

**STATE OF CALIFORNIA**  
**EMPLOYMENT TRAINING PANEL MEETING**  
California Environmental Protection Agency  
Byron Sher Auditorium, 2<sup>nd</sup> Floor  
1001 "I" Street  
Sacramento, CA 95814  
January 25, 2008

**PANEL MEMBERS**

Barry Broad  
Acting Chair

Greg Campbell  
Member

Barton Florence  
Member

Scott Gordon  
Member

Edward Rendon  
Member

Janice Roberts  
Acting Vice-Chair

Johnathan St. John  
Member

**Executive Staff**

Brian McMahon  
Executive Director

Maureen Reilly  
General Counsel

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

Barry Broad, Acting Chairperson, called the public Panel meeting to order at 9:35 a.m.

**II. ROLL CALL**

Members Present

Barry Broad  
Greg Campbell (arrived at 10:23 a.m.)  
Bart Florence  
Edward Rendon  
Janice Roberts  
Johnathan St. John

Members Absent

Scott Gordon

Executive Staff Present

Brian McMahon, Executive Director  
Maureen Reilly, General Counsel

**III. APPROVAL OF AGENDA**

ACTION: Mr. Rendon moved and Ms. Roberts seconded the Panel approve the Agenda.

Motion carried, 5 – 0.

**IV. APPROVAL OF MINUTES**

ACTION: Ms. Roberts moved and Mr. St. John seconded approval of the Panel Minutes of December 14, 2007.

Motion carried, 5 – 0.

## V. REPORT OF THE EXECUTIVE DIRECTOR

Brian McMahon introduced himself as the newly appointed Executive Director. He said he is familiar with workforce issues at the state, federal and private sectors and has seen how critical training programs are to the competitiveness of our business sectors. He said he is very fortunate that Governor Schwarzenegger has given him the opportunity to work in his capacity with the Employment Training Panel (ETP) and that workforce issues are absolutely critical. He said he had the opportunity in sessions such as the National Governor's Association and with the U.S. Department of Labor staff to discuss state level programs. He said ETP is nationally recognized as a program of excellence and he is committed to continuing that reputation. He said workforce programs such as SETA, the Job Training Partnership Act, and the Workforce Investment Act can partner with ETP to meet workforce training needs. He said it is also important for ETP to recognize the need to support the concept of partnerships with economic development, business, labor and education. He said he looks forward to working with the Panel, partners and stakeholders.

### Legislative/Budget Report

Mr. McMahon said the Governor's budget for Fiscal Year (FY) 2008-09 shows an appropriation to the ETP of \$56.5 million, which is \$300,000 above the previous year. He said as a non-general fund agency, ETP has not been initially impacted by the cuts occurring in other agencies. He said the emergency session and the hearings that are ongoing in the fiscal committees have not touched the ETP program and staff is optimistic it will stay that way. He said the appropriation level achieved in the budget this year shows a reduction in the transfer to the Department of Social Services of \$10 million. He said this results in a \$45 million to \$35 million decrease in the transfer. However, he warned, the Department of Social Services (DSS) CalWORK program is experiencing fairly significant reductions in funding as part of the effort to offset the budget deficit. If ETP faces a challenge in legislative review, it will involve efforts to reinstate or increase the transfer of funds to DSS. He said staff will work with the Administration and legislative staffers and will keep the Panel informed through the process.

With regard to the current year budget, Mr. McMahon said, if the Panel approves all of the projects presented today, it will have encumbered \$26.3 million of \$41.3 million available. He said this results in a balance of approximately \$41 million in contract value for FY 2007-08. He said staff expects funds will be fully encumbered by April 2008.

Mr. McMahon said ETP has moved forward with a proposed clean-up bill to its law under the Unemployment Insurance (UI) Code. He said the most significant proposed change is to revise the definition of an eligible re-trainee, as an employee on his or her first day of hire. Mr. McMahon said the employer is subject to paying the Employment Training Tax (ETT) as of the first day of employment, and will continue to pay on behalf of that worker throughout the 90-day retention period. He said this change would bring flexibility to attract companies from out-of-state or to retrain individuals that may not have an established work history in California. He said other changes are more technical in nature.

Mr. McMahon reported that a recent amendment to proposed SB446 (Senator Yee) would create a stronger priority for “microenterprise” and that priority could impact our program for training entrepreneurs. He said the amendment, as originally proposed, could have resulted in a serious re-direction of the ETP program and thanked Mr. Broad for his work in removing SB446 from the legislative calendar. He said staff will explore the possibility of a small pilot program to test the concept of training “micro entrepreneurs” within the scope of ETP’s existing statute and regulations.

Mr. McMahon referred to the memorandum distributed to the Panel that outlines a number of two year bills that have carried over, and are in various stages of progress through the Legislature. He said he will inform the Panel when and if those bills begin to move actively.

Mr. Broad said he was very pleased at the appointment of Brian McMahon and that on behalf of the Panel, he looks forward to working with him.

### Go Train Appeal/Action

Mr. McMahon explained that there is an action item before the Panel from a first-level appeal determination. This is an appeal by Go Train, a training agency located in Long Beach, from a demand for recovery of overpayment based on an ETP audit of training delivered under a multiple-employer contract (MEC). Mr. McMahon explained that the MEC, which terminated in December 2005, was approved for funding not to exceed \$256,905. As a result of ETP’s audit, disallowed payments in the amount of \$245,331 were determined. Mr. McMahon said the disallowed payments resulted from Go Train’s failure to provide adequate documentation to support the reported training hours, also, the attendance rosters were insufficient to establish that the number of training hours represented were actually delivered and there were inconsistencies with hard copy attendance rosters and the date it was submitted on-line via ETP’s class/lab tracking system.

Go Train appealed the audit findings to Ada Carrillo, Acting Executive Director and the appeal follows her adverse determination by letter dated December 5, 2007. He said the action requested by the Panel is based on Title 22 California Code of Regulations Section 4450. He explained, Section 4450 provides in part that ETP may, within 45-days following receipt of a contractor’s appeal, take one of the following actions: 1) refuse to hear the matter giving the appellant written reasons for the denial; 2) conduct a hearing and affirm, modify, or reverse the Director’s decision; 3) delegate the authority to consider the appeal to a subcommittee; or 4) contract with another state agency to consider the appeal. He said that given the 45-day time constraint, the Panel should take action today.

Mr. McMahon observed that with past appeals, the Panel has delegated its authority to a subcommittee. In those appeals, the subcommittee consisted of the Panel Chairperson as the Panel’s delegate and the Chairperson conducted the hearing in accordance with the standard Administrative Procedures Act. The Chairperson would hear evidence, prepare a record, make findings, and issue a proposed determination for final review by the Panel. He said it should be noted that staff is currently auditing a subsequent MEC with Go Train. He

said the first contract was initiated in 2004 and the second in 2006. He said if the audit results in another demand for recovery of overpayments and it is also appealed, the hearing officer may consolidate those actions at a later date.

Mr. McMahon said the staff recommendation is to take action to appoint a subcommittee consisting of the Chairperson for the purpose of conducting a hearing in accordance with the standard Administrative Appeals Procedures. Mr. Broad asked for a motion to accept the staff's recommendations.

**ACTION:** Mr. Florence moved and Ms. Roberts seconded staff's recommendation to appoint a subcommittee consisting of the Chairperson for the purpose of conducting a hearing in accordance with the standards administrative appeals procedures.

Motion carried, 5 – 0.

Request Motion to Delegate in Event of Loss of Quorum

Mr. McMahon asked for a motion to delegate to the Executive Director the authority to approve items noticed for action at this meeting, in consultation with the Panel Chair or Vice Chair, if a quorum does not exist.

**ACTION:** Ms. Roberts moved and Mr. Florence seconded the Panel delegate to the Executive Director the authority to approve items for which a quorum does not exist in consultation with the Panel Chair or Vice Chair.

Motion carried, 5 – 0.

Request Motion to Adopt Consent Calendar Projects/Action

Mr. McMahon asked for a motion to adopt Consent Calendar Items #1 through #21.

A & V Engineering, Inc. ....	\$1,872
Accessories Marketing Inc. ....	\$50,050
Architectural Area Lighting .....	\$46,080
BAE Systems Advanced Ceramics, Inc. ....	\$69,696
Chrisp Company.....	\$57,600
Claremont Business Group dba Claremont Insurance Services.....	\$92,906
Codding Steel Frame Solutions, Inc. ....	\$8,320
Dlugosh Cabinet & Fixture, Inc. ....	\$24,180
Kent A. Brooks Insurance Services, Inc. dba Brooks Jucha & Associates .....	\$13,200
Leadman Electronics USA, Inc. ....	\$17,472
Lightspeed Systems Inc. ....	\$35,880
Maximum Motorsports, Inc. ....	\$4,030
McBain Instruments.....	\$51,480
Miller Machine, Inc. ....	\$23,760

Nu Visions Manufacturing, LLC dba Veritek Manufacturing Services.....	\$112,320
SAE Materials, Inc. ....	\$21,736
SPS Technologies, Inc. dba Cherry Aerospace.....	\$183,330
UHV Sputtering, Inc. ....	\$35,282
UltraSystems Environmental Inc. ....	\$30,360
Volusion, Inc. ....	\$20,800
Xerox Corporation .....	\$283,500

ACTION: Mr. Rendon moved and Mr. St. John seconded approval of Consent Calendar Items #1 through #21.

Motion carried, 5 – 0.

**VI. REPORT OF THE GENERAL COUNSEL**

Maureen Reilly, General Counsel, had nothing to report. She said she would comment on the substantial contribution regulation after Jack Stewart’s Career Technical Education presentation.

**VII. CAREER TECHNICAL EDUCATION: CREATING OPPORTUNITY FOR 21<sup>ST</sup> CENTURY STUDENTS– JACK STEWART**

Kim Smith, Assistant Director of Economic Development/Outreach and Special Projects, introduced Jack Stewart. She said he has been with California Manufacturing Technology Association (CMTA) since 1992 and has served as its President since 1998. She said Mr. Stewart will brief the Panel on Career Technical Education (CTE) and the role it plays in preparing students for careers, and the future success of the California economy.

Mr. Stewart said he has developed a great passion for GetREAL, a CTE initiative for skills training in our schools. He said GetREAL (Relevance in Education and Learning) believes that every student should have the opportunity to achieve the highest level of education they desire, but a four-year degree is a formula that does not fit all students. He said GetREAL, in existence for approximately one year, consists of business, labor, and public safety organizations dedicated to restoring CTE in public schools. He identified some of the member organizations: California Correctional Peace Officers Association, California Space Authority, California Farm Bureau, and the California Teachers Association.

Mr. Stewart said that between 1960 and 2000, there was a dramatic shift in the demand for skilled versus un-skilled labor. He said what has changed is that the un-skilled workers who in 1960 were 20 percent of our workforce are now 65 percent of our workforce. He said this is caused by the type of productivity that is required to remain competitive in the marketplace. He said most skills today require some form of post-secondary education and not necessarily a four-year college.

Mr. Stewart debunked annual reports by the Bureau of Labor Statistics which predict the next generation is going to require a four-year degree. He said the real need is for a skilled workforce with, at most, a two-year degree. Mr. Stewart said we have a supply of 29 percent, but we need 44 percent. He said the CMTA workforce survey showed skilled workers were the most difficult to retain and that national surveys showed the same outcome.

Mr. Stewart noted that Victoria Bradshaw, Secretary of the Labor and Workforce Development, issued reports at the Governor's Summit on CTE last spring, showing the workforce needs between now and 2014. They show the automotive industry will need 48,900, manufacturing will require 108,300, the healthcare industry will need 206,000 and construction/infrastructure will require 188,200. He said this does not include the workforce needed to fulfill the requirements of the infrastructure bonds passed in 2006. Mr. Stewart gave an example of this labor shortfall, concerning the aerospace fastener division of a large company in Orange County. He said they needed 40 machinists to go to a third shift, but it took the company a full-year working with WIBs, community colleges and high schools to find that many machinists. According to Secretary Bradshaw's report, California will need 10,000 machinists between now and 2014, but Mr. Stewart said many high schools have dropped their machining programs and only eight are currently offered.

Mr. Stewart said for every ten California high school freshmen, three will drop out of high school, four will enter college, two will drop out of college and two will graduate from college. He said the other three graduate from high school and do not attend college. He said we have a system where we are telling students they must get a four-year degree to succeed but the fact is that only 20 percent of those students will obtain such a degree. He said we have shifted our whole education system to those 20 percent and have ignored 80 percent who have an ability to work but are not receiving adequate training and instruction. Mr. Stewart said every high school class in California has approximately 5,000 students. He said that by the time the class graduates, 30 percent of the students have dropped out and the non-graduation rate has increased over the last couple of years.

Mr. Stewart said between 1997 and 2007, California high schools have seen a 25 percent increase in non-graduates, a 26 percent increase in high school enrollment, a 13 percent increase in API scores, and a 2 percent increase in the percentage of graduating seniors completing A-G coursework. He said there are a 24 percent reduction of CTE teachers and a 30 percent reduction of CTE enrollment. Over the 20-year period from 1987 through 2007, he said, enrollment has gone up from 1.3 million to 2 million students in high schools overall, but CTE enrollment has gone down from 952,000 down to 610,856. Mr. Stewart attributed the drop, in part, to a cultural bias against people going to work. He also blamed the education establishment's failure to prepare people for the workforce.

Mr. Stewart said fall 2006 community college enrollments reflect the fact that many four-year graduates return to community colleges for career training. He said the reason is that university students are getting degrees that are not marketable. He said two-thirds of all graduates with art and science degrees end up under-employed, and almost half of those students end up in jobs they could have obtained with only a high-school diploma. Mr. Stewart said the lack of CTE is also an issue for businesses and unions. He said one

company working with GetREAL cannot find students to enter their apprenticeship programs. He said it is not that individuals do not have the aptitude; but no one talks about those careers in high schools. Mr. Stewart said companies cannot find linesmen or welders and if someone has these skills, they are in such high demand it is difficult for companies to retain or recruit them. Mr. Broad said we are creating a helpless generation and permanent labor shortages.

Mr. Stewart referred to recent statistics compiled by "Fight Crime: Invest in Kids", an evaluation of state, county and city law enforcement. Their 2007 report shows that a high school dropout is four times as likely to be incarcerated as a high school graduate. He said if the graduation rate was increased by ten percentage points, there would be 500 fewer murders and 22,000 fewer aggravated assaults annually in California.

Mr. Stewart explained some of the economic consequences compiled by the University of California Santa Barbara, "California Dropout Project": 1) a high school graduate will earn \$290,000 more than a dropout, 2) the government loses \$169,000 in reduced tax revenues from non-graduates and 3) dropouts cost the California economy \$46 billion annually with a \$34 billion in reduced economic activity and \$12 billion in crime victim costs.

Mr. Stewart encouraged the Panel to visit the GetREAL webpage at [www.getreal.ca.com](http://www.getreal.ca.com), and support the goal of CTE training for today's students.

Mr. Broad asked if any government agencies are members or supporters of GetREAL. Mr. Stewart said there were many government attendees at the Summit on CTE last week. Mr. Broad asked if it would be appropriate for the Panel and staff to attend meetings or to be involved with GetREAL. Mr. Stewart welcomed the ETP Panel and staff involvement. Mr. Broad expressed interest in becoming involved. He said there is a strong psychological outlook that exists in our society that has people acting against their economic interest, and a labor market that is not correcting itself. He said all work is dignified at all skill levels. Mr. Stewart said he looks forward to working with Mr. Broad.

Greg Campbell, the newly appointed Panel Member arrived at 10:23 am, giving the Panel a quorum of six. Mr. Broad introduced Mr. Campbell and said he was appointed to the Panel in January 2008 by Assembly Speaker Fabian Nunez.

### **VIII. REVIEW AND ACTION 15-DAY NOTICE COMMENTS ON PROPOSED AMENDMENT OF SECTION 4410, SUBSTANTIAL CONTRIBUTION**

Maureen Reilly, General Counsel, referred the Panel to the memo in the Panel Packet on the subject of 15-Day Notice Comments for the proposed amendment of Section 4410 in the California Code of Regulations. She said staff is proposing a different revision to the proposed text based on public comments and staff concerns.

Ms. Reilly said rulemaking under the Administrative Procedures Act requires a new public comment period, for any revision to a proposed amendment as it was originally noticed. She explained that existing Section 4410 requires repeat contractors to make a substantial

contribution toward the cost of training at not less than 30 percent for the third in-time contract and not less than 50 percent for the fourth contract. She said, keep in mind there is a \$250,000 payment earned threshold in the aggregate, although under the existing regulation the substantial contribution does not apply until the third contract. As originally noticed, the substantial contribution would remain at the same levels but would move forward in time to the second contract.

After the original text was first noticed, she said, it was revised for a 15-day comment period that ended January 7, 2008. In this revision, the Panel's discretion was expanded somewhat to expand the Panel's discretion at the second contract and to add a new factor to the proposed list of discretionary factors.

Ms. Reilly reviewed the three public comments received, on this revision as summarized in the memo. She said comments by the Alliance for ETP (Alliance) were submitted by Steve Duscha in a letter dated January 4, 2008. She said it was the Alliance's view that the discretionary factors were confusing and too general. She said although staff disagrees, a further revision is proposed to remove all of the factors and use a "good cause" standard. That standard, she said, is already used in some of the existing regulations and it appears the public is familiar with it.

She said the Alliance also asked that the factors be made inclusive, instead of by way of an example. In response, staff pointed out that the Panel must be able to exercise discretion in its administration of the program. She said the Panel's delegation of authority from the Legislature implicitly conveys discretion. In response to these comments, staff recommends setting some parameters, but still leaving the Panel room to exercise discretion to raise the second and third in-time substantial contributions above the baseline and to reduce that baseline for good cause (third contract only).

Ms. Reilly said public comment was also received by the California Manufacturers & Technology Association (CMTA) submitted by President Jack Stewart in a letter dated January 7, 2008. She said, in general, CMTA's comments are the same as submitted by the Alliance. She said, in response, staff recommends making the same revision.

Ms. Reilly said, the third public comment was submitted by Herrera & Company in an email from Phillip Herrera dated December 29, 2007. Herrera & Company suggested additional a tenth discretionary factor at proposed Section 4410(d): Priority industry as delineated in ETP's annual report." She said staff recommends rejecting this comment because it will be moot if the discretionary factors are eliminated. Also, this revision is unnecessary because "priority industry" would be considered under the original seventh factor: Subject matter of training in the proposal."

Returning to the revision now being proposed, Ms. Reilly said the "good cause" standard would only apply to the third contract. She said the substantial contribution would still be moved forward, as applicable to the second contract. The revision would also reduce the substantial contribution baseline at both the second and third contracts. She said it is currently 30 percent and 50 percent, but staff is suggesting 15 percent and 30 percent. She

said there is currently no cap on the substantial contribution percentage, but staff is recommending a 30 percent and 50 percent cap, respectively. Also, she said, staff is recommending a revision to allow the Panel to go below the floor on the third contract.

She asked the Panel to consider a house with a floor, ceiling and basement. She said the first time a company would get the substantial contribution, there would be a 15 percent floor with a 30 percent ceiling, as compared to the existing 30 percent floor with no ceiling. She said the second substantial contribution would have a floor of 30 percent, with a ceiling of 50 percent and a "shallow basement" so the Panel could go below the floor to as low as 15 percent.

She said if the Panel agrees with these recommendations, the revision would be noticed again for another 15-day comment period. Any public comments received during that time would come back to the Panel. She said the text of the revision is shown as an attachment to the memorandum with the new floor-ceiling-basement approach, the removal of discretionary factors, and a couple of other minor procedural changes to clarify some of the language. She said all of the comments are attached to the memo in the Panel Packet, verbatim.

Mr. Broad said the Panel's action today would be to either accept, reject or modify staff's recommendation. He said if changes are made it would go out to comment, so the Panel is not taking final action today. He said at the February meeting, the Panel would take up this matter again after further public testimony. Mr. Broad asked if there were public comments, although there will also be a 15-day comment period after today.

Steve Duscha, representing the Alliance for ETP, said staff was trying to respond constructively to the public comments but does not agree the language is quite there yet. He was concerned about the baseline position and where it would start. He said he can read this revised regulation as saying on the second contract the substantial contribution is between 15 and 30 percent and on the third it is between 30 and 50 percent. He said the issue is if each contract has to be negotiated separately, and they have to argue about this and do not know where they stand, so they would much rather have a fixed number, which is what they had in the past.

Mr. Duscha said he was impressed with Ms. Reilly's statement that on the second contract the Panel would default to the floor of 15 percent, but no more than 30 percent. He said on the third contract, it is 30 percent but no more than 50 percent with a good cause (presumably hardship or some other concept) that would allow the Panel to decrease it to 15 percent. Mr. Duscha asked for clarification if the default is 15 and then 30, absent some reason to go above the floor. Mr. Broad asked staff to comment about the difference between 15 percent and 30 percent: What are we using as the basis for determining the split?

Ms. Reilly addressed Mr. Broad's question. She said staff is trying to stay close to the text of the regulation as it originally exists and still accomplish the Panel's goal of moving the time period forward for the first substantial contribution. She said at present, there are no standards in the regulation - not even a good cause standard. She said this is what she

meant by exercise of discretion, the Panel would need to look at the facts set forth in the proposal memorandum to see if they want to move the substantial contribution up from the floor to the ceiling. She said the Panel can default to the floor but for some extraordinary circumstance which would be discussed in the Panel memo. She said this approach is in keeping with the Panel's fact-based analysis. Every funding proposal comes to the Panel for case-by-case consideration, but staff would likely recommend the floor as a matter of administrative feasibility, if facts did not indicate otherwise. She said that is what is happening today under the current regulation.

Mr. Broad said that makes sense to him and asked Mr. Duscha for his response. Mr. Duscha responded that, given the history and development of this regulation, it might be clearer simply to state the 15 and 30 percent floor and remove the references to a ceiling. He would like the Panel to simply set the substantial contribution amount as a fixed rate and leave it, unless he can be assured that in the future all Panels will understand that the default position is 15 and 30 percent. Mr. Broad asked if the choice was not 15 or 30 percent, but was a figure between the floor and ceiling - say 25 percent on the first time and 40 percent on the second time - would Mr. Duscha prefer a fixed rate? Mr. Duscha said "absolutely not". Mr. Broad said, so you do not like a sense of sureness if the number goes up, is that a fair assessment? Mr. Duscha said that is "absolutely correct". He said they have argued that the first number should be 10 rather than 15. Mr. Broad said it sounds like Mr. Duscha and staff is getting closer and maybe we have gotten to the point where we are close enough. He said this is a matter for the Panel to consider next time when it takes final action.

Mr. Broad said the Panel needs to consider whether to accept staff's recommendation for a second revision and put it out to comment, or to take an alternate action. Ms. Roberts said staff has done a great job in listening to public comment and making recommendations. She said they have spent considerable time on this proposal and she recommended going forward with what is being presented since it gives the Panel flexibility.

Mr. St. John said he liked the idea of what was said earlier about getting closer, if that was a possibility. He asked about having concreteness but keeping the discretion. Ms. Reilly said the proposed second revision does exactly that. She said it is a compromise between what was originally noticed, which would have been 30 percent, and what was suggested by several public commenters, which would drop it down to 10 percent. She said the recommended floor would have been 20 percent if we went to the middle, but 15 percent was a true compromise - a number that can be administered feasibly and yet still recover funding to be used for first-time contractors.

**ACTION:** Ms. Roberts moved and Mr. Campbell seconded staff recommendations in making a second revision to the proposed amendment as shown in the text of the memorandum, and re-noticing it for an additional 15-day comment period.

Motion carried, 6 – 0.

## **IX. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS**

### **Single Employer Contractors**

#### **Bakersfield Heart Hospital**

Dolores Kendrick, Manager of the North Hollywood Office, presented a funding proposal for Bakersfield Heart Hospital in the amount of \$370,566. She said Bakersfield Heart Hospital is an accredited, 47-bed cardiovascular facility that provides advanced, specialized cardiac care services.

Ms. Kendrick introduced Pamela Gavin, Education Coordinator and William Parker, President of National Training Systems Inc.

There were no questions from the Panel.

**ACTION:** Ms. Roberts moved and Mr. Rendon seconded approval of the funding proposal for Bakersfield Heart Hospital in the amount of \$370,566.

Motion carried, 6 – 0.

Mr. Broad departed the meeting at 10:50 a.m. and passed the gavel to Jan Roberts, Acting Vice Chair, for the remainder of the meeting. The Panel quorum remained at five members present.

#### **Medtronic Minimed, Inc.**

Ms. Kendrick presented a funding proposal for Medtronic Minimed, Inc. (Minimed), in the amount of \$750,960. She said Minimed designs and manufactures insulin infusion pumps and related equipment for patients with diabetes. She said products include glucose monitoring systems and software that transmits data through the Internet for viewing and printing reports to adjust insulin therapy.

Ms. Kendrick introduced Mitch Parrish, Vice President of Operations.

Mr. Florence asked if the minimum health benefit of \$4.42 per hour may be used to meet the post-retention wage and asked why it is different for this project. Ms. Reilly said it should read “up to \$4.42” per hour maximum and the language will be corrected in the contract.

Mr. St. John asked about Six Sigma training. Mr. Parrish said he is the leader of the Six Sigma program and a Director also assists with the training and reports to him. Mr. St. John said Mr. Parrish stated the previous Six Sigma training had to be set aside because it was an aggressive plan and in order to focus on improvement projects. He said with the growth the Minimed is experiencing there will be more improvement projects and asked if mechanisms are in place for the Six Sigma training this time around. Mr. Parrish agreed and said he took over the Six Sigma program a year ago. He said he believes Minimed now has the traction

for the Lean Sigma program as well as support from the Directors and Vice Presidents that run other areas of the company such as sales and service. He said there will now be broader participation on an executive staff level where they will review progress, as it affects the whole company.

Ms. Roberts was concerned about past poor performance on the first contract and asked why a second project was approved. Mr. Parrish asked if Ms. Roberts was referring to Galeta. Ms. Roberts agreed. Mr. Parrish said Galeta is another very small business within a large business unit and that business unit was being consolidated with a business in Florida. He was unsure of the history of the Galeta project and said the proposed contract is unrelated to Galeta and is under a separate CEAN number.

Ms. Roberts said under the second proposal, 62 employees were trained in Six-Sigma and asked if those employees obtained certification. Mr. Parrish said all employees obtained certification and have benefitted from at least 50 green belts. He said he runs operations in areas such as manufacturing, shipping, purchasing and supply chain. He said all areas have shown tremendous improvement since the green belts have been implemented. He said the company hired a new president approximately one year and a half ago and he gave the group to him to manage. He said he uses Six Sigma more than anyone else in the company. The success they have had has been in his operations and it is his job to ensure that all of the vice presidents are deploying green belts in their organization. Ms. Roberts said that is good news but would be no small task to carry out. He said all vice presidents and presidents support this project, they now have a centralized training department, and will have a full-time person assigned to ensure they are deploying the training and for tracking.

**ACTION:** Mr. Rendon moved and Mr. Florence seconded approval of the funding proposal for Minimed in the amount of \$750,960.

Motion carried, 5 – 0.

### **Syntax Brillian Corporation**

Ms. Kendrick presented a funding proposal for Syntax Brillian Corporation (Syntax-Brillian), in the amount of \$243,360. She explained that Syntax-Brillian designs, develops, tests, markets, and distributes liquid-crystal display (LCD) high-definition televisions (HDTV), digital cameras, and other entertainment products.

Ms. Kendrick introduced Renee Chan, Senior Director of Human Resources and Elena Medina, Recruiter.

There were no questions from the Panel.

**ACTION:** Mr. St. John moved and Mr. Campbell seconded approval of the funding proposal for Syntax-Brillian in the amount of \$243,360.

Motion carried, 5 – 0.

### **American All-Risk Loss Administrators, Inc.**

Ruby Cohen, Manager of the Sacramento Office, presented a funding proposal for American All-Risk Loss Administrators, Inc. (AARLA), in the amount of \$182,160. She said that AARLA is a third-party administrator for Workman's Compensation claims processing.

Ms. Cohen introduced Steven Wigh, President.

Mr. Florence asked if training was provided with the purchase of equipment and how this training differs. Mr. Wigh said the equipment purchase came with very minimal training. He said the company is concerned with moving to an imaging system and there are many companies trying to make this transition who say it is very difficult. He said AARLA did not believe the training provided was adequate and would like to enrich it from what was previously provided.

**ACTION:** Mr. Rendon moved and Mr. St. John seconded approval of the funding proposal for AARLA in the amount of \$182,160.

Motion carried, 5 – 0.

### **Ball Metal Food Container, LLC**

Ms. Cohen presented a funding proposal for Ball Metal Food Container, LLC (Ball), in the amount of \$801,000. She explained that Ball is a manufacturer of metal and plastic food and beverage containers, as well as aerospace technology products and services.

Ms. Cohen introduced Michael Wright, Plant Manager; Rochelle West, Manager of Human Resources; Paul Johnson, President of CalTraining Inc.; Les Payne, Business Agent of Teamsters Local #948 and Noel Alfaro, Employee Shop Steward.

Mr. Campbell asked about the net increase of employees. Mr. Wright said Ball currently employs 282 and will increase to 352 and possibly more, depending upon production improvements.

**ACTION:** Mr. Campbell moved and Mr. Florence seconded approval of the funding proposal for Ball in the amount of \$801,000.

Motion carried, 5 – 0.

### **Total Managed Care Inc.**

Ms. Cohen presented a funding proposal for Total Managed Care Inc. (TMC), in the amount of \$97,680. She said TMC is a consultative firm dedicated to improving the health status and care of individuals with disabilities and specialized needs. TMC specializes in utilization

review, medical/legal and insurance consultation, life care planning, telephonic/field nurse case management, and on-site wellness/disease management programs.

Ms. Cohen introduced Julie Cardosa, Human Resource Manager.

Ms. Roberts asked about document imaging and if it would result in any employee layoffs or reduction of the workforce based on the new technology. Ms. Cardosa said TMC does not anticipate any lay-offs especially since there is not much competition in Fresno.

**ACTION:** Mr. Rendon moved and Mr. Florence seconded approval of the funding proposal for TMC in the amount of \$97,680.

Motion carried, 5 – 0.

### **Van Beurden Insurance Services, Inc.**

Ms. Cohen presented a funding proposal for Van Beurden Insurance Services, Inc. (VBIS), in the amount of \$158,400. She said VBIS is an insurance broker serving the insurance needs of California businesses and individuals. VBIS specializes in serving certain industries such as agriculture, manufacturing, pest control operators and transportation.

Ms. Cohen referred the Panel to the training proposal in the panel packet, the menu curriculum. She said the modules “coping in stress environments” should have been removed listed under business skills and “e-mail etiquette and internet navigation” under computer skills should have been removed.

Ms. Cohen introduced Mike Beall, Assistant Vice President.

Ms. Roberts asked if employees would receive computer skills training in addition to business skills and asked how it would be computer-based. Mr. Beall said all training is computer-based and web-based and is highly mobile for the sales and service staff. Ms. Roberts asked if there would be any in-house instructors or if all training is computer-based training. Mr. Beall said employees would receive some in-house training.

**ACTION:** Mr. St. John moved and Mr. Campbell seconded approval of the funding proposal for VBIS in the amount of \$158,400.

Motion carried, 5 – 0.

### **Simmons Bedding Company**

Creighton Chan, Manager of the Foster City Office, presented a funding proposal for Simmons Bedding Company (Simmons), in the amount of \$191,700. He explained Simmons is a manufacturer of sleep products and additionally, the company licenses its products to manufacturers and distributors of bedding accessories, furniture, water beds, airbeds and other products.

Mr. Chan introduced Dana Carstensen, Director of Human Resources and Lindsey Boehn, HR Manager of San Leandro.

Mr. St. John asked about the new learning management leader. Ms. Carstensen said there are many new employees in their human resources department. She said training is now centralized out of corporate headquarters in Atlanta, Georgia. She said they now have two training and learning and development managers whose sole responsibility is to support and deliver training to the two field plants. She said there are dedicated human resource managers at both the San Leandro and Compton facilities that have assistants to track hours.

Mr. St. John asked if the company is currently a lean company. Ms. Carstensen said they began the lean initiative in late 2006, dedicated a number of champions in 2007, and it is a priority in 2008. She explained that in 2007 they chose one area to initially start lean and it is a very aggressive and comprehensive change. She said Simmons has been a very traditional manufacturing company for over 135 years, so this is a huge cultural shift for them. She said Simmons has started lean in their box spring implementation which has been successful and they have improved efficiencies by 75 percent. She said they hope to implement lean initiatives in all manufacturing cells in 2008.

Mr. Florence asked if the turnover rate at the San Leandro facility was due to lower sales and rise in cost, and if it reflects layoffs or attrition. Ms. Carstensen said turnover was due to attrition. She said they have not had any layoffs and none are expected. Mr. Florence said the Panel likes to see retention and asked how they expect it to change for the San Leandro facility. Ms. Carstensen said there are upcoming labor negotiations. She said the company has not remained competitive with their wages in the last two labor contracts and expect there to be a dramatic change in upcoming negotiations that will assist in retention.

**ACTION:** Mr. Florence moved and Mr. St. John seconded approval of the funding proposal for Simmons in the amount of \$191,700.

Motion carried, 5 – 0.

### **Multiple Employer Contractors**

#### **Angeles College of Nursing**

Ms. Kendrick presented a funding proposal for Angeles College of Nursing (ACN), in the amount of \$190,755. She said ACN is a private, for profit, training and educational center.

Ms. Kendrick introduced Teresa Krause, Operations Manager and Gwen Dollar, Director of Student Outreach and Job Placement.

Ms. Roberts asked about the cost of the trainee for four to five months of training at over \$10,000 per trainee. She said they are LVNs and asked what it takes to move LVNs to certified RNs. Ms. Krause said ACN recommends a bridge program from LVN to RN that takes an additional year. Ms. Roberts asked if ACN is prepping the LVNs to move to the next level. Ms. Krause agreed and said they want to elevate them from CNA to LVN to RN.

Brian McMahon, Executive Director, asked if the course work offered in the LVN track is recognized and accepted by accredited RN programs. Ms. Krause answered in the affirmative.

**ACTION:** Mr. St. John moved and Mr. Rendon seconded approval of the funding proposal for ACN in the amount of \$190,755.

Motion carried, 4 – 0 (Mr. Campbell was not present for the vote).

### **Long Beach Area Chamber of Commerce**

Ms. Kendrick presented a funding proposal for Long Beach Area Chamber of Commerce (LBACC), in the amount of \$199,598. She explained LBACC is a member-driven, non-profit organization that promotes and focuses on the economic development of the local business community of greater Long Beach.

Ms. Kendrick introduced Judy Donley, Executive Vice President and Barry Nixon, President of Sullivan & Associates.

There were no questions from the Panel.

**ACTION:** Mr. Rendon moved and Mr. St. John seconded approval of the funding proposal for LBACC in the amount of \$199,598.

Motion carried, 4 – 0 (Mr. Campbell not present for the vote).

### **Goodwill Industries of San Joaquin Valley, Inc.**

Ms. Cohen presented a funding proposal for Goodwill Industries of San Joaquin Valley, Inc. (Goodwill San Joaquin), in the amount of \$99,475. She said Goodwill San Joaquin is a non-profit company that provides job training and placement services to individuals with multiple barriers to employment.

Ms. Cohen introduced Jasmine Harris, Deputy Director and Joan Eader, Training Manager.

Ms. Roberts asked about the high cost of almost \$4,000 per trainee. Ms. Harris said after training, they are placed into employment and begin earning \$8.50 per hour. Ms. Roberts said Michael Rice is reporting on the success of the W2W pilot program later in the

meeting. Ms. Roberts said the success rate may not be as good as expected unless employers are lined up and they have the commitment from the trainees of their desire to work at \$8.50 per hour. Ms. Roberts asked if Goodwill San Joaquin has outreached to employers. Ms. Harris said they have a couple of employees primarily in the Fresno area. She said the training manager has contacted other employers who have asked for help in recruiting and finding individuals to work in their plants, warehouses and distribution centers. She said their plan is to job develop for positions that pay higher than \$8.50 per hour. She said one of the strategies it is implementing with this contract, which is different from the prior contract, is a comprehensive pre-assessment program. She said they will implement a tool called "Eureka" so that individuals who apply for training at Goodwill Industries will be assessed, to identify their critical thinking skills, soft skills, and their desire to go to work before training them. She said as indicated, they are not training a large number of individuals only to determine at the end they have applied the wrong type of training to the individual. Ms. Roberts said that was a great methodology.

Mr. Florence asked about the welfare-to-work component and how it would impact this proposal. Mr. McMahon said the recommendation to be presented that day by Michael Rice on the Welfare-to-Work pilot program would be consistent with this approach. Ms. Reilly said after the presentation and the recommendation it may very well be that the Panel will no longer be asking that contractors with new-hire training to include a Welfare-to-Work component. She said at the time this proposal was being developed, ETP was still operating under the program direction that we did want at least 20 percent to be Welfare-to-Work. Mr. Florence asked if it would "not" change if there was a recommendation to approve the project. Mr. McMahon said this population would be served under the recommendation and the right to a program.

**ACTION:** Mr. Rendon moved and Mr. Campbell seconded approval of the funding proposal for Goodwill San Joaquin in the amount of \$99,475.

Motion carried, 5 – 0.

### **Sterling Alliance Inc., dba CCT Computer Learning Center**

Ms. Cohen presented a funding proposal for Sterling Alliance Inc., dba CCT Computer Learning Center (CCT), in the amount of \$160,000. She said CCT is a small training school located in a high-unemployment area with few opportunities for technical training.

Ms. Cohen introduced David Clark, Instructor.

Ms. Roberts asked if this proposal should be an amendment since CCT has another open contract. Mr. Clark said there is not enough time left in the current agreement to deliver the requested training. He said the size of the agreement is limited by CCT's ability to deliver as opposed to the need.

**ACTION:** Mr. Florence moved and Mr. Campbell seconded approval of the funding proposal for CCT in the amount of \$160,000.

Motion carried, 5 – 0.

### **Amendments**

#### **Hitchcock and Holcombe, Inc. dba Continental Training Center**

Ms. Cohen presented an amendment for Hitchcock and Holcombe, Inc. dba Continental Training Center (H&H), in the amount of \$272,575. She said H&H is an accredited private training agency which has been providing computer training for corporations, county and state agencies, and non-profit organizations for over seven years.

Ms. Cohen introduced Darin Holcombe and Steve Hitchcock.

There were no questions for the Panel.

**ACTION:** Mr. Campbell moved and Mr. St. John seconded approval of the amendment for H&H in the amount of \$272,575.

Motion carried, 5 – 0.

#### **Franklin Career College**

Ms. Torres presented an amendment for Franklin Career College (Franklin), in the amount of \$796,230. She said Franklin is a public training agency with a history of providing training and placement services to the public.

Ms. Torres introduced Rose Hernandez, Executive Director.

There were no questions from the Panel.

**ACTION:** Mr. Campbell moved and Mr. Rendon seconded approval of the amendment for Franklin in the amount of \$ 796,230.

Motion carried, 5 – 0.

### **X. WELFARE TO WORK EVALUATION**

Mike Rice, Chief of ETP's Administration Division, summarized staff's evaluation of the Welfare-to-Work (W2W) pilot program. He stated that, effective July 2006, the Panel implemented a pilot program to support training for CalWORKs participants, which would also hopefully eliminate or reduce the Employment Training Fund (ETF) transfers to the Department of Social Services (DSS).

Mr. Rice said that, since the pilot began, \$3.5 million has been approved for 40 W2W projects, targeting 829 trainees. This included five solely W2W projects, and 35 new-hire projects with 20 percent W2W trainees. He said the average cost-per-trainee was slightly

more than \$4,200, which is consistent with new-hire training costs, He said W2W trainees averaged 260-plus hours of training. Mr. Rice recited additional statistics from the memo on this subject in the Panel Packet.

Ms. Roberts questioned the overall expectation of the pilot. Mr. Rice said that, since the W2W projects had been approved on an ongoing basis from July 2006 to the present, they are generally in early stages and data is incomplete. Although none of these projects had yet been completed he said the number enrolled in training thus far is positive. He said it is difficult to pinpoint what the data shows thus far, since it is preliminary. Ms. Roberts agreed that the data is not yet sufficient to reach a conclusion.

Mr. Rice said, of 136 trainees who had completed training thus far, 100 had been placed in jobs with potential for career advancement, with wages ranging from \$8 to \$19 an hour, with an overall average of \$10.76 per hour.

Mr. Rice described distinctions between solely W2W contracts and the new-hire contracts with 20 percent W2W. In the first instance, he said, the contractors have established relationships with CalWORKs referred entities and experience in serving that trainee population. This is reflected in the higher percentage of enrollments, completions, and placement figures in those projects.

He indicated the new-hire contractors with 20 percent W2W trainees did not have that same experience or networking, therefore referrals are more difficult. He said some occupations targeted in the 20 percent category are non-traditional for women, yet many CalWORKs recipients are female, therefore job matches are often difficult. Mr. Rice said the wages for the occupations tend to be higher than those in the solely W2W group, because they are components of new-hire training which is often more specialized.

Mr. Rice stated that all of the surveyed contractors identified difficulties in serving the W2W population, including: recruitment; stereotyping; lack of basic skills, wages, and targeted occupations. At the same time, the contractors indicated there are benefits for both employers and trainees. Employers benefit from hiring pre-screened workers who have received customized training; trainees are optimistic about obtaining and keeping permanent full-time employment.

Mr. Rice stated that a major purpose of the W2W pilot was to help reduce or eliminate the ETP fund transfers to DSS. He indicated however, it does not appear this has had an impact. In the current year, the transfer is back up to \$45 million, with \$35 million proposed in Fiscal Year 2008-09. He said, even if the Panel continued funding W2W training, it is not likely the transfers would be reduced or eliminated because they are used to support CalWORKs administration in county welfare offices, and there is no relation to whether ETP can fund training for that population.

Mr. Rice summarized staff's conclusions: 1) Despite limited data and contract performance to date, results are promising; 2) Steps could be taken to address W2W related issues should the Panel decide to continue with the pilot, such as better recruitment plans; and 3) Perhaps most importantly, the pilot has not had an impact on reducing the ETF transfers to DSS.

Mr. Rice described options for future action: 1) Make no change - continue the current W2W moratorium, while still requiring new-hire projects to include W2W components. 2) Allow W2W training in contracts when requested by experienced contractors but do not require new-hire projects to include W2W training. 3) Impose a full moratorium on all W2W training indefinitely, as CalWORKs recipients can be served otherwise under the Special Employment Training (SET) category for workers with barriers to full-time employment.

Mr. Rice said it is staff's recommendation that the Panel impose a full moratorium on all W2W trainees indefinitely.

Mr. McMahon asked Mr. Rice to explain how the W2W population would be served under the SET program. Mr. Rice said that, under SET, there are several categories where CalWORKs participants would qualify, such as training for workers with barriers to full-time employment. He indicated that much the same training could be provided under that category as under the W2W pilot.

Ms. Roberts asked if the Panel had any comments or concerns regarding staff's recommendation. There were no questions from the Panel.

ACTION: Mr. Rendon moved and Mr. Florence seconded that the Panel agree with staff's recommendation to impose a full moratorium on all W2W trainees indefinitely.

Motion carried, 5 – 0.

## **XI. PUBLIC COMMENT**

There was no public comment.

## **XII. ADJOURNMENT**

ACTION: Mr. Rendon moved and Mr. St. John seconded adjournment of the meeting at 12:35 p.m.