

**STATE OF CALIFORNIA  
EMPLOYMENT TRAINING PANEL MEETING**

Sacramento City Council Chambers

730 I Street, 1st Floor

Sacramento, California 95814

June 25, 2004

**PANEL MEMBERS**

Marsha Kwalwasser  
Chairperson

Aram Hodess  
Vice Chair

Barry Broad  
Member

Tyrone Freeman  
Member

Paul Kiesel  
Member

Robert Lennox  
Member

Tom Rankin  
Member

**Executive Staff**

Peter DeMauro  
Acting Executive Director

Ada Carrillo  
Acting Assistant Executive Director

Susan Bobrow  
Acting General Counsel

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

Marsha Kwalwasser, Chair, called the public Panel meeting to order at 9:30 a.m.

**II. ROLL CALL**

Members Present

Marsha Kwalwasser, Chair  
Aram Hodess, Vice Chair  
Barry Broad  
Paul Kiesel  
Robert Lennox

Members Absent

Tom Rankin  
Tyrone Freeman

Executive Staff Present

Peter DeMauro, Acting Executive Director  
Ada Carrillo, Acting Assistant Executive Director  
Susan Bobrow, Acting General Counsel

**III. APPROVAL OF AGENDA**

ACTION: Mr. Broad moved and Mr. Hodess seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

**IV. REPORT OF THE EXECUTIVE DIRECTOR**

Mr. DeMauro thanked the Panel, ETP staff, and stakeholders for all the support and effort during the Budget crisis. He announced that Karl Udarbe, ETP staff member, is suffering a serious illness and two staff members have passed away, Leslie Valentin and Jick Toy. He requested that the meeting today be adjourned in memory of Leslie Valentin and Jick Toy.

Mr. DeMauro introduced Peter McNamee, Pam Haynes, and Steve Suchil, prior Executive Director and Assistant Directors. Aram Hodess made a presentation to Mr. McNamee, Ms. Haynes, and Mr. Suchil, thanking them for their dedicated service to ETP.

Ms. Kwalwasser honored Ada Carrillo for her dedication in 25 years of State service. Ms. Kwalwasser presented Ms. Carrillo with a 25-year Certificate and a gift.

Mr. DeMauro announced a former ETP Executive Director, Victoria Bradshaw, has been appointed Secretary of the Labor and Workforce Development Agency.

Consent Calendar Projects

ACTION: Mr. Broad moved and Mr. Lennox seconded the Panel delegate authority to the Executive Director or his designee to approve those proposals in funding amounts of less than \$500,000 which have not been identified for particular consideration. The following projects were subject to this motion to approve:

Berner Food Services, Inc. ....	\$345,514
PACTIV Corporation.....	\$366,912
PACTIV - La Mirada .....	\$96,148
Phenomenex, Inc. ....	\$240,591
Caliper Life Sciences, Inc. ....	\$174,720
Pacific Wine Partners LLC.....	\$221,000
Nestle Brands Company Confections and Snacks Division.....	\$120,796
Wachovia Corporation.....	\$152,100
Kings Crating, Inc. ....	\$41,480
A&D Engineering, Inc. ....	\$40,222
International Network Services, Inc. ....	\$88,803
Tri Phase, Inc. ....	\$41,760
Contra Costa Newspapers, Inc. ....	\$73,593
PALCO .....	\$40,560
Redwood Regional Medical Group (SET) .....	\$64,766
Travidia, Inc. (HUA).....	\$80,080
RAM Laboratories, Inc. (SBPP).....	\$3,840
Finelite Inc. (SBPP).....	\$24,960
Terrasat Communications, Inc. (SBPP).....	\$7,520
A.P.C.-2000 , Inc. (SBPP) .....	\$8,000
Ultima Circuits (SBPP) .....	\$10,140

Motion carried, 5 – 0.

## V. CALIFORNIA STATE UNIVERSITY, NORTHRIDGE, STUDY FINAL REPORT

Peter DeMauro introduced Dr. Richard Moore, California State University, Northridge (CSUN), Director of CSUN's most recent independent study of the impact of ETP-funded training on businesses, workers and the State's economy. Dr. Moore introduced his research colleagues: Dr. Phil Gorman, Dr. Gerry Rossy, Eileen Cohen, Tara Grimes, and Michael Abad.

Dr. Moore described the study's comprehensive methodology, which consisted of: a) an economic analysis of trainee earnings and company growth; b) surveys of companies served by ETP and national and state benchmarks, and c) qualitative research using focus groups and case studies.

Dr. Moore explained the study focused on the following strategic themes: a) the design and role of multiple employer projects (MEC), b) targeting ETP's investments for maximum impact, c) improving training practices, and d) refocusing new hire training.

Dr. Moore described the study's key findings and indicated that, while the study was largely positive with respect to ETP's impact on business, workers, and overall contribution to the California economy, it identified areas that should be improved to maximize program impact. Dr. Moore and Dr. Gorman then provided an overview of the study's recommendations, which included the following:

### Design and Role of Multiple Employer Projects

- (1) For Multiple employer contracts – focus funding on projects that provide on-site training to intact group of workers and eliminate off-site training with classes made up of trainees from many employers.
- (2) When funding multiple employer projects, give priority to projects that are linked to other technical assistance programs.
- (3) Continue to target ETP funding to companies with fewer than 500 workers.
- (4) Target ETP funding to jobs that do not require a Bachelor's degree.

### Improving Training Practices

- (5) ETP should take new initiatives to promote improved training practices in companies it serves.
  - (a) Require a training needs assessment in applications and provide model needs assessment methods to help applicants conduct effective needs assessments.
  - (b) Require clear behavioral learning objectives and a complete curriculum before training begins.
  - (c) Have employers complete a standard evaluation questionnaire and return it anonymously to ETP can measure its impact on companies.
  - (d) Have annual best practices awards and publicize the practices of winners to promote best training practices.

### Refocusing New-Hire Training

- (6) In order to play an active role in state economic development initiatives, fund new-hire training only when it is linked to job creation or if it serves a "bottle-neck" occupation (where there is a shortage of new workers entering an occupation).

- (a) The Panel should establish a goal of spending at least 10 percent of its annual training allocation for new-hire training.
- (b) The ETP Executive Director should be empowered to approve new-hire projects within the Panel's guidelines.
- (c) Design a careful evaluation into the revised new-hire program.

Dr. Moore indicated the study will be released to the public in July 2004.

## **VI. FY 2004-05 BUDGET & REVIEW OF CURRENT FUNDING RESTRICTIONS**

The proposed FY 2004-05 Budget Act provides ETP with an appropriation of \$53.6 million, consisting of \$13.6 million from the Employment Training Fund, and up to \$40 million in funds that will become available later in the fiscal year, as a result of savings from Workers' Compensation reform. In addition, it is estimated that \$14 million in disencumbrances will be available in the fiscal year for reinvestment in new training contracts. However, ETP is not authorized to spend any of the projected \$40 million augmentation, until the Department of Finance completes a survey of State departments and certifies funds are available as a result of State Workers' Compensation savings. It is not likely this can occur before January 2005. This means that ETP will begin the fiscal year with \$27.6 million in funding, based upon the \$13.6 million ETF appropriation and \$14 million in disencumbrances. Staff recommends the \$27.6 million in funding be allocated as follows to begin the fiscal year: \$11.6 million for new training projects; \$8 million to meet prior year obligations; and \$8 million for program administration. With only \$11.6 million initially available for new training projects, staff recommends encumbrances for the first half of the fiscal year should be limited to 20 percent. In addition, given ETP's lean budget situation when the fiscal year starts, staff recommends continuing the current funding restrictions which were approved in October 2003, and expanding the restrictions by placing moratoriums in the following two categories of contracts: (1) Center-based new hire training that is provided through multiple employer contracts; and (2) Repeat retraining contracts with employers who have earned at least \$250,000 in a least two prior contracts in the past five years. (New hire training in conjunction with ETP's participation in economic development initiatives would not be included in this moratorium.)

These funding restrictions can be revisited within six months or as soon as ETP's funding is solidified at an acceptable level.

### **Public Comment**

Steve Duscha, Alliance for ETP, stated the Alliance's objections to action on any moratoriums or recommendations until more data is presented. The Alliance supports ETP in limiting contract encumbrances to 20 percent for the first half of the FY 2004-05 due to budget constraints.

Mr. DeMauro suggested postponing action on new recommendations to a future Panel meeting when the public has had an opportunity to make comments. He asked that the Panel continue those moratoriums/ restrictions that have been in effect since December 2003 until such a time when they can be revisited. Those moratoriums/restrictions are the following: limitation of training for non-frontline workers; moratorium on funding of certain first-time

contracting entities, i.e., training agencies – public and private; moratorium on use of budget-based contracts; moratorium on funding of truck drivers; training of adult entertainment industry will continue to be a low priority; and there will be no additional marketing and research money allocated.

**ACTION:** Mr. Kiesel moved and Mr. Lennox seconded the Panel approve continuing the moratorium imposed at the December 2003 Panel meeting.

Motion carried, 5 – 0.

Sharleen Wagner, Director of Professional Training Center at Glendale Community College, stated concerns regarding funding for small businesses.

Carlos Lopez, Center for Employment Training, also stated concerns regarding funding for small business training.

Ms. Kwalwasser suggested there be further public input on recommendations before the Panel makes any decisions. The Panel agreed to postpone action on recommendations until the public has had an opportunity to make comments. Mr. DeMauro stated that ETP will schedule a hearing to allow the public to comment on funding restrictions/moratoriums recommendations on July 22 (day before the next Panel meeting) in downtown Los Angeles at the Hyatt Regency Hotel. ETP will also post on its website the request for comments and the time and place of the public hearing.

## VII. AGREEMENTS AND AMENDMENTS

**ACTION:** Mr. Lennox moved and Mr. Kiesel seconded the Panel adopt the remainder of the proposed projects on the Agenda with the exception of Shell Oil Products, US. Ms. Kwalwasser recused herself from participation. The following projects were subject to this motion to approve:

ADCON Technical Institute, Inc. (MEC) .....	\$668,150
Glendale Community College (MEC)(SET) .....	\$2,083,777
National Tooling and Machining Association (MEC).....	\$2,024,000
Reisgen Incorporated .....	\$71,440
Santa Monica College (MEC) .....	\$406,560
Southeast Los Angeles County Workforce Investment Board (MEC).....	\$1,973,695
Alameda County Electrical Workers JATC (MEC)(SET) .....	\$212,700
Evolution Manufacturing Trade Association (MEC) .....	\$1,028,700
Computer Tutor Business Technical Institute (MEC)(SET) .....	\$229,800
Hitchcock & Holcombe, Inc. (MEC) .....	\$546,470
Refrigerating Engineers of Technicians Association (MEC) ....	WITHDRAWN
Standard Pacific Homes – San Diego (SET) .....	\$114,920
SYSCO Food Services of Ventura, Incorporated (SET) .....	\$373,100
SYSCO Food Services of Central California (SET) .....	\$388,960
Volt Information Sciences, Inc. ....	\$587,340

Nexus IS, Incorporated.....	\$515,740
Northrop Grumman Mission Systems.....	\$353,530
Cadence Design Systems, Inc. ....	\$990,535
Electronic Arts, Inc. ....	\$719,550
Hospira, Inc. ....	\$887,419
Stryker Endoscopy .....	\$874,640
Accenture, LLP .....	\$1,148,160
Progressive Insurance Company .....	\$696,800

Motion carried, 4 – 0 – 1 (Ms. Kwalwasser recused).

**Shell Oil Products US**

Ms. Cohen presented a One-Step Agreement for Shell Oil Products US in the amount of \$1,090,024 to train 892 incumbent workers in Manufacturing Skills and Continuous Improvement. Shell Oil Products US refines crude oil into gasoline and related products for distribution throughout the Western United States.

Ms. Cohen introduced Rujan McKay, HR Manager for Shell Oil Products US; and John Zuniga, 1st Vice President and Janet Hecker, Vice Chair, Paper, Allied-Industrial, Chemical & Energy Workers International Union, AFL-CIO, Local 8-005. Mr. Hodess stated his concern regarding safety practices in the refinery industry. He also questioned the out-of-state competition. Mr. McKay stated that Shell Oil Products US manufactures many products, in addition to gasoline, that are subject to competition outside of California. Mr. Hodess stated his concern regarding the Company not providing proper safety and apprenticeship training to its employees. He also voiced concerns regarding the Company contracting with out-of-state workers. Ms. Bobrow clarified that under the ETP out-of-state competition regulation, a manufacturing entity is deemed to have out-of-state competition. Mr. Zuniga spoke in support of the proposed ETP-funded training that will be provided to employees residing in the vicinity. Mr. DeMauro stated concerns regarding a corporate culture that does not support training. Ms. Hecker stated she has seen an improvement over the past few years regarding the Company’s approach to training.

**ACTION:** Mr. Lennox called the question on the One-Step Agreement for Shell Oil Products US.

Roll Call Vote: 3 – 1 – 1 (Roll Call: Mr. Lennox – yes; Mr. Kiesel – abstain; Mr. Hodess – no; Mr. Broad – yes; Ms. Kwalwasser – yes).

**VIII. REPORT OF THE GENERAL COUNSEL**

Critical Proposal

Ms. Bobrow submitted for Panel consideration a proposed Amendment to Title 22 CCR, Section 4402.2, Critical Proposal. This proposed Amendment provides for an expedited application process not previously available to applicants for ETP funding when the applicants are (1) locating into California, (2) expanding their California workforce, or (3) retaining their

California workers and making efforts to remain in the state rather than relocating elsewhere. This amendment aligns with the Panel's focus on economic development, as expressed in the 2003-2004 Strategic Plan, and would also assist in furthering the Administration's strong interest in providing incentives both to attract out-of-state businesses to expand into the State, thereby creating new jobs for California workers, and also to keep California businesses from leaving the State.

Two important incentives to businesses eligible for Critical Proposal funding are (1) an increase in the reimbursement rate of up to 20 percent more than the rate available for similar training in other funding categories, and (2) the availability of modifications to certain conditions ordinarily required in ETP training contracts. Ordinarily required components of ETP-funded training projects may not be applicable to Critical Proposal applicants and will be subject to Panel discretion as to modification. Areas which may be modified for Critical Proposals include substantial contributions, the supplemental nature of training, the 200-hour limitation on training, the limit on literacy training hours, the turnover rate restriction, trainee eligibility requirements, the out-of-state vendor limitation, the definition of laboratory training, and recordkeeping requirements using the ETP online recordkeeping system. Modifications may be granted by the Panel to some or all of those requirements on a case-by-case basis. The proposed modifications, listed in subsection (a) (2) (C) (1-9) and (D) of the proposed Amendment, are included as a part of the Critical Proposal program in order to make application for ETP funding a much easier process.

Staff recommended that the Panel approve the proposed Amendment to Title 22 CCR Section 4402.2 as an emergency regulation. In order to file an emergency regulation with the OAL, a state agency must make a finding that the adoption of a regulation is necessary for the immediate preservation of the public peace, health and safety or general welfare (Government Code Section 11346.1). Based on its review of the proposed regulation, staff believes an emergency regulation can be justified to assist in immediate economic development as necessary for the general welfare. Ms. Kwalwasser stated that companies need to understand that this commitment cannot be a multi-year commitment. Panel members would like to revisit the Critical Proposal before going forward with a permanent regulation.

**ACTION:** Mr. Kiesel moved and Mr. Lennox seconded the Panel approve the proposed Amendment to Title 22 CCR Section 4402.2 as an emergency regulation with a finding that the regulation was necessary for the general welfare. Panel directed staff to file the appropriate documents to begin the OAL rulemaking process.

Motion carried, 4 – 0 – 1 (Mr. Broad abstained).

## **IX. PUBLIC COMMENT**

Rand Stallings, Finance Director, Foundation College, complimented California State University Northridge on its report on the ETP Program. However, not all new-hire projects and multiple-employer contracts are reflected in the findings. He stated he would like to make additional comments prior to any restrictions be levied.

Joanna and Norris Moore, Alameda Computer, stated their concerns regarding restrictions on new-hire training.

**X. EXECUTIVE SESSION**

The Panel recessed to conduct an Executive Session pertaining to Personnel:  
Government Code Section 11126(a).

**XI. ADJOURN**

There being no further business and no objection, the Public Panel meeting was adjourned at 1:40 p.m. in memory of Leslie Valentin and Jick Toy.