encompasses a spectrum of Continuous Improvement Skills. Officials of Kraft Foods North America, Inc. – Fresno estimate that training and training-related costs not covered by ETP funds will be \$375,000 and further estimate wages to be paid to trainees during training hours will be \$523,000.

Mr. Rufo introduced Barry Haberman, Plant Manager, Tim Anderson, Human Resources Manager, and Steve Myers of Myers Consulting.

**ACTION:** Mr. Rankin moved and Mr. Brown seconded the Panel approve the One-Step Agreement for Kraft Foods North America, Inc. – Fresno.

Motion carried, 5 – 0.

### **NRE World Bento, Inc.**

Mr. Rufo presented a One-Step Agreement for NRE World Bento, Inc. in the amount of \$163,404. NRE World Bento, Inc., a subsidiary of Nippon Restaurant Enterprise Company, Ltd., prepares and distributes traditional Japanese bento meals worldwide. Company officials state that the NRE World Bento is faced with highly competitive pressures from out-of-state and global companies. Recent improvements in frozen food technology, microbiology, and manufacturing processes require NRE employees to expand their knowledge of working processes and quality procedures and their ability to operate computer-driven equipment. Company officials have further determined that improved communication, computer, management, production, and literacy skills are critical to increase sales, improve quality, and better timeliness. NRE World Bento has formulated a plan to train 150 employees in a curriculum that includes Business Skills, Computer Skills, Management Skills, Manufacturing Skills, and Literacy Skills. NRE World Bento estimates that it will spend approximately \$161,995 in training and training-related costs not covered by ETP funds and \$92,524 in wages to be paid to employees while attending the ETP training program.

Mr. Rufo introduced Jeffrey Schnack, President, Teresa Maldonado, Human Resources Director, and Denise Finch, Consultant, U.S. Process Improvement Association.

**ACTION:** Mr. Brown moved and Ms. Murphy seconded the Panel approve the One-Step Agreement for NRE World Bento, Inc.

Motion carried, 5 – 0.

### **Standard Register Company**

Mr. Rufo presented a One-Step Agreement for Standard Register Company in the amount of \$244,944 to retrain 116 employees. Standard Register Company manufactures and sells business forms. In order to address problems of on-time delivery, quality, job costs, the Company has determined that it must train its employees in high performance workplace skills. Standard Register Company officials estimated that training and training-related costs not covered by ETP funds will be \$39,000 and estimate wages to be paid to trainees during training hours will be \$225,000.

Mr. Rufo introduced John Joyce, Plant Manager, Stephen Shuman, Accounting Manager, and William Parker, President, National Training Systems, Inc.

ACTION: Mr. Rankin moved and Mr. Broad seconded the Panel approve the One-Step Agreement for Standard Register Company.

Motion carried, 5 – 0.

### **Teleplan International**

Mr. Rufo presented a One-Step Agreement for Teleplan International for retraining 154 employees in the amount of \$141,777. This project was brought to the Panel's attention through the marketing efforts of the Technology, Trade and Commerce Agency. The Roseville facility provides technology warranty services for customers throughout the United States. Approximately 60 percent of its repair service is from customers located outside of California. Teleplan is a provider of After Sales Service to the information technology industry. Teleplan's principal activity is warranty management and maintenance services for electronic and electrical systems as well as telecommunication systems. They have eight sites throughout the United States that compete internally for the warranty work completed at the Roseville facility where all ETP training will be conducted.

ETP funds would allow the Roseville facility to provide a training program to move the plant to a High Performance Workplace. Training will include Computer Skills, Commercial Skills, Continuous Improvement, Management and Literacy Skills.

Teleplan estimates an in-kind contribution of \$524,063, which includes \$424,063 in wages paid to trainees during training and \$100,000 for training of staff who do not meet ETP requirements.

Teleplan's turnover rate for the Roseville facility for the calendar year 2001 was 39.8 percent due to an anomaly that occurred at this facility in which a reduction in work force accounted for approximately 90 percent of its turnover figure. Additionally, approximately 15 percent of the turnover was related to production and material staff who do not meet ETP requirements. Teleplan will train these individuals at the company's expense. The turnover rate for Teleplan during the last four months of 2001 had been reduced to 3.1 percent. Staff has added language to the contract stating that the contractor will earn the final 25 percent progress payment for each trainee if the contractor achieves an average turnover rate of 20 percent or less during the last year of the agreement.

Mr. Rufo introduced Don Tanner, Acting Human Resources Manager, Neita Snowden, Training Specialist, with Teleplan; and Judy Turner, Senior Manager, Deloitte and Touche. Mr. Rankin questioned the high turnover rate for the materials and production staff. Ms. Carrillo stated that staff has added language to the contract stating that the contractor will earn the final 25 percent progress payment for each trainee if the contractor achieves an average turnover rate of 20 percent or less during the last year of the agreement. Mr. Rankin also had concerns regarding the exclusion of the materials and production staff from the ETP proposal. He stated

that if high performance workplace training programs are to be successful, training is required for all classifications. Mr. Rufo stated that the Company is providing training to production and material staff who do not meet the ETP minimum hourly wage at its own expense. Mr. Rankin stated the goal of ETP training is to provide employees with skills that will enable them to obtain better paying jobs. Employees trained under and ETP Agreement are assured of an increase in wages upon completion of training and required retention. Ms. Snowden replied that there are approximately 59 workers who do not meet the ETP wage criteria that will be trained, along with the other staff, at the Company's expense. Mr. DeMauro stated that language could be added to the Contract ensuring that those workers are integrated into the training program.

Ms. Murphy stated if the Panel sets minimum hourly wage rates that are higher than certain classifications, employers only have the option of training those employees earning wages at or above that certain wage rate. So all the Panel need ask is how extensive is the Company's commitment beyond what ETP is funding. She stated there may be instances where applicants do not qualify because of the Panel's regulations and they can only come forward with what the Panel allows funding to cover. She said the Panel needs to get a broader picture of a Company's training policy, how it intends to use the training opportunities overall, and how is it going to use ETP training to supplement and educate itself on the value of training.

Mr. Hodess recommended that the Panel discuss as a future date whether to consider the High Performance Workplace as one unit where all the workers meet the standard ETP minimum wage rate.

**ACTION:** Mr. Rankin moved and Mr. Broad seconded the Panel approve the One Step Agreement for Teleplan International with the contractual requirement of having staff follow up on the progress of employees who did not meet the ETP minimum wage rate being trained at the Company's expense.

Motion carried, 5 – 0.

#### **XIV. PUBLIC COMMENT**

Mr. Nathan Acuna, Director, Anthony Solo Employment Training Center in Stockton, California, spoke, representing the California Human Development Corporation. He stated the Anthony Solo Employment Training Center is a new hire agency and he acknowledged the partnership the Agency has had with the ETP since its inception. He stated that the Training Center services the rural communities of Northern California where the Agricultural industry is the number one industry. The Training Center's expertise is working with the farm worker population and providing them the opportunity to be able to move out of the non-skilled agricultural fields and into skilled trades allowing them to become more viable contributing members of our society. Through the partnership with ETP, the Center has been successful in

training thousands of people who had worked in the agricultural fields enabling them to move into more skilled, higher paying manufacturing jobs. The Center has been successful not only serving farm workers but many other people who are excluded from other State programs because of language barriers. With the support of ETP, the Center has been able to serve this group of people by providing English classes along with skills training to ensure stable full-time employment. The Anthony Solo Employment Training Center in Stockton looks forward to an ongoing relationship with the Panel in serving California's farm workers.

Steve Duscha, Alliance for ETP stated the Alliance supports ETP staff's recommendation to lift the moratorium on New Hires with certain specifications. He stated with the rise in unemployment statewide and the forecast of increasing unemployment this year, this may not be the time to make changes.

Ms. Neil Barth, Worldwide Educational Services stated that the ETP training program is a very unique program. It is the only program in California customized to meet the needs of the employer. When there is an economic downturn and unemployment is an issue, the ETP training program with emphasis on short-term, intensive training with customized curricula ensures stable full-time employment for individuals on the unemployment roles.

## **XV. PROPOSED REGULATIONS**

Mr. Peter DeMauro reported that at the October 25, 2001, Panel meeting, the Panel approved proposed regulatory amendments to Sections (§) 4408, 4409, and 4414 to allow projects under the California Career Ladders to the 21<sup>st</sup> Century (Career Ladders) category to be funded under the Panel's regular funding category rather than the Special Employment Training Category, and directed staff to promulgate the proposed regulations as emergency regulations. The Office of Administrative Law (OAL) approved these regulations as emergency regulations with an effective date of November 6, 2001. Because of the limited SET funds and as a way of controlling what is spent under Career Ladders, Mr. DeMauro explained that the Career Ladder regulation was incorporated into the Job Creation category.

Once emergency regulations are approved by OAL, the Panel is required to promulgate a permanent regulation within 100 days of that approval. The Regulations were sent out for a 45-day public comment period, during which ETP received comments from two entities. Mr. DeMauro summarized the comments as stating that the Panel's Career Ladders regulation is too specific. The commenter suggested that, rather than discussing the upgrading of jobs, the discussion focus on upgrading the functions or a pay increase within functions. Furthermore, the commenter recommended that ETP remove the requirement of a demonstrated career path. Staff's concern is that these proposed revisions may result in a significant loophole because Career Ladders projects would be no different than normal retraining agreements. Mr. DeMauro explained that if the comments were

adopted, staff and the Panel would have difficulty identifying the type of career path, job advancement, and number of trainees required to have job advancement.

ETP staff recommends the Panel adopt Regulation § 4408 as noticed to the public, delete Career Ladders from the SET category § 4409, and amend Career Ladders into the definition of Job Creation, set out in § 4414.

Ms. Murphy stated the comments and recommendations from EDD regarding Career Ladders differ from the Career Ladders program EDD originally proposed to the Panel.

**ACTION:** Mr. Rankin moved and Mr. Broad seconded the Panel approve the Career Ladders amendments to ETP Regulations § 4408, 4409, and 4414.

Motion carried, 5 – 0.

Mr. DeMauro presented amendments to Regulation § 4409, Special Employment Training Project, to address the issue the amount of SET funding to be made available for frontline workers who earn at least the State average hourly wage. Staff recommends the deletion of the percentage limitation on the amount of funds available for frontline workers with multiple barriers to full participation in the workforce. The Regulation currently contains language that allows the Panel to identify occupations that are priorities for funding through the Strategic Plan. Furthermore, another Regulation § 4405 gives Panel authority to set funding limitations. The establishment of priorities regarding SET funding through the Strategic Plan eliminates the need for specific percentages in the regulation.

Mr. DeMauro presented staff's recommendations to amend Regulation § 4409 by removing the restriction that contractors only be funded once under SET; deleting the percentage limitation on the amount of funds available for frontline workers with multiple barriers to full participation in the workforce; requiring that workers qualifying under the SET barriers subcategory have at least two barriers to employment; revising the definition of "employee" for the purpose of small business skills training to stipulate that such employees only need to be employed as of the start of training, rather than requiring a six month period of employment; referencing CCR § 4429, "High Unemployment Areas," as the regulatory section containing the criteria for the SET high unemployment category; and make other technical revisions.

**ACTION:** Mr. Rankin moved and Mr. Brown seconded the Panel approve the proposed regulation changes recommended by staff and as outlined on pages 26, 27 and 28 of the Panel memo regarding SET Criteria.

Motion carried, 5 – 0.

Mr. DeMauro recommended that the Panel delete § 4444, and § 4446, as they are no longer used by staff.

ACTION: Mr. Broad moved and Ms. Murphy seconded the Panel approve deleting § 4444 and § 4446.

Motion carried, 5 – 0.

## **XVI. POLICY**

Mr. Hodess stated that the Panel would address the issue of New Hires at today's meeting and postpone the discussion on Tips and the ETP Minimum Wage to the March Panel meeting.

Ms. Carrillo stated that because of various concerns on the funding of New Hires, such as excessive costs per trainee, low wages, employer contributions, and customized training, the Panel had imposed a moratorium on funding training for unemployed workers. Enabling legislation provides that the Panel fund unemployed workers as well as retrainees. In recent years, 10 percent of ETP training funds have supported training for New Hires. New Hire training is for unemployed individuals who are either collecting unemployment insurance or had recently exhausted those benefits. Most of these trainees have a high school education or the equivalent and all have close ties to the labor market, unlike clients of many other workforce preparation programs. All of the contracts for new hires are with private or public training agencies. There is no employer of record until after training is completed thus putting the training entity at risk. The cost of training the unemployed worker is substantially higher than retrainees/incumbent workers due the higher number of training hours required, and the new hire/entry level wage rate is normally much lower than the incumbent worker wage rate.

Ms. Carrillo stated that despite concerns related to ETP new hire training, its benefits have been documented by longitudinal studies conducted by researchers at California State University, Northridge. Results of the studies confirm the value of new hire training in improving trainees' wages and job security, as well as in benefiting the California economy. These various studies confirm staff's recent assessment of the return on investment of ETP funds for the training of unemployed workers. Using recent data on earnings of new hire trainees who were still employed and had worked all year after completing retention, staff estimated a direct return of \$55.7 million on ETP's investment of approximately \$9 million spent to train and employ previously unemployed workers, more than a 6 to 1 return on each dollar invested in training these workers.

Ms. Carrillo stated that since new hires are not employed until after completion of training, it is not reasonable to expect any employer contribution during the training

period. However, the Panel may want to consider requesting employer contributions during the employment retention period.

Ms. Carrillo introduced Burt Schuster, Executive Director of the San Francisco Bay Area National Tooling, Machining Training Centers (NTMA), located in Fremont. NTMA provides computer aided design training. Mr. Schuster stated NTMA has had 12 contracts with ETP for both new hire and retrainee programs. Mr. Schuster stated that ETP staff's proposed Option 1 indicates that the on-the-job training provided by the employer could be considered an in-kind contribution. A newly hired trainee does require additional training from the employer.

Ms. Carrillo introduced Carlos Lopez, Corporate Director of Training Programs for the Center for Employment and Training (CET). CET has had nine contracts with ETP servicing the hard-to-serve unemployed population. CET provides training in various occupations such as the medical field, electronic industry, manufacturing industry, automotive industry, and the metal trades. Mr. Lopez stated that CET's objective is to have as many employers as possible to participate in its training program. CET believes that employer contributions are important. He stated there are two types of contributions: 1) pre-training contributions and 2) post-training contributions. He stated CET receives in-kind contributions not only in the form of funds, but equipment and other non-cash contributions. Mr. Lopez stated the biggest issue or the concern of the Panel appears to be the employer's level of involvement. He added the level of involvement might not necessarily be a monetary involvement but could be a hiring commitment. Mr. Lopez recommended ETP staff's proposed Option 1 and addressing the cost of training and trainee wage issues on a "case-by-case basis."

Ms. Carrillo introduced Jim Durbin, President of Foundation College, a division of the Foundation for Educational Achievement (FEA) located in San Diego. FEA has had 11 contracts with ETP training new hires and retrainees primarily in the technology industry. Mr. Durbin stated the difficult issue with employer contributions for new hires is in not knowing who the employers will be. When a trainee is hired, there is additional on-site-training training the employer provides to teach the new hire the operation of that particular company and could be construed as an in-kind contribution.

Ms. Carrillo introduced Donna Parrett, ETP Program Manager for FEA. Ms. Parrett stated the companies FEA has worked with usually train incumbent workers for career advancement within the company, thus creating job openings. The vacancies are then filled with new hires and the newly hired employees are provided on-going on-site training for the first six months of employment. The training process is ongoing. Ms. Parrett stated that FEA screens approximately 200 training applicants to accept 15 positions. The screening process is extremely intense. The placement of trainees and the 90-day retention requirement is critical to reimbursement.

Mr. Murphy supported Option 1 but questioned the cost of training new hires with low wage rates (low entry-level wages), which is the continuing source of discomfort for the Panel.

Ms. Carrillo stated the issues on reimbursement rates will be presented to the Panel in April or May for discussion.

Ms. Carrillo presented four options for the Panel's consideration:

**Option 1:** Continue funding new-hire projects, given the minimal amount of funding targeted for new hires and the apparent benefits of such training as evidenced through various studies; however, a) amend the Panel's Employer Contributions policy to require contributions in new-hire projects as proposed; b) target industries and occupations in the Strategic Plan; and c) address cost of training and trainee wage issues, on a case-by-case basis.

**Option 2:** Continue funding new-hire projects as in the past, without requiring employer contributions.

**Option 3:** Discontinue funding new-hire projects, with the following exceptions:

- Allow Career Ladder projects, developed in conjunction with the Employment Development Department, since they are now recognized under the Job Creation category for Panel funding.
- Allow new-hire projects in industries impacted by the September 11 terrorist attacks, given the recent set-aside of \$10 million for training in industries such as tourism, transportation, and security that were severely affected by those events.

**Option 4:** Discontinue funding all new hire projects after July 1, 2002, with no exceptions.

Mr. Rankin questioned the allowable Employer Contribution Costs for New-Hire Projects. Ms. Carrillo replied that staff would make it more inclusive. Many of the items identified under the retraining projects could be cost associated with new hire projects.

**ACTION:** Mr. Rankin moved and Ms. Hodess seconded the Panel adopt Option 1, revising the allowable Employer's Contribution Policy for New-Hire Projects.

Motion carried, 5 – 0.

## **XVII. EXECUTIVE SESSION**

Mr. DeMauro stated there would not be an Executive Session at this month's Panel meeting.

## **XVIII. ADJOURN**

There being no further business and no objection, the meeting was adjourned at 3:30 p.m.