



EMPLOYMENT TRAINING PANEL

PUBLIC MEETING NOTICE

ETP STRATEGIC PLANNING WORKSHOP

DATE: May 22, 2002 (Wednesday)
TIME: 9:30 a.m.
PLACE: Sheraton Universal Hotel
333 Universal Terrace Parkway
Universal City, California

ETP PUBLIC PANEL MEETING

DATE: May 23, 2002 (Thursday)
TIME: 9:00 a.m.
PLACE: Sheraton Universal Hotel
333 Universal Terrace Parkway
Universal City, California

(See enclosed notice for specific address)

STRATEGIC PLANNING WORKSHOP

TIME: 9:30 a.m.
PLACE: Sheraton Universal Hotel
Terrace A, Lower Level
333 Universal Terrace Parkway
Universal City, California 91608
(818) 980-1212
(818) 509-0605 FAX

9:30 a.m.	Call to Order	Marsha Kwalwasser, Chairperson
9:35 a.m.	Economic Overview	Tom Leiser, UCLA Andersen School Chris Cochran, Chief Economist, Technology, Trade and Commerce Agency Carol Zabin, UCB Representative
10:30 a.m.	ETP'S Mission / Future Directions	Senator Patrick Johnston / Rona Sherriff, Consultant Senate Office of Research
11:30 a.m.	Public Comment	
12:00 Noon	Working Lunch	
1:00 p.m.	Planning Session	MGT Facilitators
4:00 p.m.	Public Comment	
4:30 p.m.	Adjourn	

NOTE: If the Panel does not have a quorum, the Panel will meet as a subcommittee of the whole at the same time and place described in this notice. The subcommittee of the whole will take testimony on the items identified on this agenda, but cannot vote or make any decisions. All times for presentations are estimates and subject to change. However, the presentations will remain in order unless changed by the Panel at the meeting. Notices of Public Panel meetings are also available on ETP's website (www.etp.ca.gov).

The Employment Training Panel (ETP) is an equal opportunity program and subject to section 504 of the Rehabilitation Act and the Unruh Civil Rights Act, which incorporates by reference the Americans with Disabilities Act (ADA). Special accommodations (American sign language interpreter, accessible seating, documentation in accessible formats, etc.) may be requested by contacting ETP staff at least seven (7) days prior to the hearing/meeting date at 916/327-5640 (voice); or through the California Relay Service at 800/735-2929 (hearing impaired); 800/735-2922 (voice impaired).

PUBLIC PANEL MEETING

TIME: 9:00 a.m.
PLACE: Sheraton Universal Hotel
Studio 1 & 2, First Floor
333 Universal Terrace Parkway
Universal City, California 91608
(818) 980-1212
(818) 509-0605 FAX

9:00 a.m.	Call to Order Roll Call Approval of Agenda Approval of Minutes	Marsha Kwalwasser, Chairperson
9:05 a.m.	Reports of the Chairperson/Panel Members	
9:15 a.m.	Report of the Executive Director	Peter McNamee
9:30 a.m.	Report of the General Counsel	Peter DeMauro
9:45 a.m.	Labor Agency Update	James Mayer, Executive Director Little Hoover Commission
10:15 a.m.	Public Comment	
10:30 a.m.	Break	
10:45 a.m.	Review and Action on Agreements and Amendments	Charles Rufo Creighton Chan Diana Torres Ron Tagami
12:00 Noon	Lunch Break	

AGENDA

Thursday, May 23, 2002

- 12:30 p.m. Review and Action on Agreements
and Amendments Continued**
- 2:00 p.m. SOST Study Report Dr. Richard Moore
California State University – Northridge**
- 2:45 p.m. Public Comment**
- 3:00 p.m. Policy Discussion/Action
• Tips and the ETP Minimum Wage Ada Carrillo**
- 3:30 p.m. Executive Session
• Personnel: Government Code Section 11126(a)
• Litigation: Government Code Section 11126(q)**
- 4:00 p.m. Adjourn**

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REVIEW AND ACTION

Following are lists of Proposed Agreements, Final Agreements, One-Step Agreements and Amendments that may be considered by the Panel on May 23, 2002. Staff will notify prospective contractors regarding which specific projects will be presented or if any project listed below will not be presented.

PROPOSED AGREEMENTS

SAN MATEO FIELD OFFICE

California Restaurant Association Educational Foundation, Incorporated

SAN DIEGO

Workplace Hollywood (Tech Force)

AGREEMENTS/AMENDMENTS FOR A MULTIPLE-EMPLOYER CONTRACTOR

SACRAMENTO FIELD OFFICE

California Manufacturers & Technology Association Service Corporation
Community Business School III (Amendment)

SPECIAL EMPLOYMENT TRAINING (SET) PROJECT

SAN MATEO FIELD OFFICE

Fisher Investments, Incorporated

SAN DIEGO FIELD OFFICE

SheaHomes Southern California Division

REVIEW AND ACTION

AGREEMENTS/AMENDMENTS WITH A SINGLE EMPLOYER

SACRAMENTO FIELD OFFICE

Saint-Gobain Containers, Incorporated – Madera (High Unemployment Area)

SAN DIEGO FIELD OFFICE

**Frito-Lay, Incorporated – Irvine
U.S. Data Source, LLC (High Unemployment Area)**

NORTH HOLLYWOOD FIELD OFFICE

**Aerosol Services Company
BP West Coast Products, LLC
Disneyland, a Division of Walt Disney World Co. (Amendment)
Jafra Cosmetics International, Incorporated
Sears Logistics Services, Incorporated**

AGREEMENTS/AMENDMENTS USUALLY APPROVED BY THE EXECUTIVE DIRECTOR (<\$100,000)

SACRAMENTO FIELD OFFICE

**E*Trade Group, Incorporated (Amendment)
Pacific Coast Producers (High Unemployment Area)**

SAN DIEGO FIELD OFFICE

**Saint-Gobain Performance Plastics Incorporated
SMC Corporation of America**

NORTH HOLLYWOOD FIELD OFFICE

**Applied Companies
Delgado Frames d.b.a. Delgado Bros. (High Unemployment Area)
Frito-Lay, Incorporated – La Mirada (Amendment)**

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Sheraton Universal Hotel
333 Universal Terrace Parkway
Terrace A
Universal City, California
May 22, 2002

PANEL MEMBERS

Marsha Kwalwasser
Chairperson

Barry Broad
Member

David Brown
Member

Aram Hodess
Member

Robert Lennox
Member

Tom Rankin
Member

Alfonso Salazar
Member

Executive Staff

Peter McNamee
Executive Director

Ada Carrillo
Acting Assistant Director

Peter G. DeMauro
General Counsel

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Sheraton Universal Hotel
333 Universal Terrace Parkway
Universal City, California
May 22, 2002

I. STRATEGIC PLANNING SESSION CALL TO ORDER

Ms. Kwalwasser, Chairperson, called the Strategic Planning Session to order at 9:30 a.m.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Chair
Barry Broad
David Brown
Aram Hodess
Robert Lennox
Tom Rankin
Alfonso Salazar

Executive Staff Present

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

III. ECONOMIC OVERVIEW

Ms. Kwalwasser introduced Dr. Tom Lieser, University of California Los Angeles Andersen School.

Dr. Lieser reported that research results showed three imbalances that contributed to the recession last year. The imbalances were primarily in the business investment sector. High-tech equipment, which had a precipitous downturn, left a tremendous excess capacity in Information Technology. The Bay Area is the worst regional recession area in the United States. Dr. Lieser stated that consumer spending kept up very well last year. Consumers were given good incentives to spend on automobiles with low interest rates and low

financing costs. He stated the imbalance in the foreign sector was a result of importing foreign investment.

Dr. Lieser reported the State's income decline was the worse in the nation because of California's dependency on the stock market as a source of tax revenue. The Information Technology industry appears to be moderated and should begin growing again soon, but the question is how fast it can grow. The southern part of the State is doing much better economically than the northern section at this point, although wages and per-capita income in the South are lower. The central part of the State did well in the regional job growth although there are wage disparities and high unemployment rates. The unemployment problem in Central California has been very serious and chronic. San Jose experienced an 8 percent employment decline with an unemployment rate of 7.4 percent, which was previously at 1.3 percent. The Bay Area economy has suffered because of the loss of high-income jobs. He stated Orange County and San Diego County have the lowest jobless rates of 3.7 and 3.8 percent respectively, which is a complete reversal of the previous pattern when the Bay Area led the way. The strongest job growth at this point is in the Inland Empire, Riverside, and San Bernardino.

Dr. Lieser stated the upper line in high tech manufacturing is electronics. He stated that Southern California experienced an enormous decline in the aerospace industry. He said that analysts are forecasting a statewide growth in the Health Services industry, not only in the service section but also in the production of pharmaceuticals and other biotechnology. He also said that public education should not be ignored or underrated as a source of job creation in California. He added that the building trades and construction industry have been strong performers in terms of job growth.

Ms. Kwalwasser introduced Chris Cochran, Senior Economist, Technology, Trade and Commerce Agency. He gave a brief history of the Economic Strategy Panel and its enabling legislation to develop a statewide strategy and vision for economic development. He stated a web page has been developed, commerce.ca.gov, which tells of the history of California's economy and the actual products produced.

Mr. Cochran stated that the Economic Strategy Panel would be working with the Labor Market Information Division of EDD to gather more regional data and to separate the industries that are growing and expanding from the businesses that are contracting or failing.

Mr. Cochran stated that the Fresno area is showing good growth. Fresno has a high unemployment rate. It has a regional economic impact due to its agricultural and food products, which are still in high demand, and its exports are still on the plus side whereas the high-tech exports have declined. The

challenge for the Fresno region is how to diversify its economy beyond a seasonal industry that also pays low wages.

Mr. Cochran stated that the Inland Empire is a success story. This region is experiencing a significant increase in its construction industry, providing numerous new jobs. In addition, due to the threat of terrorism and security concerns, the region is capturing some of the in-state tourism that would otherwise have traveled elsewhere.

Ms. Kwalwasser introduced Dr. Carol Zabin, University of California – Berkeley. Dr. Zabin spoke on the “Challenges Facing California’s Working Families and the Implications for ETP.” She stated that ETP’s mission is to support a competitive high-wage economy through investment in training. She stated that an enormous number of high-wage jobs, particularly in high tech have been created, and numerous low wage jobs have been created as well. EDD estimates that over a third of the new jobs will pay less than \$10 an hour. She stated it is interesting to note is that there are not a lot of mid-range jobs, which makes it difficult for people to move out of dead end, low-wage jobs.

Dr. Zabin stated there is also a real change in the structure and organization of the economy, and a breakdown in labor market institutions, with smaller firms outsourcing their subcontracting, resulting in a situation where most workers no longer stay with one employer for their entire work life; nor can they move up a career path. She stated what this means for ETP is that even if training and public funding for training helps to train all workers, there simply aren’t enough good jobs available. She stated that strategies need to be developed that will affect not just the supply of labor but also the structure of jobs and the kinds of jobs that are in the economy. Four strategies for achieving this are: retaining good jobs, improving bad jobs, creating career paths, and broadening access to good jobs.

Dr. Zabin stated that ETP’s purpose is to assist in retaining good jobs, which focuses on working with employers in the higher wage, growth sectors. She stated that sometimes new skills are needed for firms to stay competitive and survive. There are two points to consider: 1) make sure that the public funds actually catalyze private investment and that the training being funded is not for training that the employer would provide anyway, and 2) improve bad jobs and try to target firms that are trying to move away from a low wage, high-turnover strategy and move to a high performance workplace system.

ETP has a career paths program designed to move individuals as they gain skills for new jobs with wage increases. However, often there are no career progressions, especially in smaller firms.

IV. ETP'S MISSION/FUTURE DIRECTION

Ms. Kwalwasser introduced Senator Pat Johnston and Rona Sherriff, Consultant, Senate Office of Research.

Ms. Sherriff stated that ETP is a unique program and provided some perspective on the Legislative intent of the program. She said that the workforce development system is a very complex system, which includes community college programs, vocational educational programs, EdNet programs, Workforce Investment Act programs, and numerous federal programs that are funded to serve veterans and displaced workers. The ETP program is unique because it targets primarily the high wage, high skilled workers and incumbent workers, and it is performance-based.

Ms. Sherriff referred to a study conducted by University of California Berkeley "Choosing Wisely for California, Targeting the Resources of the Employment Training Panel," which proposes principles that ETP should follow to refine its targeting strategies. One of the principles set out in the study provides that ETP should fund training for occupational groups that traditionally have been under-trained by business. She stated part of the philosophy about training the frontline worker was based on this. Traditionally, businesses invest a lot of money in training, but they invest money in training management and supervisory personnel and often more of the highly skilled personnel, but not the frontline worker.

Ms. Sherriff stated that another proposed principle was high wage sectors. ETP should subsidize training in sectors with higher than expected wages as a way of shifting employment from low productivity to high productivity jobs. Firms applying for such subsidies should provide convincing evidence that they plan to expand employment rather than merely using the public funds to displace what they are already doing. She stated that the ETP investment is a catalyst for getting employers to invest in increasing their training amounts. She stated that ETP should explore possibilities for supporting training activities that enhance the stability of employment and efforts to enhance internal ladders within firms. She said this principle also deals with the career ladders concept of creating bridges from low wage jobs to high wage jobs. In some industries, career ladders are very obvious and do exist. But many industries, especially small businesses, that whole concept involves just broadening a skill base and not increasing the wages for having more responsibility and knowing how to do more tasks in the workplace.

Ms. Sherriff stated that the last ETP principle is statewide economy development. She said ETP should not fund projects just because they apply for funds. ETP should have a strategy and investments should be targeted. She stated that the legislature is concerned with the small business participation. She said legislators do hear from small businesses regarding the

complicated, bureaucratic process of applying for ETP training funds. She said that legislators are concerned whether ETP is making the right kinds of investments. She stated that ETP can meet the letter of the law and all the regulations, but it is important to ask whether all the investments are appropriate; whether it is training that would have happened anyway; whether ETP is funding training for people that have so much skill and ability that the employer should be doing the investing; and whether ETP is helping industry to adapt to sudden changes in technology and for that reason need assistance.

Senator Johnston stated he and former Senator Bill Green, who chaired the Senate Industrial Relations Committee, voiced the need for training programs for workers to obtain skills for stable, long-term employment and higher wages.

Senator Johnston cautioned against measuring the success of adult education by the same standard that we apply to job programs where there are skill sets learned and jobs sought and obtained. ETP needs to distinguish between them and evaluate them differently. He stated that the ETP program is accountable. The ETP program is a performance-based accountability system, unique and different from any other training program. The ETP program provides upgrade training for more skilled workers that contribute to the economy with better wages, and it is structured in a way that does not try to do everything.

V. PLANNING SESSION

Ms. Kwalwasser introduced Fred Forrer and Tammy Lozano of MGT of America. Mr. Forrer and Ms. Lozano presented the Mission Statement as the first component of the strategic planning exercise. Ms. Lozano stated that the Mission Statement is important to convey the organization's reason for existence. It is also an important tool for planning and directing future efforts.

Panel members agreed upon the following Mission Statement:

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

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

Ms. Lozano presented the concepts that a Vision Statement should reflect. She explained that the difference between a Vision and Mission Statement is the Vision Statement is the future - where do you see your organization in the future. She stated the Vision Statement should be a compelling, vivid image of

the future. Mr. Forrer stated that the Vision Statement is a way of telling everyone where ETP is heading with its program and its future goals.

The Panel agreed upon the following draft of the Vision Statement:

ETP will maximize leveraging of ETP funding by partnering with other Workforce Development Programs to strengthen the skills of California workers and maintain a healthy State economy.

Ten ETP goals and objectives were discussed by the Panel:

Goal #1:

To increase the impact of training, provided through ETP funds on California's economy.

Objectives:

- *Though collaboration with ETP marketing partners, target key basic industries by region, i.e., the manufacturing and high technology services sectors (computer programming and network design; software development; telecommunications, and multimedia/entertainment).*
- *Increase funds approved, by 10 percent, for businesses in key basic industries, i.e., the manufacturing and high technology services sectors (computer programming and network design; software development; telecommunications, and multimedia/entertainment).*
- *Target up to 10 percent of available training funds for Special Employment Training (SET) projects to support growth industries that do not have out-of-state competition – i.e., construction, health care, and research and development.*
- *Initiate separate independent studies to determine: a) the impact of ETP-funded training on businesses' viability and to assess the level of employer supported training; and b) the effectiveness of ETP-funded Career Ladder training.*
- *Support industry based workforce development needs, through funding support for the Governor's Nurse Workforce, Techforce, and Career Ladder initiatives.*
- *Target up to \$5 million to supports the Governor's Nurse Workforce Initiative efforts for career paths and workforce preceptorships.*

Goal #2: To increase participation in ETP and workforce training in target industries.

Objectives:

- *Increase participation in employment training through marketing, public relations and outreach in coordination with marketing partners and other stakeholders with access to target industries.*
- *Develop performance based marketing contracts that reward improved achievement of marketing goals while creating a seamless interaction with ETP's operation.*
- *Market special projects as part of Labor Workforce Development Agency and other workforce partner initiatives.*

Goal #3:

To assist contractors increase the success rate among projects selected for funding.

Objectives:

- *Maintain a disencumbrance rate of 25 percent or less for ensuing fiscal years.*
- *Evaluate the incremental system of encumbering funds to determine if its objective is being met and to determine opportunities to further minimize training fund disencumbrances.*
- *Implement seamless development and monitoring in all ETP regional offices, based on outcomes of pilot tested in the San Diego regional office.*
- *Explore new methods of assessing the economic value of job training.*

Goal #4:

To increase the amount of ETP training funds available for qualified proposals.

Objectives:

- *Increase the Budget Act appropriation for the ETP program by \$35 million by July 1, 2003.*
- *Use increased funding to address:*
 - *Critical workforce needs identified by the Labor and Workforce Development Agency and the Panel;*
 - *Increase employer-labor training initiatives;*
 - *Expand the number of companies with effective and sustainable workforce development programs.*

Goal #5:

To leverage funds from the private sector in support of employer provided training.

Objectives:

- *Strengthen agreement requirements to ensure that ETP funding will be used to supplement training provided by a company during the normal course of business.*
- *Increase percentage of employer contributions to the cost of training.*

Goal #6:

To ensure that ETP funds continue to be invested in projects that target high-wage jobs and will produce above average salary increases and above average job retention rates.

Objectives:

- *Ensure at least 95 percent of ETP trainees remain employed in the same occupation and industry for which they were trained, one year after completing training and employment retention.*
- *Ensure at least 90 percent of ETP trainees remain employed in the same occupation and industry for which they were trained, three years after completing training and employment retention.*
- *Ensure that ETP retrainees and new hires receive wage increases, on average, of at least 10 percent one year after completing training and employment retention.*
- *Use ETP training assistance to leverage reduced workforce turnover, with the objective of an overall turnover rate under 20 percent.*
- *Explore a limit for waivers to wage requirements for working poor and career ladder trainees at a maximum of 25 percent below the required ETP minimum wage.*
- *Increase the number of high-wage jobs generated by the ETP program.*

Goal #7:

To reduce the barriers to successful participation in the ETP program.

Objectives:

- *Implement a pilot project to facilitate the ability of small businesses with 100 or fewer workers to contract directly with the Panel.*

- *Explore the use of a "mentor" system to expand industry-based workforce training.*

Goal #8:

To continuously increase the efficiency and effectiveness of the ETP program.

Objectives:

- *Improve on-line access for ETP customers.*
- *Undertake a study to identify better training project evaluation tools.*
- *Continue automating processes, forms, and procedures – streamlining and expediting the contracting process for ETP customers.*
- *Assess data needs pertinent to each of the Panel's critical functions; ensure that automation processes yield necessary data.*
- *Automate administrative processes to better track program administration, marketing and research expenditures.*
- *Continue an ongoing review of training-related regulations and policies, including: a) refining criteria for basic industries/out-of state competition; b) addressing issues relevant to apprenticeship training; c) reevaluating appropriate types and levels of employer contributions; and d) determining when employment retention requirements should be modified.*
- *Explore creating a customer advisory committee to help guide IT initiatives.*

Goal #9:

Increase the skills and employability of the workforce in areas of high unemployment.

Objective:

- *Target at least \$15 million of available training funds for workers in high unemployment areas, with a focus on helping the working poor move to higher-wage jobs.*
- *Increase the number of working poor trainees.*

Goal #10:

Take a lead role as a partner in the new Labor and Workforce Development Agency in developing job training programs and related research.

Objectives:

- *Submit a Budget Change Proposal to establish ETP's own departmental funding code, in order to improve the legislative and budget processes and strengthen its role in the California Workforce Development Agency.*
- *Partner with California Workforce Investment Board to develop collaborative approaches in support of economic development and workforce preparation.*
- *Conduct a forum with other stakeholders in the economic development and workforce preparation arenas to exchange ideas and strategies for eliminating duplicative services and coordinating services to better serve customers.*

Panel members made various suggested edits to the proposed goals and objectives. MGT recorded the suggested edits and agreed to forward the revised Goals and Objectives for inclusion in the Strategic Plan to be submitted to the Panel at the June meeting.

The Panel also reviewed a set of draft guiding principles and proposed edits to be included in the proposed Strategic Plan.

VI. PUBLIC COMMENT

Steve Duscha, representing the Alliance for ETP, presented recommendations to the ETP 2002 Strategic Plan. He questioned whether the public could submit written comments and Ms. Kwalwasser replied they could.

Mr. McNamee stated that the Proposed 2002-03 Strategic Plan would be submitted for Panel action at the June Panel meeting and would incorporate the comments provided by Panel members as well as other stakeholders.

**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**

Sheraton Universal Hotel
333 Universal Terrace Parkway
Universal City, California
May 23, 2002

I. PUBLIC PANEL MEETING CALL TO ORDER

Ms. Kwalwasser, Chairperson, called the public Panel meeting to order at 9:00 a.m. She introduced Alfonso Salazar, Acting Undersecretary, at the Technology, Trade and Commerce Agency, replacing Panel member Patricia Murphy.

II. ROLL CALL

Members Present

Marsha Kwalwasser, Chair

Barry Broad

David Brown

Aram Hodess

Robert Lennox

Tom Rankin (left at 12:15 p.m.)

Alfonso Salazar

Executive Staff Present

Peter McNamee, Executive Director

Ada Carrillo, Acting Assistant Director

Peter DeMauro, General Counsel

III. APPROVAL OF AGENDA

Ms. Kwalwasser recommended placing the presentation of project proposals first on the Agenda because of a possible quorum problem. The discussion on Wages and Tips and reports will follow. Ms. Kwalwasser announced that the Labor Agency Update would not be presented at that day's Panel meeting.

ACTION: Mr. Brown moved and Mr. Lennox seconded the Agenda be approved as changed.

Motion carried, 7 - 0.

IV. APPROVAL OF MINUTES

Ms. Kwalwasser corrected the spelling of SEUI Union on page 7 to SEIU.

ACTION: Mr. Ranking moved and Mr. Lennox seconded the minutes be approved as corrected.

Motion carried, 7 - 0.

V. AGREEMENTS AND AMENDMENTS

California Restaurant Association Educational Foundation, Incorporated

The Proposed Agreement for California Restaurant Association Educational Foundation, Incorporated, has been withdrawn from consideration at this month's Panel meeting.

Projects were heard out of sequence to accommodate the presence of contractors.

Fisher Investments, Incorporated

Ms. Kwalwasser recused herself from discussion and action on the Fisher Investments, Incorporated, proposal. Mr. Hodess presided.

Creighton Chan, manager of ETP's San Mateo field office, presented a One-Step Agreement for Fisher Investments, Incorporated, in the amount of \$644,100. Fisher Investment is working toward a high performance workplace. Fisher Investment provides money management throughout California and globally.

This proposal has three components. The first component is for the corporate headquarters, which qualifies under regular funding because it provides support activities to the investment offices outside of California. The second component is for the cost center, and that also qualified under the regular funding because the services customers located throughout the country. The third component is for SET training for Fisher Investment's personnel who provide direct services to California-based customers. The individuals who train under this category will meet ETP's minimum frontline SET wages of \$20.20 per hour. The frontline workers in the SET category include sales and customer service personnel.

Mr. Chan introduced Sherrilyn Fisher, Chief Financial Officer.

ACTION: Mr. Brown moved and Mr. Broad seconded this One-Step Agreement be approved as presented.

Motion carried, 6 – 0 – 1 (Ms. Kwalwasser recused herself).

Ms. Kwalwasser resumed her role as Chair.

California Manufacturers & Technology Association Service Corporation

Charles Rufo, manager of ETP's Sacramento field office, introduced a One-Step Agreement for California Manufacturers and Technology Association Service Corporation (CMTA) to retrain 247 employees in the amount of \$495,798. CMTA Service Corporation is eligible to contract with the Panel as a trade association representing California manufacturers.

CMTA provides insurance, training, and other business services to member companies. For over 16 years, CMTA has worked with its member companies in the development and implementation of successful training projects. For the last two years, CMTA has had a successful marketing contract with ETP. Through this marketing activity, it has identified a number of companies that would be better served through participation in a multiple employer contract with ETP rather than by utilizing a single employer contract.

This proposal will target manufacturers and service businesses that meet ETP requirements for out-of-state competition. Participating employers have indicated employees need Business Skills, Computer Skills, Continuous Improvement, and Manufacturing Skills to increase productivity, improve product quality, and remain competitive.

One of the core participating small business employers, Vinotheque Wine Cellars, had a turnover rate of 57 percent during 2001. The company contends that the 57 percent is an anomaly due to two major factors. First, the company was purchased in 2000 and relocated the facility from San Carlos to Stockton. Every employee was offered a job at the new facility. However, 69 percent chose not to relocate. Secondly, as a producer of a luxury item (refrigerated wine cabinets), decreasing consumer spending negatively affected sales, necessitating a reduction in workforce. The company believes that 2001 was a one-time anomaly, and officials project that the turnover rate will continue at the historic rate of between 15-18 percent.

Staff recommends that the Panel approve this One-Step Agreement and the turnover rate waiver for Vinotheque Wine Cellars.

Mr. Rufo introduced Brian McMahon, President of CMTA Service Corporation.

ACTION: Mr. Rankin moved and Mr. Lennox seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

Saint-Gobain Containers, Incorporated - Madera

Mr. Rufo presented a One-Step Agreement for Saint-Gobain Containers Inc.-Madera. This agreement is for retraining 223 employees for \$107,960. This project was brought to ETP's attention through the marketing efforts of the California Manufacturing and Technology Association.

The Madera plant of Saint-Gobain Containers is eligible for ETP funding as a California manufacturer of glass and plastic bottles and containers for food and beverage industries. Training will affect workers in Madera County a recognized high unemployment area with an unemployment rate of 14.7 percent, however the applicant is not requesting a wage waiver of the existing ETP minimum wage policy.

Saint-Gobain Containers is one of the world leaders in glass container manufacturing. The company manufactures over 30 billion bottles and jars a year for food, perfume and pharmaceutical industries. The United States unit of the Saint-Gobain Containers Corporation has three manufacturing facilities in California. This proposal is for the Madera Plant, which manufactures glass bottles for the wine industry.

Saint-Gobain Containers has begun to move to a high performance work place with the goal of becoming a world-class manufacturing operation. The Company is proposing a training program that consists of instruction in Manufacturing Skills, Continuous Improvement, and Management Skills with the overall goal of improving productivity at the Madera facility.

The Glass Molders, Pottery, Plastic & Allied Workers International Union (AFL-CIO, CLC) Local Number 254 and the American Flint Glass Workers Union (AFL-CIO) Local Union Number 19 support this project.

Mr. Rufo introduced Richard Pelisari, Human Resources Manager; Mike Gilleland, President of Local Union #254; and Matt Maynard with CMTA.

ACTION: Mr. Rankin moved and Mr. Broad seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

Frito-Lay, Incorporated - Irvine

Diana Torres, manager of ETP's San Diego field office, presented a One-Step Agreement for Frito-Lay, Inc.-Irvine for a total program cost of \$226,550. This project was brought to the attention of ETP through the marketing efforts of the California Manufacturing and Technology Association (CMTA).

Frito-Lay maintains four manufacturing plants in California in addition to 26 distribution centers. The proposed agreement is designed to provide training to the sales division staff in the Southern California distribution centers.

This is the first project designed specifically for the sales employees. Although the proposed employees are housed in 16 Southern California distribution centers that are currently receiving ETP funding under ET01-0365, Frito-Lay officials state that there is no duplication of training under these projects because the sales division employees have different training needs from the distribution center personnel. Both the Frito-Lay distribution centers and the sales staff who are employed at these facilities are eligible for ETP funding under the out-of-state competition provisions.

The project encompasses training for all 16 Frito-Lay distribution centers located in Southern California, and is designed specifically for the route sales and the district sales leaders. Currently the Route Sales Personnel (RSR) are challenged to maintain truck inventory, merchandise their products in stores, provide sales and product information to customers, and to maintain paperwork to ensure proper accounting of sales and inventory. The District Sales Leaders (DSL) are frontline managers, whose responsibilities include managing the RSR performance, making sales presentations to customers, maintaining profitability and managing change.

Frito-Lay is implementing new strategies and corporate goals for these personnel. Officials at Frito-Lay feel that by empowering the workforce with ownership of their routes, RSRs can increase their decision-making and problem solving skills thereby moving the company to a high performance workplace. The company is implementing the new systems for the delivery of its products and new job requirements for these deliver personnel. To perform successfully in their jobs, formal training is critical.

Frito-Lay will invest approximately \$227,657 in training related costs. There is no substantial contribution applied to this proposed agreement because Frito-Lay has yet to benefit from Panel funding under, at least, two prior Panel agreements at the same facility in the amount of \$250,000 or more.

Ms. Torres introduced Shelley Iwasaki, Regional Human Resources Director, and Jasper Stevens, Regional Training Manager, Southern California Frito-Lay. Ms. Iwasaki stated that employees are primarily paid on a commission basis.

ACTION: Mr. Broad moved and Mr. Hodess seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

Aerosol Services Company

Dolores Kendrick, of ETP's North Hollywood field office, presented a One -Step Agreement for Aerosol Services Company, Inc., for a program cost of \$147,600. Located in the City of Industry, Aerosol Services manufactures aerosol and liquid products for "salon" producers such as Sebastian, Graham Webb and Joico. Aerosol Services is expanding into the over the counter market for medical products and must raise quality standards to meet the more stringent demands of the medications market. Aerosol will also upgrade its computer systems and promote a cellular manufacturing environment.

To facilitate the implementation of its processes, Aerosol must retrain 111 workers. The training outlined in this agreement will assist Aerosol in becoming a high performance workplace.

Ms. Kendrick introduced Jim Bodnar, General Manager.

ACTION: Mr. Rankin moved and Mr. Broad seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

BP West Coast Products, LLC

Ms. Kendrick presented a One-Step Agreement for BP West Coast Products for a funding amount of \$126,425. BP stands for British Petroleum and is headquartered in London. They have 18 refineries worldwide. This project is for the Carson refinery and will provide training for 60 workers. This facility primarily produces transportation fuel. The refining industry has considerable competitive pressures with imports of products from the U.S. Gulf Coast and Asia.

In order to remain competitive while maintaining extremely strict safety and environmental standards, the company has made a conscious decision to focus on the implementation of a high performance workplace. A critical component of this new focus will be for workers to learn skill sets which will improve productivity and efficiency and enable the company to produce a more stable supply and cleaner burning fuels. Trainees will learn the philosophy methods and systems designed to improve quality and processes.

PACE, Local 8-675 and IBEW, Local 2295 support this project.

Ms. Kendrick introduced Colin Reid, Operations Manager, and Nancy Imbery, Planning Specialist; Pat Paterson, representative from PACE, and Melvin Ellis, representative from IBEW. Mr. Hodess stated that he is from Contra Costa County, which has several refineries that have had a lot of accidents. Several accidents have been attributed to poorly trained workforce because of refinery turnarounds,

maintenance work, and capital improvements, which are done by outside contractors rather than in-house employees. Mr. Hodess questioned the requirements placed on outside training contractors. Mr. Reid stated the refinery has a contractor safety council, which is chaired by contractors and supported by BP. The Company has a strategy of only using contract labor when absolutely necessary.

ACTION: Mr. Rankin moved and Mr. Lennox seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

Jafra Cosmetics International, Incorporated

Ms. Kendrick presented a One-Step Agreement for Jafra Cosmetics International, Inc., for a program cost of \$125,203. Jafra is a privately held, worldwide company which manufactures, markets, and distributes cosmetics and fragrances for men and women as well as spa and baby products. A comprehensive assessment showed that while Jafra personnel had a significant depth of experience and expertise in its industry, workers lacked the specific skills needed to take the company to a higher level of competitiveness. The decision was made to move the company into the arena of high performance, which would allow Jafra to increase productivity, improve efficiency, and reduce costs. Jafra proposes to retrain 129 current workers.

Ms. Kendrick introduced Dan Burke, Vice President Administration and Pat Baker, Training Manager from Jafra. Mr. Brown asked Mr. Burke to describe the consultant services staff. Mr. Burke stated that the consultant services is the call center, which is in Westlake Village, California. It handles all inbound calls and internet communication.

ACTION: Mr. Lennox moved and Mr. Broad seconded this One-Step Agreement be approved as presented.

Motion carried, 6 - 0 (Mr. Rankin was absent during the vote).

Sears Logistics Services, Incorporated

Ms. Kwalwasser recused herself from discussion and action on the Sears Logistics Services, Incorporated proposal. Mr. Hodess presided.

Ms. Kendrick presented a One-Step Agreement for Sears Logistics Services, Inc. for a funding amount of \$592,800. This is the third agreement for Sears Logistics and the first for the Los Angeles facility. This facility provides internal distribution and warehousing functions on behalf of Sears' retail locations throughout the Western United States. The Los Angeles center is primarily a fashion merchandising distribution center, however it is also recently become a multipurpose logistical center processing both clothing and apparel and tools and small appliances.

New technology and systems are being installed and implemented to convert manual into computer-automated operations and to provide workers with a new skill sets to create a high performance work place. With the use of new technology and skills, workers will be able to handle more merchandise in less time and with less manual effort.

This agreement will provide funding to train 300 workers in Commercial Skills, Continuous Improvement, and Computer Skills. Sears Logistics is located in Los Angeles, which is a high unemployment area and the contractor is requesting a wage waiver for 128 associates, leads, and coordinator trainees in Job 4 who lack the essential job skills necessary to improve their employment opportunities. The ETP minimum is \$11.78 per hour for Los Angeles County. The lowest wage to be earned by trainees in the training will be \$7.75 per hour before inclusion of health benefits. The contractor has agreed to increase the wages of these trainees by at least five percent immediately following the 90-day retention period.

Ms. Kendrick introduced Kenneth Harmon, Quality/Procedures Supervisor and Nick Vyas, General Manager. Mr. Salazar asked Mr. Harmon to share with the Panel the impact and economic perspective that Sears has for the Los Angeles regional economy and also the success of the stores within the State, specifically in Southern California. Mr. Vyas stated that fortunately, Sears Logistics, during this economic downturn has felt only an economic slowdown and has been able to maintain its sales growth in the region and specifically in Southern California.

Mr. Brown noted that some associates' wages were at \$7.75 per hour and would increase to \$8.25 per hour at the end of training. He asked if health benefits in the amount of \$1.52 were in addition to the \$8.25 per hour. Mr. Vyas stated that was correct. The \$7.75 per hour is the basic entry-level wage and very few of the associates fall into this category. Mr. Broad clarified that the trainees would actually be receiving a 13 percent raise and asked Mr. Vyas if he would commit to giving the trainees at least a 10 percent raise. Mr. Vyas stated he would not have any problem with that. Mr. Broad requested the contract be modified to make that commitment.

Ms. Carrillo asked for clarification in the write up because Job 4 includes 128 associates for whom the applicant requested a wage waiver. She stated the wages listed did not reflect the inclusion of the health benefits

ACTION: Mr. Broad moved and Mr. Rankin seconded this One-Step Agreement be approved with the understanding that at the end of training wages will be increased by no less than 10 percent and, in addition, health benefits will be provided.

Motion carried, 6 – 0 – 1 (Ms Kwalwasser recused herself).

Ms. Kwalwasser resumed her role as Chair.

Disneyland, a Division of Walt Disney World Co.

Mr. Broad and Ms. Kwalwasser recused themselves from discussion and action on the Disneyland proposal. Mr. Hodess presided.

Ms. Kendrick presented an Amendment for Disneyland, a Division of Walt Disney World Co., for \$721,000 to train 853 additional employees. This project was originally presented at the March Panel meeting but was deferred because of lack of a quorum.

ACTION: Mr. Rankin moved and Mr. Brown seconded this Amendment be approved as presented.

Motion carried, 5 – 0 – 2 (Mr. Broad and Ms. Kwalwasser recused themselves).

Ms. Kwalwasser resumed her role as Chair.

Community Business School III

Mr. Rufo presented an Amendment for Community Business School LLC, requesting to train an additional 75 new hires. Community Business School has met the performance requirements for this amendment by enrolling 100 percent of the phase one trainees, and anticipates close to 100 percent placement. Company representatives state there is a continued demand for specialized employees, especially in computer fields. The training reflects the demand among employers in Stanislaus County for individuals who can provide in-house information technology support. The majority of the employers are small businesses with fewer than 100 employees. Most of the trainees will be employed in recognized high unemployment area counties including San Joaquin, Stanislaus and Merced. Community Business School is not requesting a wage waiver to the existing ETP minimum wage.

For the new Phase Two, Community Business School expects an in-kind contribution of \$192,131 for training materials, project development, and costs for additional classroom training. Community Business School estimates \$95,840 for additional training and wages paid for by participating employers during the trainees' retention period. Along with the Phase One contribution, the total in-kind contribution amount is \$306,071.

Mr. Rufo introduced Dan Guerra, Director of Training for Community Business School. Mr. Rankin questioned the cost per trainee which had considerably increased from \$2,835 in the Phase One contract to \$3,016 in this contract.. Mr. Guerra stated that one year ago the Panel was starting the process of examining the contributions that the employers and multiple employers should be required to give. In the first contract, Community Business School waived the 8 percent

administrative fee to use as part of the in-kind contribution. Community Business School is now requesting in-kind contributions from the participating employers and has incorporated the 8 percent back into the administrative costs.

ACTION: Mr. Brown moved and Mr. Lennox seconded this One-Step Agreement be approved as presented.

Motion carried, 7 - 0.

U.S. Data Source, LLC

Ms. Torres presented a One-Step Agreement for U.S. Data Source (USDS) for a total program cost of \$113,400. This project was brought to the attention of ETP through the marketing efforts of the California Technology, Trade and Commerce Agency.

Under the California Unemployment Insurance Code, ETP funds can be used for training of workers in regions suffering from high unemployment including the working poor. Areas of high unemployment include counties or cities with unemployment rates significantly higher than the state average. At the time of this proposal submission, Imperial County's unemployment rate was at 13.5 percent, significantly higher than the state average unemployment rate of 6.5 percent. Since that time, the state unemployment rate has dropped to 6.4 percent, however the unemployment rate for Imperial County has gone up to 16.9 percent. Imperial County has the highest unemployment rate in California.

Since January 2001, USDS has collaborated with the Imperial Valley Regional Occupational Program (IVROP) for the recruitment, screening and pre-employment training of unemployed individuals for entry-level employment at the Calexico facility. USDS has hired 60 employees from the Imperial Valley ROP in the past year. USDS is undergoing continued price pressures with growing customer shifts toward lower priced products and demands for improved product quality and delivery schedules. This is further exacerbated by domestic and off-shore competitors who are able to under bid because of lower labor costs.

USDS has upgraded the Calexico facility at a cost of \$480,000 to move to paperless claims processing. The installation of the paperless claims requires retraining of USDS's current work force. Under this proposal 100 data operators, supervisors, and leads will receive 50-90 hours of class/lab training and 50-90 hours of structured on-site training.

USDS's in-kind contribution is estimated at \$114,000 and the California Unemployment Insurance Code for the high unemployment area also provides that the Panel has the discretion to waive the ETP minimum wage requirements if post retention wage of each trainee exceeds the training wages before and during training. USDS is requesting a waiver to the ETP minimum wage requirement for

the Imperial County. The trainees will receive, at a minimum, a five percent wage increase when the training and the retention period is completed.

This proposal will increase the skills and employability of individuals in areas of high unemployment. It also serves as an economic development initiative in Imperial County as USDS project grows from 60 current employees to a proposed 250 employees in 2003.

Ms. Torres introduced Alex Perrone, Director General. Ms. Kwalwasser questioned the 18 percent turnover rate, which seemed low for the type of service performed (call centers, etc.). Mr. Perrone answered that it is because of the unemployment in Imperial County, which has the highest unemployment rate in the valley. When the first 10 people got hired, two of the people cried because they had a job. People are more serious about their jobs in Imperial County.

Mr. Salazar stated that this project is a project that the Technology, Trade and Commerce Agency has been working with specifically with a strategy of trying to stimulate the economy in the southern part of the State.

Mr. Rankin was concerned with the low wages and high turnover rate and proposed that the Agreement be amended to provide for a retention period of at least 120 days. Mr. Perrone agreed.

ACTION: Mr. Salazar moved and Mr. Broad seconded this One-Step Agreement be approved amended to provide for a 120 day retention period.

Motion carried, 6 – 0 (Mr. Lennox was absent during the vote).

Workplace Hollywood (Tech Force)

Ms. Torres presented a Proposed Agreement for Workplace Hollywood (Techforce) for a total program cost of \$196,060. Workplace Hollywood is a non-profit corporation created in May 2000 to ensure that underrepresented communities in the Los Angeles region gained access to jobs and business opportunities in the entertainment industry. To achieve the workforce development goals Workplace Hollywood created a regional collaborative with employers, the Los Angeles Community College District, the Los Angeles City Workforce Investment Board (WIB), social service agencies, community-based organizations, adult educational institutions, government agencies, unions, and guilds.

Workplace Hollywood has provided a five-year commitment totaling \$10.5 million to achieve their goal of assisting industry leaders and entertainment corporations increasing a diverse local workforce. Two hundred thousand dollars of the \$10.5 million is part of a grant from the Los Angeles City WIB to target training for entry level IT employees for projected vacancies resulting from possible upgrades of Techforce retrainees.

Entertainment companies have a need to cut their operational expenses. Their information technology systems have been identified as a avenue to assist the company in reducing cost through increased operational efficiencies. As such the roles and skills necessary to operate the systems has increased. ETP funded training will help the IT workers stay current with the rapidly changing technology.

Workforce Hollywood proposes to upgrade the skills of 146 employees from various studios. Trainees will be employees who administer, manage, configure, implement, and support more advanced enterprise IT infrastructure and related software. The curriculum consists of Advanced Technology and Computer Skills.

Since the participating employers certifications have not been finalized, the total participating employer in-kind contribution has not been determined. However, participating employers will pay wages during training and the cost of lost production. In addition, employers will pay for training costs not covered by ETP for the Advanced Technology Training. The costs are estimated at \$205,000.

This project supports the governor's Information Technology Initiative that addresses the high demand for skilled IT workers. All retrainees are mid to high level employees in the IT field in business operations. They are not employees involved in the motion picture or television production operations of the company.

Staff recommends the Panel 1) approve this Proposed Agreement and the Advanced Technology reimbursement rate, if funds are available and the project meets Panel priorities and 2) direct staff to prepare a Final Agreement contingent upon the submission and approval of the following: a final Primary Contractors Certification Statement including the total in-kind contribution from participation from participating employers and the contractor; final Certification Statements from all participating employers within the core group; a final List of Participating Employers listing the initial core group for participating employers and the number of trainees at each employer; and a final ETP 100D listing of all subcontractors that will provide training or project administration services.

Ms. Torres introduced Christopher Carlson, Consultant. Mr. Hodess questioned the in-kind contribution being the wages of employees while in training and lost production costs of trainees while in training. Mr. Carlson stated that the IT departments at most entertainment companies have a very limited head count. If at any point in time there are five network administrators and two of them have to go away for training, there may be a problem covering the workload. Mr. Hodess questioned the monitoring of these hours. Ms. Carrillo stated that during the monitoring process ETP will be looking at that issue so if they bring temporary workers in to replace the workers taken off the line, staff will not allow credit for lost production time.

ACTION: Mr. Lennox moved and Mr. Brown seconded the approval of this Proposed Agreement as presented.

Motion carried, 7 - 0.

SheaHomes Southern California Division

Ms. Torres presented a One-Step Agreement for SheaHomes Southern California Division for a total program cost of \$99,840. This project was initially presented to the Panel at the April 2002 meeting, however the Panel members had expressed some concerns over the performance of previous SheaHomes ETP projects. Since the Company's representatives had not been asked to attend the April meeting, the Panel determined that the Company representatives should be given the opportunity to address the Panel's concerns.

SheaHomes Southern California Division encompasses Orange and Los Angeles Counties. It designs and constructs communities that consist of single family and multi-family homes. This project will use Special Employment Training Funds (SET) to support training that improves the skills and employment security for frontline workers in occupations that pay at least the state average hourly wage in businesses that do not face out-of-state competition. The proposal meets the definition of frontline worker as a worker who is exempt from overtime under state or federal law and not covered by collective bargaining agreement if his or her primary job responsibility is directly producing or delivering goods or services.

The Company representatives provided job descriptions and an organizational chart during the development process to substantiate that the trainees meet the ETP definition of a "frontline worker whose primary job responsibility is directly producing or delivering good or services."

In order for SheaHomes to retain its market share and ultimately rebound from its current downturn, the company must take steps to transition to a High Performance Workplace. This training will provide the Company's frontline workers with the competencies and tools to identify problems and offer solutions for process improvements.

The proposed ETP-funded project will provide 40 hours of training to 192 frontline workers from a Menu Curriculum consisting of Continuous Improvement, Business Skills, and Computer Skills topics. The contractor's total in-kind contribution is \$228,289.

Each division of SheaHomes functions as a separate entity. Each division is individually responsible for its performance and operating budget. The contractor further states that the past performance of other divisions within J. F. Shea should not serve as an indicator of SheaHomes' ability to perform on the project for which ETP funding is now being requested.

Ms. Torres introduced Cathy Huff, Vice President Human Resources of SheaHomes for Southern California. Mr. Rankin questioned the previous contract performances and asked how they are planning to be successful with this project. Ms. Huff replied that the other contracts were with the San Diego and San Jose divisions. The San Jose division had had a reduction in force and a change in management resulting in a problem in administering the program.

Mr. Hodess had concerns regarding the training and quality of the construction skills of outside vendors and subcontractors hired by the SheaHomes. He asked Ms. Huff if SheaHomes required its subcontractors to have completed an apprenticeship program and would SheaHomes consider ensuring that the proper training had been provided to those workers who are actually building the product? Ms. Huff stated that SheaHomes would consent to endorsing training. She stated that SheaHomes has an excellent in-house training program and felt that it would be an unnecessary burden to duplicate training with an outside training program.

Mr. Rankin questioned the company's frontline workers, those listed as Production Manager, Design Center Manager, Project and Assistant Superintendents, and Community Development Managers, which constitute over half the number of trainees. The key definition of a frontline worker is that that person directly produces, or delivers goods or services. The workers appear to be managers who are not directly producing goods or services. Ms. Huff stated she would like to address each job position. Mr. Rankin stated that the workers who do the construction are directly producing the goods and services, not the people who supervise the construction workers. Ms. Huff stated that the Superintendents are on site in the houses, making inventory lists of repairs, scheduling the work, and writing purchase orders. Mr. Rankin agreed, but stated that they are not directly producing goods or services; they are supervising. He stated they do not fit ETP's definition of a frontline worker.

Ms. Huff stated that in addition to supervising and making sure the houses are built the way they are supposed to be built, these people also have direct daily contact with home buyers through the home buying process and the move-in process. They also perform any required repair work.

Ms. Kwalwasser asked the contractor if the project would be jeopardized if 111 people were eliminated from this contract. Ms. Huff stated that she would have to review it, as it would only leave 80 people to be trained. She stated the occupations in question are identical to those included in all the other ETP applications that were approved. She stated that she was at a loss to understand why that same job descriptions are now not being considered.

Mr. Rankin read, "the primary responsibility of the Assistant Superintendent is to assist in coordinating the performance of the work among the various trades and professionals involved consistent with construction schedules." He stated that is a

coordinating position, not a production position. Ms. Huff stated that the word production is open to interpretation. In their company, the Assistant Superintendents are out in the houses doing work, especially when construction gets past the framing stage of a house.

Mr. DeMauro asked if the presenter would like time between now and the next Panel meetings to review the narrative and make whatever adjustments might not be totally accurate if the narrative doesn't best describe the Company practices or the occupational titles don't best describe the work performed. Ms. Huff stated that it depends on ETP's definition of goods and services.

The Panel suggested a Superintendent be present at the next Panel meeting to address the Panel's concerns.

Mr. Rankin proposed eliminating the Project Superintendents, Production Manager, and Design Center Managers totaling 30 workers.

ACTION: Mr. Hodess moved and Mr. Brown seconded the Panel approve the SheaHomes' One-Step Agreement with the provision that SheaHomes endorse its subcontractors having a formal training program.

Mr. Rankin moved and Mr. Broad seconded an amendment to the motion to exclude from training, Production Managers, Design Center Manager, and Project Superintendents and approve training for the remaining classifications.

Motion carried, 7 - 0.

VI. APPROVAL OF PROJECTS FOR LESS THAN \$100,000

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

- E*Trade Group, Incorporated (Amendment)
- Pacific Coast Producers
- Saint-Gobain Performance Plastics Incorporated
- SMC Corporation of America
- Applied Companies
- Delgado Frames d.b.a. Delgado Bros.
- Frito-Lay, Incorporated – La Mirada (Amendment)

Motion carried, 6 – 0 (Mr. Rankin absent during vote)

VII. POLICY – TIPS AND THE ETP MINIMUM WAGE

Ms. Carrillo presented the issue of tips to meet the ETP minimum wage. Currently there are three items aside from the base wages that are allowed in calculating the ETP minimum wage. The enabling legislation allows employer paid health benefits as a basis to meet the wage. In addition, commissions and tips are also allowed.

The workers affected by tips are a relatively small percentage of employees in approved project. They amount to about one percent of all the trainees. Those contracts that have used tips to meet the ETP minimum wages have mainly been in the hospitality industry, and the tips have represented about 30 percent of the wage.

Ms. Carrillo emphasized that when the Panel allows the use of tips, staff does verify that those tips are earned as part of the wage when we reimburse at the end of employment retention.

Tips are considered wages for the purposes of taxing an employee's earnings. All other factors used in calculating the ETP minimum wage are paid by the employer, but the tips are dependent on the generosity of a third party and are not employer-paid. Allowing tips to be used in the calculation of wages may be contrary to the Panel's mission to train workers for high wage, high-skilled employment.

Staff has set out three options for you to consider. One is to continue to allow the use of tips to supplement training wages in order to meet the ETP minimum wage requirement, given that it's a very small percentage of what is approved. Two is limiting the use of tips to supplement trainee wages in Career Ladder Projects, and three is eliminating the use of tips in meeting the ETP minimum wage requirements.

Mr. Rankin moved and Mr. Broad seconded approval of Option Two.

Mr. Rankin stated that his concern on this issue has been as stated that tips are not wages paid by the employer, but rather are gratuities given by members of the public to the worker, and the Panel shouldn't be basing wage requirements upon something that is not paid by the employer. However, on a case-by-case basis, if there is a career ladder involved and there are some better prospects involved for the employee who's going to get the training, the Panel may make an exception and allow tips in the wage calculation. There is a bill in the Legislature being amended now to try to allow employers to pool tips. This has been a source of conflict between labor and restaurant employers. The issue has been taken all the way to the Supreme Court to establish that tips cannot be credited against the minimum wage, and they shouldn't be crediting tips in general against the ETP minimum wage.

Mr. Broad stated that the State's general policy, reflected in Labor Code Section 351, is that tips are the employees own property and employers "can't credit the amount of the tip against or as part of the wages due the employee," which in effect

that's what ETP may be doing if allowing tips to be included in the ETP minimum wage. Mr. Broad commented that it may or may not violate the letter of the law in some sense, but it certainly violates the spirit of it to include tips.

Mr. Broad noted that he concurred Mr. Rankin's motion and would support it because it gives the Panel discretion at the appropriate place to consider tips, but to generally be on record as saying that tips don't count.

Mr. Salazar asked about the percentage of proposals that this Panel has approved in the past. One concern he had is the very small percentage of approved proposals within the tourism industry. Mr. Salazar stated that one of the responsibilities of the Technology, Trade and Commerce Agency is overseeing the tourism industry and its competitiveness in the State. Within the last six to nine months, much energy and resources have been focused to assist that industry in regaining some of its competitive advantage not only domestically but internationally, and from a timing perspective he noted discomfort with the message that this decision may or may not send to that specific industry.

Ms. Carrillo clarified that it wasn't one percent of the projects that the Panel has approved, it's one percent of the trainees. The Panel has approved quite a few contracts for the hospitality industry, but one percent of the trainees have used the tips to make up the ETP wage.

Mr. Brown stated that he would much prefer Option One. He stated that there is enough of a history to prove conclusively that in the vast majority of places where people receive tips, they have been able to trace very accurately the amount of tips based on amount of sales. He stated he would not want to see people in management or who owned those companies penalized by the fact that their employees receive a substantial amount of money on tips and still not be able to take any credit for that. However, he further commented that he understood and appreciated the opinions of the other members of the Panel. He stated he would be willing to support option two but felt strongly that the Panel should give consideration to Option One.

Ms. Kwalwasser clarified that if the motion to approve Option Two does not pass, then the policy continues as it currently exists, which is Option One.

ACTION: Mr. Rankin had previously moved and Mr. Broad had seconded the Panel adopt Option Two, which is to limit the use of tips to supplement trainee wages to Career Ladder Projects.

Motion carried, 5 – 2 (Roll Call Vote: Aram Hodess, yes; Barry Broad, yes; David Brown, yes; Robert Lennox, yes; Tom Rankin, yes; Alfonzo Salazar, no; and Marsha Kwalwasser, no).

Ms. Kwalwasser asked if we have any such proposals in the pipeline because it is important that if there are any going through the process, ETP should inform them of the action taken. Ms. Carrillo stated that there is an anticipated proposal from the California Restaurant Association that includes a Career Ladder project upgrading individuals to supervisory and management positions, so the use of tips would not be affected.

Mr. DeMauro suggested that, unless there is an objection, an emergency regulation would be promulgated given the will of the Panel.

VIII. STRUCTURED-ON-SITE-TRAINING (SOST) STUDY REPORT

Ms. Carrillo stated that last November the Panel approved a contract with California State University Northridge (CSUN) to conduct an independent study on the effectiveness of the deliver of Structured-On-Site Training, the reasonableness of the SOST reimbursement rate, and the adequacy of the record keeping requirements.

Ms. Carrillo introduced the SOST project team from CSUN to provide the Panel with their study findings: Dr. Richard Moore, Project Director; Daniel Blake, Project Economist; Dr. Claire Herczeg, Research Associate at the Management Organization Development Center; Philip Gorman, Management Department; and Daniella Shipley, Management Organization Development Center.

the researchers stated that the team's research found that SOST funds often reimbursed existing training, that no new training was created by SOST funding; that unstructured coaching, mentoring, and trouble-shooting practices were used instead of SOST; and that contract administrators focused on billing trainer hours rather than achieving competencies. Dr. Moore added that the research also found that reliable monitoring of SOST is very difficult; SOST reimbursement is often unrelated to actual costs; and "SOST only" contracts pay above market prices for one-on-one counseling and generic classroom training.

The researchers identified the following elements for an effective SOST policy:

- Reinforcement of classroom learning on-the-job is key to successful training;
- ETP should only pay for SOST training which is not done routinely, and there should be no funding for existing training;
- All funded SOST should have key elements of structure:
 1. Training plan with modules and clear measurable objectives
 2. Trained Trainers
 3. Customized to company
 4. Delivered on-site
 5. Valid reliable skills certification

- Monitoring should be low cost (for both ETP and the contractor), and reliable;
- Monitoring should focus on skill attainment.

Dr. Moore stated at the June Panel meeting, the team would be presenting to the Panel policy options and recommendations regarding SOST.

VII. PUBLIC COMMENT

Steve Duscha, Alliance for ETP, stated his concerns regarding SOST and recommended ETP consider improving and customizing the existing SOST policy.

IX. EXECUTIVE SESSION

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

X. ADJOURN

There being no further business and no objection, the meeting was adjourned at 2:55 p.m.