



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL MEETING**
California Environmental Protection Agency
Coastal Hearing Room, 2nd Floor
1001 "I" Street
Sacramento, CA 95814
February 27, 2009

PANEL MEMBERS

Barry Broad
Acting Chair

Greg Campbell
Member

Barton Florence
Member

Scott Gordon
Member

Brian McGowan
Member

Janine Montoya
Member

Edward Rendon
Member

Janice Roberts
Acting Vice-Chair

Executive Staff

Brian McMahon
Executive Director

Maureen Reilly
General Counsel

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I. PUBLIC PANEL MEETING CALL TO ORDER

Barry Broad, Chairman, called the public Panel meeting to order at 9:39 a.m.

II. ROLL CALL

Members Present

Barry Broad
Barton Florence
Scott Gordon
Janine Montoya
Janice Roberts

Members Absent

Greg Campbell
Brian McGowan
Edward Rendon

Executive Staff Present

Brian McMahon, Executive Director
Maureen Reilly, General Counsel

III. APPROVAL OF AGENDA

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

Motion carried, 5 – 0.

IV. APPROVAL OF MINUTES

Mr. Florence noted that minutes for the meeting of January 23, 2009 reflected that he moved approval of the Consent Calendar, but he was not present at that meeting. Mr. McMahon said staff would review the recording and correct the minutes.

ACTION: Ms. Roberts moved and Ms. Montoya seconded the Panel minutes for the meeting of January 23, 2009 with a correction to the action item under the Consent Calendar.

Motion carried, 5 – 0.

V. REPORT OF THE EXECUTIVE DIRECTOR

Brian McMahon, Executive Director, said he was pleased to report that the 18-month Budget recently signed by the Governor and approved by the Legislature, continues to maintain ETP's higher appropriation that was included in the Governor's Budget as introduced in January 2009. He said there continues to be no transfer from the Employment Training Fund to the Department of Social Services to support the CalWORKS program. As mentioned at the last Panel meeting, there is an under-collection in the fund itself, which will result in a net gain for the year in the range of \$20 - \$22 million for the 2009-10 Fiscal Year. He said the specific appropriation for ETP will be \$76.1 million compared to \$56.9 million available this FY that was further reduced mid-year by \$10.2 million to reflect another under-collection.

Relative to the legislative review process for ETP's Budget this year, there is not yet complete certainty, but it appears that since there is an 18-month Budget approved, that ETP will not be subject to the standard subcommittee hearing process. It is our understanding that some level of hearings will take place most likely around specific issues that would be raised by the Legislative Analyst's Office (LAO) and there is still the possibility that we may be called into a hearing process based on the LAO recommendation of the Employment Training Tax. He said he and Chairman Broad will continue to meet with subcommittee chairs, as they did in the previous year.

Mr. McMahon said it is important to keep stakeholders informed of the ETP Budget Appropriation and staff will post information about upcoming hearing dates and subcommittee information on our website.

Mr. McMahon said if all projects are approved today, approximately \$28 of \$30 million will be available for project funding. Using the lowest possible prudent incremental encumbrance factor going into the March meeting, there will be approximately \$10.5 million available for projects. He said staff anticipates 90 plus proposals totaling over \$20 million at the March meeting. He said we are in a situation where demand for program funds significantly exceeds our ability to fund projects. He said ETP Regional Offices are speaking with all of the potential March applicants, to identify projects where there is not an urgent need to begin training, and consider the possibility of deferring those projects to the next Panel meeting expected to be held in either June or July. Once staff arrives at a final total for project demand, staff will make an across-the-board reduction in project size and include the reduction on the ETP 130 Training Proposals to the Panel. Staff will indicate the amount of reduction and encourage those projects to come forward to the Panel again either at the June or July meeting if the performance continues on track.

Mr. McMahon said relative to legislation, there is not an ETP sponsored bill. Today is the last day to introduce new legislation and we expect that a bill will be introduced by Senator

Romero, SB 747, which will direct the ETP to participate in a pilot project that funds youth enrolled both in a high school and community college curriculum, or a course of training that will prepare students for career opportunities in the manufacturing sector.

He said Bill AB 380 (De La Torre) was introduced last year. He said this is a reintroduction that directs ETP along with the Labor and Workforce Development Agency, Department of Apprenticeship Standards, and the State Workforce Investment Board, in a clean energy curriculum and training initiative.

Mr. McMahon said this morning AB 816 was introduced by Assemblyman Hagman that deletes the language in the Unemployment Insurance Code that gives the Department of Finance the authority to transfer funds from the Employment Training Fund to the Department of Social Services. He said we did not ask for the bill, but it is consistent with ETP's goal for the program.

Mr. McMahon said last year, staff tracked Bill AB 3018 (Nunez) that created a Green Collar Jobs Council (GCJC). He said the GCJC is comprised of state agencies, legislators and their staff, and labor and business representatives. He said he serves as a Council Member and GCJC's mission is to develop a framework that addresses the need for skilled workers in the green technology industry sector. He said he believes an important outcome for the Council is that it connects all of the various state agencies and the labor and business communities around issues that are facing the green technology industry sector.

Mr. McMahon said at the last meeting, he mentioned that ETP is working to address issues with the increasing unemployment rate in California and the need to get workers re-skilled and back into jobs. He said Michael Rice, Chief of Administration for ETP, will introduce an Economic Stimulus Initiative toward the latter part of today's meeting. He said it will provide a wide range of steps, some that can be implemented on an immediate basis, and some would require regulatory changes.

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 Ms. Montoya 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 #26.

Angeles Welding & Mfg. Inc., dba Angeles Steel Services..... \$74,844

Blair, Church & Flynn Consulting Engineers.....	\$74,880
Borges Architectural Group, Inc.	\$23,760
Carney's Office Equipment, Inc. dba Carney's Business Technology Center	\$15,840
College Painting Works, Inc. dba National Services Group.....	\$39,180
Dale Brisco, Inc.	\$29,250
Dental Technology Institute of Southern California Inc. dba National Career College	\$99,632
Equus Products, Inc.	\$26,182
Esparza's Welding and Machine Shop, Inc. dba EW Corporation.....	\$41,600
Executive Safe and Security Corporation dba Amphion	\$34,450
First Software USA, Inc. dba Oxford Institute of Technology.....	\$99,715
Innova Electronics Corporation.....	\$12,168
ITW Rippey Corporation, a Division of Illinois Tool Works, Inc.	\$73,872
Johns Manville.....	\$60,030
Northrop Grumman Space Technology, a Division of Northrop Grumman Space & Mission Systems	\$50,400
Polycomp Administrative Services, Inc.	\$73,500
Precision Swiss Products, Inc.	\$74,880
Preferred Manufacturing Services Inc. dba Snowline Engineering.....	\$61,360
PS Print, LLC.....	\$99,144
S&S Fluid Power, Inc.	\$20,280
Sinecera Inc. dba Crown Valley Precision Machining.....	\$57,720
Southern California Graphics Corporation.....	\$31,200
Spreckels Sugar Company, Inc.	\$43,200
Stang Industries, Inc.	\$39,000
Western Growers.....	\$74,160
Woongjin Coway USA Inc.	\$43,500

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of Consent Calendar items #1 through #26.

Motion carried, 5 – 0.

Mr. Broad said for individuals who are considering proposing projects or in our community who advise people about projects, that ETP has faired well this year in the budget process, which is good news. He explained that much of what was approved is dependent on the voters in the special election set for May. He said while it is an 18-month Budget, it could come apart if all the pieces do not stay together as a result of that Budget. He said this could mean that in June of this year we could be back to where we were with the Legislature just a few months ago, that instead of having a \$42 billion deficit; it could be a \$52 billion deficit.

He said in addition, the economy appears to be getting worse therefore we do not know what will happen when the Governor issues the May revise of the Budget and reviews the first five months of revenue and how we are fairing. He said if the economic downturn continues to get worse and tax revenues go down, the Budget that was passed could have problems as early as May. He said the problem, is the current and future state of the economy and how

long the recession will last. He said the recession directly affects ETP because of employers who are laying off many of their employees, which essentially become negative-reserve employers. He said the system gets stretched to the limit; the Unemployment Insurance system gets stretched to the limit and the portion of the tax in effect that we receive, could go down. In other words, the basic revenue stream could shrink as a result of continued unemployment. He wanted everyone to understand that while the Budget has been adopted, it is somewhat a tentative adoption at this point, due to the special May election.

VI. REPORT OF THE GENERAL COUNSEL

Maureen Reilly, General Counsel, had nothing to report.

VII. GOVERNOR'S CONFERENCE ON SMALL BUSINESS & ENTREPRENEURSHIP, MARTY KELLER, GOVERNOR'S SMALL BUSINESS ADVOCATE

Mr. McMahon introduced the Governor's Small Business Advocate, Marty Keller. He said Mr. Keller has been a great friend of ETP, and they have completed a number of joint marketing activities that he believed are responsible for the significant increase in small business projects that have come before the Panel.

Mr. Keller acknowledged the Panel and its staff for their aggressive outreach in working with the small business community in the State of California. He recognized Kim Smith, Assistant Director of the ETP, as an energetic, professional, enthusiastic, and passionate individual. He said she is a pleasure to work with, she has taught him a great deal, and she has helped to bring people together to look at ways and solutions to our problems.

Mr. Keller said in regards to Mr. Chairman's remarks about the budget situation, he believes the only things that we can do right now are to think differently, find ways to be cooperative and work together, and seek collective wisdom. He said in the past we didn't have to, because we had plenty of funds, and that outreach to small business is a critical part of our economy.

Mr. Keller said the Governor's Conference on Small Business and Entrepreneurship was held on November 18 and 19, 2008. He said it was the first time that small business and government leaders came together to discuss the future of California's economy and to create policy objectives to move us forward. The result was 37 prioritized policy objectives, the framework for a small business network, and unforgettable memories.

Mr. Keller said Conference events included keynote speakers from Google, Facebook, WIRED Magazine, and more; breakout sessions for 10 policy groups; fireside chats which were small, intimate, informal discussions with keynote speakers; and a launch of Global Entrepreneurship Week with the Kauffman Foundation.

The Conference also included an interactive voting process. He said this included the culmination of two days of dialogue and working groups with interactive voting. Through ten

rounds of voting, via handheld electronic voting devices, the entire group voted and prioritized 37 policy objectives.

Some important lessons from the Conference were: 1) the next phase of prosperity – powered by the global network – will be unprecedented and overwhelming; 2) California's entrepreneurs, already laying the foundation for the new economy, will lead us out of the current economic downturn; 3) the power is in the network which enables each person's innovative and entrepreneurial spirit to be brought together and leveraged.

The top 11 policy objectives were: 1) ask the Legislature to restore investment in programs that support small businesses; 2) the California Air Resources Board (CARB) should perform a comprehensive assessment of the interim costs for AB32 implementation that affects small businesses; 3) improve the state regulatory process by implementing elements of other regulatory flexibility acts; 4) implement a program to ensure that the current laws and regulations regarding SB/DVBE contracting procedures, laws, and goals are enforced; 5) enhance and increase funding for loan guarantees and micro lending programs; 6) prepare students to compete and contribute to a global economy; 7) create a more effective and transparent system for the setting and monitoring actual utilization of SB/DVBE procurement inclusion goals; 8) shift the Minimum Franchise Tax into a uniform fee applicable to all business entities that incorporate; 9) support shared financial responsibility among all to facilitate health care access for all; 10) eliminate barriers to capital through restructuring and developing creative forms for financing; and 11) make it state policy to un-bundle State contracts.

Mr. Keller said as a result of the Conference: work groups in each subject area meet to ensure adoption of the recommendations; participants have created a communications network for working together on small business issues, exploring new business opportunities, and expanding their influence; and participants are planning the 2009 Governor's Conference on Small Business & Entrepreneurship.

Mr. Keller asked the Panel if they had any questions. There were no questions from the Panel.

Mr. Broad thanked Mr. Keller for his presentation and attendance at the meeting.

VIII. REVIEW AND ACTION ON AGREEMENTS AND AMENDMENTS

Mr. McMahon announced that Ruby Cohen, Manager of the Sacramento Regional Office, is leaving ETP and thanked her for her dedicated and superb service to the Panel and the Sacramento Regional Office. He said Ruby was instrumental in bringing on so many of the great projects that we have seen throughout the Central Valley. He said Ruby has accepted a position with the Employment Development Department and will lead a unit that reviews projects funded under the Workforce Investment Act.

Mr. McMahon said that Diana Torres, San Diego Regional Manager, would present projects for the Sacramento Regional Office.

Single Employer Contractors

F. Rodgers Corporation

Creighton Chan, Manager of the Foster City Regional Office, presented a funding proposal for F. Rodgers Corporation (F. Rodgers) in the amount of \$389,700. He said the company installs insulation, acoustical ceilings, fiberglass reinforced panels, diamond plate, expansion joints, computer flooring, and hand rails for commercial, government, and residential customers.

Mr. Chan introduced Donna Lipayon, Director of Human Resources.

Ms. Roberts said this is a solid contract, and there are several locations with almost 500 employees. She asked about the company's infrastructure to support training documentation and how they intend to make the contract successful with multiple locations and employees. Ms. Lipayon said training is focused in California; they have been currently implementing training; and training modules that are reviewed by a company Vice President, who recently joined F. Rodgers. He said they have implemented very detailed training programs, and they have a designated training conference room located at their corporate office.

Ms. Roberts was concerned that even though you have a dedicated Vice President leading the training, that person could decide to leave the company. Ms. Lipayon said there are two designated employees for training.

ACTION: Mr. Gordon moved and Ms. Roberts seconded approval of the funding proposal for F. Rodgers in the amount of \$389,700.

Motion carried, 5 – 0.

JSR Micro, Inc.

Mr. Chan presented a funding proposal for JSR Micro, Inc. (JSR Micro) in the amount of \$159,120. JSR Micro is a chemical manufacturer of electronic materials sold to large Original Equipment manufacturers (OEMs) in the semiconductor and related industries. JSR Micro's products are used in the semiconductor manufacturing process and include advanced materials, specialty chemicals, and packaging materials. In addition, the company provides customer services that include research and development, design, and engineering.

Mr. Chan introduced Doug Cates, HR Business Partner.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of the funding proposal for JSR Micro in the amount of \$159,120.

Motion carried, 5 – 0.

Owens Corning Sales LLC

Mr. Chan presented a funding proposal for Owens Corning Sales LLC (Owens Corning), in the amount of \$194,400. He said Owens Corning invented glass fiber and glass fiber insulation and is a global leader in glass fiber technology. The company produces fiberglass insulation products for consumers, homeowners, and the construction industry.

Mr. Chan introduced Dan Cochran, Operations Leader/Santa Clara Plant.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of the funding proposal for Owens Corning in the amount of \$194,400.

Motion carried, 5 – 0.

Arlon, Inc.

Diana Torres, Manager of the San Diego Regional Office, presented a funding proposal by Arlon, Inc. (Arlon) in the amount of \$260,295. She said Arlon maintains two manufacturing facilities in California: 1) the Adhesives & Films Division in Santa Ana, and 2) the Materials for Electronics Division in Rancho Cucamonga.

The Adhesives and Films plant in Santa Ana specializes in coating and laminating materials for a wide variety of industrial markets. This facility formulates, casts, coats, converts, packages, and sells its vinyl film worldwide through its own distribution network. Additionally, Arlon's Santa Ana facility designs and manufactures materials to specific customer needs, including: visual impact for graphics, circuit substrates for multi-layer printed circuit boards, automotive stripes and graphics, special laminates used as electrical insulators in motors and generator gaskets, weather stripping and window glazing, durable paper, thermal shields, adhesive systems for medical products, and films for solar connectors.

Ms. Torres introduced Lynn Levoy, Director of Human Resources and Donna Bartlett, Chief Executive Officer of Spectra Consulting.

Mr. Broad said Arlon has an excellent record with previous contracts, and they have earned nearly all of the funds.

Ms. Roberts agreed and asked if the implementation of the Kaizen (Lean Manufacturing) training will be offered to frontline workers and if Arlon has seen any financial results. Ms. Levoy said they have seen many improvements, and inventory terms have increased from 2.6 to 5.6. She said they had their first million dollar shipping month as a result of one of their coating lines in September 2008, and they are seeing sustained improvement.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Arlon in the amount of \$260,295.

Motion carried, 5 – 0.

Lowe's HIW, Inc.

Ms. Torres presented a funding proposal for Lowe's HIW, Inc. (Lowe's), in the amount of \$365,250. Lowe's sells retail and wholesale products for home improvement and repair projects. It sells gardening products, home fashion items, lumber, millwork, plumbing and electrical supplies, tools, appliances, and furniture.

Ms. Torres introduced Brian Emerson, VP of Leadership & Managerial Capability and Robert Forney, Manager of Business Training Solutions.

Ms. Roberts asked if Lowe's is a repeat contractor. Ms. Torres agreed that they are a repeat contractor, but noted that their last contract was more than five years ago.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Lowe's in the amount of \$365,250.

Motion carried, 5 – 0.

Nordstrom, Inc.

Ms. Torres presented a funding proposal for Nordstrom, Inc. (Nordstrom) in the amount of \$324,000. She said Nordstrom sells clothes, shoes, and accessories through 108 full-service department stores and 54 outlet stores (Nordstrom Rack).

Ms. Torres introduced Mark French, Director of Learning & Development.

Ms. Montoya asked, when Mr. French referred to "outside of the store customers," if he was referring to online customers and if that means that some retail jobs will be lost as a result. Mr. French said no retail jobs will be lost, and their online customers support what happens in the store. He said Nordstrom has a "multi channel" and part of that multi channel organization is to ensure that individuals can order items online and pick them up their order in the store.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Nordstrom in the amount of \$324,000.

Motion carried, 5 – 0.

Ricoh Americas Corporation

Ms. Torres presented a funding proposal for Ricoh Americas Corporation (RAC), in the amount of \$495,510. She said RAC is a leading provider of office automation and electronics

equipment, including color and black and white multifunctional products such as copiers, printers, facsimile systems, scanners, digital duplicators, wide format copiers, and digital cameras.

Ms. Torres introduced Beverley Patterson, Senior Director of Learning and Organizational Development.

Mr. Broad recused himself from discussion and voting on the Ricoh proposal, as his office has an existing contract with Ricoh for office equipment.

Ms. Roberts asked if their prior contract was under Lanier. Ms. Patterson said that is correct. Ms. Roberts asked when Ricoh acquired Lanier. Ms. Patterson said they acquired Lanier in 2000 but Ricoh did not fully integrate until approximately 2005; therefore, they acquired the previous contract from Lanier. Ms. Roberts said, Lanier's contract began in 2006 and asked if it was a separate entity at that time. Ms. Patterson said yes, it was still a wholly-owned subsidiary of Ricoh, so they were not involved in the initial proposal involved in identifying training recipients. She said it wasn't until they amended the contract that they included Ricoh employees. Ms. Roberts said she understood why they had poor performance, especially with the transition from company to company.

Mr. Broad said that due to the lack of a quorum with his recusal, the motion to delegate to the Executive Director in consultation with the Panel Chair or Vice Chair went into effect.

Pharmavite LLC

David Guzman, Chief of Program Operations, presented a funding proposal for Pharmavite LLC (Pharmavite), in the amount of \$514,368. Pharmavite manufactures, markets, and retails vitamins and mineral and herbal supplements.

Mr. Guzman introduced Mark Walsh, Vice President of Operations.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of the funding proposal for Pharmavite in the amount of \$514,368.

Motion carried, 5– 0.

Diageo North America, Inc.

Ms. Torres presented a funding proposal for Diageo North America (Diageo), in the amount of \$315,495. She said this proposal is made by Diageo North America, Inc. on behalf of four closely affiliated companies operating in California: 1) Diageo Americas Supply, Inc. which manufactures beer and spirits; 2) Diageo America, Inc. which markets and distributes the beer and spirits; 3) Diageo Chateau & Estates Wine Company which

produces and distributes wine products; and 4) Diageo Guinness USA Inc. which owns products that are sold to third-party vendors.

Ms. Torres introduced John Guman, Tax Director, and Annette Fago, Consultant with Ernst & Young LLP Tax Services.

Ms. Roberts asked about the turnover rate for the previous year and if the 20 percent was an average or a percent penalty for each individual site for their employees, or if one site doesn't meet the 20 percent, if everyone else is impacted. Ms. Torres said no, it is for the sites that are over the 20 percent turnover, listed on page four of five in the training proposal: 1) Roseblum 39%; 2) National Accounts 25%; 3) Edna Valley Vineyards 25%; and 4) Provenance Vineyards 36%.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Diageo in the amount of \$315,495.

Motion carried, 5– 0.

Multiple Employer Contractors

California Building Performance Contractors Association

Mr. Chan presented a funding proposal for California Building Performance Contractors Association (CBPCA) in the amount of \$252,600. He said CBPCA is a non-profit trade association that was formed to assist green contractors to identify and perform quality green home energy upgrades to improve homeowner's comfort and indoor air quality while lowering energy bills.

Mr. Chan introduced Robert Knight, President of Bevilacqua Knight, Inc. and Barbara Hernesman, Outreach Coordinator.

Mr. Broad asked why there were only two companies listed on the participating employers list. Mr. Chan said the incorrect participating employers list was accidentally placed in the Panel Packet, which is for another proposal, the CMTA amendment. He said they have a correct participating list for the CPBCA project and could make copies for the Panel members if necessary.

Ms. Montoya asked if they are training trainers to train contractors. Mr. Knight said they are doing both, as they are training trainers as part of this program and training the contractors in their personnel work because they must meet that demand. He said they are trying to grow their capacity to do more as the number of contractors requesting their services is increasing. Ms. Montoya asked if CPBCA is based in Northern California. Mr. Knight said yes, but they work statewide.

During the presentation of this application, Ms. Montoya ascertained that the applicant was apparently a member of a trade association known to Ms. Montoya, and Ms. Montoya therefore recused herself from further discussion and voting on the proposal.

Mr. Broad said that due to the lack of a quorum with Ms. Montoya's recusal, the motion to delegate to the Executive Director in consultation with the Panel Chair or Vice Chair went into effect.

A-CCORD, Inc.

Mr. Guzman presented a funding proposal for A-CCORD, Inc. (A-CCORD), in the amount of \$125,195. A-CCORD is a non-profit organization that provides occupational skills training and job placement opportunities for at-risk youth with severe barriers to employment. A-CCORD offers career-oriented training for youth in high growth industries throughout the region. The company's goal is to develop and maintain a steady stream of skilled workers to fill entry-level positions in the utility industry.

Mr. Guzman introduced Tony Hord, Executive Director, Larry Uyeda, Chairman of the Board of Directors and Lynn Adkins, Vice Chairman of the Board of Directors.

Mr. Broad asked if A-CCORD is a type of joint labor management entity. Mr. Hord said no, they have relationships with the companies and unions and they have reviewed their curriculum to ensure that there is a smooth transition for their trainees. Mr. Broad asked if A-CCORD is geared to the trainee population, rather than to the industry. Mr. Hord answered in the affirmative.

Ms. Roberts asked if the company had historical data on the success rate of placing students. Mr. Knight said over the last few years they have trained and placed over 200 program participants. He said there is much growth opportunity in the various industries once they enter the program. He said that is the challenge, getting the individuals through the front door. He said many of the opportunities that they have access to, are not advertised to the public so it is their focus to get them through the application and interview process so that they can grow, become strong union members and earn a living wage. Ms. Roberts asked if any obstacles that may exist, such as literacy, drugs, or alcohol, might cause problems with entering the workforce. Mr. Knight said, yes they can. He said they address these obstacles with a well rounded curriculum. He said there is a conflict resolution component, as well as time management, and many things that the trainees have not been exposed to before. He said the organization's relationships with probation and alternative education has helped them to identify individuals who are ready for the program. He said in the 10 weeks the trainees spend in training, the trainees learn and are exposed to a great deal and by the time they graduate, the trainees are strong candidates to enter the industry.

ACTION: Mr. Gordon moved and Ms. Roberts seconded approval of the funding proposal for A-CCORD in the amount of \$125,195.

Motion carried, 5 – 0.

Brand Consulting Group, LLC

Mr. Guzman presented a funding proposal for Brand Consulting Group, LLC (Brand Consulting), in the amount of \$190,513. Brand Consulting is a training agency that provides Information Technology (IT) courses designed to help IT professionals and businesses succeed in today's technology-driven environment. The company also provides training for professionals to design, implement, and maintain information systems.

Mr. Guzman introduced Debbie Ruiz, Director.

Ms. Roberts asked for some of the company's past clients. Ms. Ruiz said some of their past clients include Cedars Sinai Hospital, Nestle, Dreamworks, Earle M. Jorgensen Co., and Bank of America.

Mr. Broad noted that the cost of training is high and asked staff if it is consistent with similar types of trainings in past proposals. Mr. Guzman said it is consistent and compared to some cases, the cost of training is lower. He said the average number of hours in this proposal is 175, our retraining cap is 200, but what increases the cost of training is the advanced technology rates of \$26.00 per hour for priority industries and \$22.00 per hour for non-priority industries.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Brand Consulting in the amount of \$190,513.

Motion carried, 5 – 0.

Century Housing Corporation

Mr. Guzman presented a funding proposal for Century Housing Corporation (Century Housing), in the amount of \$484,700. Century Housing is a private postsecondary technical school incorporated in 1995 as a non-profit corporation. Its charter is to provide preparatory apprenticeship training to men and women in construction industry occupations.

Mr. Guzman introduced Olibra Bailey, Executive Director and Mary Lou Clinkenbeard, Manager of Employment Services.

Mr. Broad noted the low performance in the prior project which ended in 2007. He said it states that interfacing with employers to obtain accurate company and/or trainee information was difficult and that the trainee population was problematic because it included many hard-to-place individuals. He asked about procedures in place now to keep this from happening again.

Ms. Bailey said they have aggressively implemented a process in their current contract to obtain training documents and paystubs in a timely manner. Ms. Clinkenbeard said another reason for the low performance was due to the modification of the contract to add 100 more

employees. She said they did so, as they had a very large project that was going to begin, but as the housing demand slowed, the project was delayed. She said if you consider the first 100 employees only, it reflects a much higher percentage of retention than viewing the entire 200 employees. She said they are nearing an 80 percent placement and retention in their current contract.

Ms. Roberts asked, if you were not under a retention modification in your current contract, you have a 90-day retention period, correct? Ms. Clinkenbeard said that is correct. Ms. Roberts asked if they were now requesting a nine month retention. Ms. Bailey said no, they were under the 500 hour cap and up to 272 days on the current contract which is working well. Ms. Roberts said the Panel typically approves a 90-day retention period and does not want to set a precedent by approving a nine month retention. She questioned why the Panel should make an exception in this case. Ms. Clinkenbeard said when contractors sign the letter of subscription for a new-hire apprentice; they are typically guaranteed employment for almost six weeks. Therefore, retention is not made, and they return to the out of work list. She said that the 500 hours provision is due to the nature of the construction industry.

Ms. Roberts asked if apprentices receive unemployment when they are between jobs. Ms. Clinkenbeard said generally no; they may be training, attending school, on the out of work list, or searching for employment. She said certain rules apply in an apprenticeship program and they cannot leave a non-union job and go into a union job. She said they want to be a union employee, as that offers benefits and higher wages. Mr. Guzman said it has been a consistent feature of the ETP training in the construction trade, to have an intermittent provision for retention so that there are 500 hours within a period of time, because the work is intermittent, project employment; it is not the normal standard 90 days with the same employer or two years with the same employer. He said that intermittent or project employment is also common in the multi media and entertainment industries. Ms. Roberts asked if a nine month retention is standard. Mr. Guzman said the nine month retention is a feature that was specifically requested in this project because it is new-hire and involves difficult to place and train individuals. He said it is provided for by statute and may be up to 272 days, and it is within the Panel's authority to allow that. Mr. Guzman added that we requested this because it is new-hire; new-hire is very difficult to do in the State these days and employment in particular in the construction area is sought after. He said that staff wanted to give this contractor every bit of flexibility possible. He said the Panel may set the retention period at 500 hours.

Mr. Broad said the problem we were having before the state law was changed, is that some of the largest industries in California were just not able to access ETP funds because of the seasonal or intermittent nature of the work, including the movie and television industry, construction and agriculture industries, and seasonal food processing industry. That is an awful lot of people who were not able to access the training, so the idea was to allow training to occur at one time, and retention to occur over a period of time, or if seasonal, they could have the training during one season and the retention the next season. Ms. Roberts noted that there is considerable difference between a 90-day retention versus a nine month retention period.

Mr. Florence asked if he understood correctly, when earlier the representative stated that when a trainee is out of work, they return to Century Housing, and Century Housing works with them. Ms. Clinkenbeard said trainees call them, but when they are going through training they instruct them that once they get into a union, the first thing they should do when they finish one work item is to report to the union and get on the out of work list. She said Century Housing cannot receive any reimbursement unless the trainees they place reach the 90-day retention period or qualify under the 500 hours retention program. She said as first period apprentices they are learning their roles of apprenticeship so that eventually, when they reach the retention period, they have enough experience to be able to continue on the journey-to-journey level. She said the money that is coming back to the State is greater than the contract itself calls for on the entry level, because these are union jobs. Mr. Florence said he would expect that they go back to the union hall, but that is not what I understood you to say. He asked: are you operating as a dispatch hall as well as a training facility? Ms. Bailey said no, we do not operate as a dispatch hall, and they do go back to the union; that is the process. We provide some referrals and different information, things that they need. Sometimes what they need is another referral, or some other support service needs, so we continue to work with them. Once they are in the union, they are dispatched from the union.

Mr. Florence asked: what is the percentage of those that complete training that enter a union program? Ms. Bailey said more than 85 percent who have completed training are going into the unions.

Mr. Florence asked about the company's association with 15 unions, as only six union letters of support were received. He asked if the other nine unions are in support of this training proposal. Ms. Bailey said yes, they are in support of the program. Ms. Clinkenbeard said they have placed trainees in almost every trade in Southern California and that the same six union support letters were submitted in the first proposal.

Mr. Gordon said you have done an excellent job describing the process, as it is very confusing. He said for a long time, "pre-apprentice," has implied a scope of work like a trainee, when in fact Century Housing is a pre-apprenticeship program and preparing people for apprenticeship. He said that Century Housing is doing an excellent job. He mentioned that it is appropriate that trainees return to the local union and get on the out of work list, and then return to the training center for more assistance. On-the-job training in combination with training, is how the trainees advance their careers. He commended Century Housing for working with at-risk individuals that are having difficulty completing their education and helping them to obtain excellent careers.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for Century Housing in the amount of \$484,700.

Motion carried, 5 – 0.

Gnomon School of Visual Effects

Mr. Guzman presented a funding proposal for Gnomon School of Visual Effects (Gnomon), in the amount of \$208,500. Gnomon is a private, for-profit, training and educational center specializing in high-end computer graphics for the entertainment industry.

Mr. Guzman introduced Pam Hogarth, Director of Advancement and Donna Bartlett, Chief Executive Officer of Spectra Consulting.

Ms. Montoya noted the great concern in keeping the entertainment industry in California and asked if individuals receiving training would remain employed in California. Ms. Hogarth said yes, definitely. She said they have been working primarily with small-to-medium sized companies and production facilities, and they need training to remain competitive and to keep jobs in California. He said one of their primary goals is to help their artists become more productive and efficient, which allows them to bring their prices down and keep the work in California.

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of the funding proposal for Gnomon in the amount of \$208,500.

Motion carried, 5 – 0.

Managed Career Solutions, Inc.

Mr. Guzman presented a funding proposal for Managed Career Solutions, Inc. (MCS), in the amount of \$199,880. He said MCS is a provider of workforce development services in Los Angeles County, and contracts with governmental entities to provide comprehensive employment, training, and support services to targeted underserved job seekers.

Mr. Guzman introduced Phillip Starr, Executive Director and Emilio Savany, Director of ETP Funds and Government Contracts for Integrated Digital Technologies, Corp.

Mr. Broad suggested having an informal discussion about whether ETP is benefitting from funding high cost per training projects. He wondered if trainees who have received high cost training are benefitting from the training in the workforce and said they should receive a commensurate leap in their jobs after receiving high cost training.

Mr. McMahon said our regulation does allow high cost of training for new-hire projects and was generally developed to reflect the issues associated with both remedial training as well as job specific training to prepare individuals who have a difficult time entering the workforce. Mr. Broad said he was aware of the fact that the Panel is permitted to approve high cost training, but the question is whether it is a policy that is working well and with positive outcomes, not whether the Panel is allowed to approve it. Mr. McMahon said the course staff is recommending in the draft incentive proposal, further supports new-hire training and recognizes the need for higher cost reimbursement; so staff is making recommendations in this area. Mr. Broad said he understands that, but he would like to see a report that follows 250 individuals that were trained at this level, shows where they are now, how much they have progressed, and how much they are earning two years later. He said he would want to revisit the current policy, if it turns out it is not working well. Mr. Broad said he had every intention of voting for this proposal, but it does give him some hesitation.

Ms. Montoya asked if the Panel can require that a percentage gets placed and final payment does not get paid until we see positive results. Mr. Broad said they don't get paid unless they are retained, which is significant. He said the question is whether over time, beyond the initial retention, if they show positive career progress. Ms. Montoya agreed and said she was concerned, for instance, with veterans; that some may have been honorably discharged but nevertheless they didn't complete their service. She said her concern is that we are creating individuals who are dependent on the government to get them through life and she would like to see data that shows to what extent ETP's programs help them to become self reliant and productive members of society. She said perhaps they should contribute toward the training since this is quite an investment in their lives.

Mr. Starr said in this project the veterans will also be enrolled in the WIA Veterans Employment Assistance program. He said the services will not be duplicative of any services provided by ETP, and because they are enrolled, you can look at data a year later. He said that information is kept that gives nine month retention data, so this might be a project where you can find data beyond the three or six months. Mr. McMahon asked, is it safe to say that the veterans you target are those that did not exit the military with the type of skill sets that allow them to re-enter employment very easily? Mr. Starr replied that most veterans have successfully completed their service and are honorably discharged, or discharged with a service connect in disability. He said what happens is, that skills they acquire in the military do not fully correspond to skills in civilian life. He said even when the skills do correspond, the service delivery system and customer service expectations are very different in civilian life. He continued, saying that these are the kind of issues that he deals with when working with veterans and in helping them adjust; that some veterans have IT skills but not enough skills to obtain a job; and that the Integrated Digital Technologies program is ideal in that there is a menu of skill sets one can choose from depending on the employers' needs. Mr. Broad said he would like to see the nine month data when it is available. He said he has no problem with the idea of spending a good deal of money on the veterans' population, but he wants to know the money spent, is working.

Mr. McMahon said one of the issues reflected in the reimbursement rate is the fact that the training agencies that work with ETP under the new-hire contracts accept a significant level of risk for replacing these individuals as opposed to the employers in the retraining context. Mr. Broad said that he understood.

ACTION: Mr. Florence moved and Ms. Roberts seconded approval of the funding proposal for MCS in the amount of \$199,880.

Motion carried, 5 – 0.

New Technology Training Institute

Mr. Guzman presented a funding proposal for New Technology Training Institute (NTTI) in the amount of \$139,250. NTTI is a private for profit, training institution specializing in advanced information technology training courses and some medical training programs. NTTI has been providing classroom training to individual students, businesses, and students

referred by California Workforce Investment Boards and trained through the Employment Training Panel funds.

Mr. Guzman introduced Hamid Kowsari, President.

Ms. Roberts had questions about past performance. She said the same amount of funding requested in the prior contract is now being requested, and that she was concerned because New Technology only earned 50 percent. She asked if this was due to documenting the training, administration of the grant, the economic downturn, or having welfare-to-work recipients as part of the program, or for any other reason. Mr. Kowsari said the statistics show slightly more than 50 percent placement, as 20 students have completed their retention. He said that the number of trainees who have jobs is better than what is reflected because the last group of people trained, due to his mistake, finished their training in the middle of October and the contract ended in January. Therefore there was not sufficient time to find employment for the trainees and go through the retention period. He said some have found jobs, and are currently working, but they didn't complete their retention within one contract period. He said the economic conditions had a lot to do with it. Ms. Roberts said the economic condition is not changing, and Mr. Kowsari agreed. Ms. Roberts asked if the number isn't less than 50 percent, what is the correct percentage? Mr. Kowsari said payment earned was approximately 58 percent. He said once they received an amendment of the contract to train more people, he was under the impression they had two years from the time of the amendment to complete the training for the trainees to obtain a job, and finish retention. He said he did not know that the amendment would fall into the contract period, and therefore there was much less time than he thought. He said they have learned that when individuals are laid off in the computer industry, they need to get certification to find new employment, but that this is much easier than changing careers from one field to another. He said that even though economic conditions are not getting better, and may be getting worse, the emphasis of the new Administration in Washington in New Technology, and particularly the Stimulus that was approved, will provide billions of dollars for computerizing the medical system of the United States. He said this will create many jobs for people with computer networking proficiency. He said they have reduced the number of trainees from 40 to 10, and he also mentioned that his organization received an achievement award in 2007 for 100 percent placement from the South Bay Workforce Investment Board.

Ms. Roberts asked if poor past performance had anything to do with the administration of the contract and if tools are in place to track training. Mr. Kowsari said he made mistakes both in recruitment and in starting the last group of trainees too late to complete their retention. He said that there are some students from last year who are working earning \$30 per hour, but who are not reflected in the statistics because of the insufficient time to complete the three month retention.

ACTION: Ms. Roberts moved and Ms. Montoya seconded approval of the funding proposal for NTTI in the amount of \$139,250.

Motion carried, 5 – 0.

Amendments

California Manufacturers & Technology Association

Ms. Torres presented an Amendment for California Manufacturers & Technology Association (CMTA), in the amount of \$3,211,400. CMTA's recruitment has been focused on manufacturing, although some participating employers are in aerospace, oil, food processing and biotechnology. The proposed Amendment is mainly for retraining at NUMMI in continuous improvement and manufacturing skills.

Ms. Torres introduced Rob Sanger, Manager of Training Services and Kelley McKenzie, New United Motor Manufacturing, Inc.'s (NUMMI) General Counsel.

Mr. Broad asked about NUMMI's substantial contribution of \$1,198,000, listed as a negative number in the Panel Packet, and asked if it is correct. Mr. McMahon said even though it reduces the project, he would characterize it as a positive number. Ms. Torres said correct, so it is the \$4,329,100 minus \$1,198,000 which brings the project amount to \$3,211,400. She said she assumes it is shown as a minus number.

Mr. Broad said he was under the impression that there needs to be some further modification of the collective bargaining agreement, or a side agreement with the union on work sharing, and asked if this was correct. Mr. McKenzie said the work share issue should not affect the ETP funding. He said they are currently discussing with the union the possibility of entering into a work share arrangement. He said this has not yet been resolved, but does not believe it will affect the ETP funding. Mr. Broad asked if the training can go forward without the work share arrangement, and Mr. McKenzie said yes, the training can go forward. Mr. Broad inquired if the discussion is unsuccessful with the union, will CMTA still be able to utilize the entire grant requested, without violating their collective bargaining agreement. Mr. McKenzie said yes, and that what could happen in the event that they do not reach an agreement with the union, is that they would potentially be in the position that some people would have to be laid off; but they could still continue forward with training some of the people that remain because NUMMI would continue to build vehicles. Mr. Broad asked if an agreement isn't reached, essentially you would earn less than the amount requested? Mr. Broad further inquired, if employees are laid off and consequently don't receive training, then will all the money that is being requested be earned? Mr. McKenzie said the answer would depend on the level of how many hours the team members had to work. He said that is a very difficult question to answer at this point. Mr. Torres asked the Panel to note that the funding requested is a reduction, in other words, an under-estimated number, so even if the company did lay off some of their workforce, all the funds requested would probably be earned because the original proposal was for much greater funding than is currently being requested. She added that in the event of sufficient layoffs, there wouldn't be a next phase of the project. Mr. Broad asked if the impact would be felt in Phase Three. Ms. Torres said correct, in other words this proposal was reduced from what was really needed. Mr. Broad said he understood.

Mr. McMahon asked whether NUMMI became a participating employer in this multiple employer contract last December, and whether training has been occurring? Ms. Torres said that is correct. Mr. McKenzie added that they have identified many more hours of training that needs to be done beyond what they have requested in the contract.

Ms. Roberts asked if this training was being implemented for the work share program specifically, or for just general training. She inquired, if NUMMI lays off 50 percent of its workforce, if CMTA could then recapture the funds set aside for NUMMI into a general fund through CMTA. Mr. Sanger said CMTA could use the funds for other participating vendors, but with the estimated amount of training for NUMMI on non-production days of approximately \$20 million, he believes most of the training funds requested would be earned even with some layoffs.

Mr. Florence said the skills listed under Manufacturing Skills in the training proposal on page 8 of 8 appeared to be basic skills. He asked whether the trainees will receive an upgrade to existing training that they have had, or if the people to be trained are those who didn't already have these basic skills? Mr. McKenzie said the trainees are in the individual shops and will be upgrading the skills they have, and that one training will help the employees to improve their ability to detect quality problems and remedy them.

ACTION: Ms. Roberts moved and Mr. Florence seconded approval of the amendment for CMTA in the amount of \$3,211,400.

Motion carried, 5 – 0.

IX. ETP ECONOMIC STIMULUS INITIATIVE

Michael Rice, Chief of Administration for ETP, presented the ETP Economic Stimulus Initiative. He said the focus of the Initiative is to reach unemployed workers in need of new skills to re-enter the job market; and incumbent workers in need of new skills or cross-training to maintain their jobs or prepare for layoff.

The Initiative would be implemented in two phases: Phase One: actions that can be undertaken immediately, within the existing regulatory framework, in response to the current economic crisis; and Phase Two: actions that must be deferred, pending a series of proposed regulatory actions that would broaden the Panel's discretion in responding to changing economic needs and shifting workforce trends.

Mr. Rice said Phase One would be implemented for proposals now under development to be funded in Fiscal Year 2009-10. Phase One consists of four component parts: 1) Outreach; 2) Critical Proposals; 3) New Hire Rate; and 4) Retraining Cost Cap.

The second phase of this Initiative would only apply to proposals developed after the Panel has approved a series of regulatory actions, for funding in FY 2009-10 and beyond. These actions would broaden the Panel's discretion to address the current economic crisis, and afford greater flexibility should changing workforce conditions arise in the future. The

proposed regulatory actions are outlined as follows: 1) New Hire Cost Cap; 2) HUA Criteria; 3) Turnover Rate Criteria; 4) Productive Lab Training; and 5) SET Wages.

Mr. Rice said with the Panel's guidance and direction, staff will return with a proposed implementation plan for the Initiative for action at the March 27, 2009 meeting. Phase One can be undertaken immediately. Phase Two would be implemented in three stages: 1) informal public comment on proposed regulatory actions; 2) staff research on the basis of necessity for proposed actions; and 3) rulemaking to be noticed for formal public comment.

In summary, staff would begin Phase One on a pilot basis for proposals to be developed now and funded in FY 2009-10, as presented to the Panel in June forward. Staff would begin the rulemaking process under Phase Two for proposals to be developed later and funded in FY 2009-10 going forward.

Mr. Broad asked if there was any public comment in relation to the Economic Stimulus Initiative. Steve Duscha, on behalf of the Alliance for ETP, said this is a good initiative with some good ideas on the regulatory side; the downside is in the details, and he would appreciate a chance for informal comment both now and when the regulatory language is actually proposed. He said some of the concepts are vague, and if there is a way for him to look at proposed language before it is approved, it would be appreciated. Mr. Broad asked if he was referring to a discussion workshop. Mr. Duscha said yes, and he believed the contractors who had experience with the ETP could offer ideas on how to implement them.

Mr. Broad said his initial reaction is that he is a bit skeptical in that he would have to be convinced that making these changes would have a meaningful effect. He said especially since we are in a situation where there is 10 percent unemployment rate in California, with the possibility that it could rise to 12 percent, and if there is a shortage of individuals to fill available jobs that are trained to do those jobs. He said the question is what is the training aimed at, how will it help an individual that receives the training, and how does it relate to the economy. He said he is unsure if the ETP is set up to respond to a short-term or an economic crisis, in the sense that it might be better for the ETP to spend its resources training individuals that have skills that are no longer going to be in demand for jobs where there skills will be demand. He was concerned with rushing into a decision that ends up not being very effective. He said perhaps it was better to move along at the current steady pace and is concerned about relaxing standards that have been tightened up for good reason over the years. He said the question is whether in the immediate aftermath in loosening many of these standards, if we will have people do things in terms of the training that caused us to tighten the standards in the first place, as opposed to delivering something new and different that responds to an economic crisis. He asked what are the people going to do with this information when they are trained, and where are they going to go with it in the very immediate future.

Mr. McMahon said in a realm of new-hire projects, we wouldn't be creating job opportunities, but it would give training agencies the incentive to take the risk to train more individuals that were laid off and hopefully fund projects that had established relationships with employers where jobs could flourish. He said one of the elements of the proposal is to increase the

new-hire wage from \$17 to \$20 per hour. He said the reimbursement rate has not kept pace with some of the other new rates that the ETP has created. He said there is always much risk associated with new-hire projects and staff believed it might help to mitigate the risk to some extent. Mr. Broad said, if we are stimulating the economy, then the immediate stimulation would be to the training agencies, so we would have to want to know that they were hiring people to do more training. Mr. McMahon said the targets would need to be projects with the most potential for job placement at the back end of those. He mentioned that for instance in productive lab training, the proposal to allow on a case-by-case basis, in narrow industry sectors, that the training will take place on the floor; this is an attempt to give employers, who for the most part are stressed in this economy, the flexibility and incentive to expand training into more and different areas.

In terms of the SET wage, the regulatory proposal would allow the Panel to modify the SET wage downward in certain priority industries. For instance, in the Los Angeles healthcare sector, or in public works types of projects, having the flexibility to drop below that \$23.64 might allow the Panel to fund more projects where there is an opportunity to match up jobs and training. Mr. Broad said he would want to be sure that we are not just throwing money at the problem or throwing standards out in the hopes of a positive result. He said that while many of the items that Mr. McMahon mentioned were positive, he didn't see how they could be guaranteed. He said that the current rules were put in place because of past problems with on-the-job training of having capable staff to ensure that the training isn't training in how to do what you're supposed to already know, and how to ensure that we are not essentially just paying the employer to be in business. Mr. McMahon said that in this concept, our thinking is that it would be limited in term of industry sectors, there would always be a trainer that was working full time and directing the activity of the individuals, and this wouldn't be a return to the old SOST format that had issues in the past, but would be similar to a medical setting where you have a preceptor working continuously with a small group of trainees.

Ms. Reilly said she understood Mr. Broad's opinion that in a time of high unemployment, there is an abundance of trained workers with skills who are now looking for work. She continued: one of the concepts is the Request for Proposals (RFPs) to draw from the stakeholder community, new and innovative ideas. She mentioned that Phase One is something that ETP by-and-large is doing already, except that the proposals focus more on the marketing. For example, the warn list or the work sharing list are both maintained by EDD, as a mailing list to try to reach people and make them more aware of our program opportunities. She said we don't know what is going to emerge from the federal funding that might become part of our focus and outreach; and that Phase One is seen as a focused marketing effort that will be useful in developing proposals that will come to the Panel in the next Fiscal Year.

Ms. Reilly said Phase Two, the regulatory changes that have been briefly outlined here, are really changes that we think would enable the Panel to exercise its discretion on an ongoing basis using a case-by-case analysis, so it would never be just a blanket change, it would always be supported by case-by-case analysis. In regard to the example of laboratory training, the regulation change under consideration is to give the Panel added discretion; the Panel would still make a decision based on using unique characteristics of each proposal.

Mr. McMahon said that in regard to the new-hire cap, to some extent we have a regulation that is somewhat flawed in that it tries to reach back into average cost of new-hire training that can be skewed by the dollar cost in some projects. He said they would like to limit it to hours, which would reflect something close to what we have, but it would also accommodate an increase in the reimbursement rate of \$17 to \$20 per hour. He said this is intended to improve the methodology; the increase in the reimbursement rate may lead to slightly higher costs on the new-hire projects. Regarding the HUA criteria, as unemployment rates rise across the state, that the current formula mechanically reduces the number of jurisdictions that qualify for HUA status. The proposed change recognizes that we have a lot of stressed communities with very high unemployment rates, and the change would allow us to qualify more communities. Regarding the turnover ratio, Mr. McMahon mentioned that the Panel has been very concerned with turnover rates in the past. Obviously, more and more companies are being forced to reduce staff, and if the Panel has more case-by-case discretion to look at that turnover rate with the recognition that perhaps some of the traditional assumptions about turnover rate don't readily apply to current economic conditions.

Ms. Roberts said she has agreed with the idea that there be a defined number as she has completed many retention studies that consider why there is high turnover, be it due to bad management and/or low wages. She said we do not want to encourage high turnover, and that she has concerns with a turnover rate model that is too flexible. She said the turnover rate needs to be well defined. If the reason for high turnover was due to a massive lay off, or due to an economic downturn, one might want to consider those factors separately from the usual factors in making a decision of whether to fund. Mr. Broad agreed, saying he believes you could modify the turnover model to say we are willing to look at the pattern, especially if a company had a consistently low turnover that then spiked because of a mass layoff in response to a severe market condition. He said that with regard to companies that have a fairly high turnover rate already and then it spikes further to a 50 percent rate, these companies should not be cut a whole lot of slack because the high turnover rate may have less to do with the economic downturn, and more to do with bad management or low wages. He asked Ms. Roberts if her company has had layoffs. Ms. Roberts said PepsiCo had 3,300 layoffs at the end of last year, Frito Lay had about 330 of those 3,300 layoffs, but it was across the United States. Mr. Broad said that is a relatively small amount of layoffs for a large company. Ms. Roberts agreed and said there were approximately five layoffs in California.

Mr. McMahon said in regards to turnover rate that we are trying to capture those companies where there is some unusual event driven by the economy and not to reward bad performance relative to turnover. Ms. Roberts said she believed the Panel was already doing that, and that the Panel has made some exceptions to the turnover penalty. Mr. McMahon said that perhaps as much as anything, just getting the staff on the same line of thinking as the Panel relative to the turnover rate, and the appropriate exceptions to consider, might be all that we need.

Mr. Broad said some training agencies are better than others and that some do an excellent job with a positive history in training. He said there have been instances where the Panel has

received very constructive input from staff that is familiar with particular training agencies, and this can help the Panel determine whether they are a good or bad choice. He noted that he doesn't want a run on the program's money based on lower standards coming from our least capable and least well managed training entities. He said that if we are going to do this, we should orient it toward the people that really do a good job and have a long-term history of positive performance. He said that he is concerned about what will happen when the stress of the Federal Government Stimulus Program is at its peak, and the Federal Government says to the State, spend it, stimulating the economy, however you can do that. At some point later given that imperative, the newspaper stories are going to come about the money that got thrown away in that process. I don't want the ETP to be in one of those stories. I want the ETP to be in a story about responding effectively; I don't want to spend more money if it is not going to fix the problem, if we are not doing our part to appropriately stimulate the economy. He said he believed every government agency that has some potential to respond to this economic crisis, also needs to do something excellent about the Stimulation, as opposed to something lousy, which doesn't stand up to real scrutiny. Mr. Broad said that as we move forward, he would like to see a very tight and developed Initiative. He said what the Panel does on a normal monthly basis, if the Panel keeps right on doing what it's doing, under the standards that are well known to the Panel, then ETP is playing its part. Whether ETP is playing its part in the short-term emergency sense, to get stuff out there to push the envelope a little, maybe not. That said, Mr. Broad continued: I think we are paid, not much, but paid to be the skeptics, right? And Mr. Duscha, you and the rest, I wouldn't want you to see that given that we really are in a crisis in our country that really probably hasn't been seen since the Depression, I'd like you folks to step up to the plate too and not take the easy money. You need to basically tell us, it's going to work or it's not going to work. The question is whether changing standards changes something which will help with this particular crisis, and I think you folks need to tell us honestly whether you think this is going to make a meaningful difference, and how it would make a meaningful difference.

Mr. McMahon said, a suggestion that I would make, and on which I welcome Steve Duscha's input, is that we will have an extremely busy month in March, with many projects to hear, and we certainly don't have to adhere to the timeline that we have laid out. The purpose today was to begin to introduce the Panel to some concepts staff has developed. We do intend to post the draft document and request informal public comment, and we could delay consideration of the package to conceivably a special meeting that could be held in April or May. Mr. Broad said that would be a good idea, as there will not be projects to approve in April or May because we will have exhausted our funds. He said we could spend a couple of hours in a dialogue situation, maybe as a committee of the whole in some formal process, but it would be a meeting of the Panel in a more relaxed environment, and may include some individuals to serve as panelists. He said that we could discuss the Initiative step-by-step, and educate ourselves about what will work without also being under the time constraint of approving projects. He said it was a good idea and asked staff to consider holding a meeting in April or May so that the contractor community, training agencies, public entities, CMTA, and the Labor Federation could participate in the meeting to discuss the Economic Stimulus Initiative.

Ms. Montoya said considering the magnitude of crisis we are currently in, ETP obviously cannot solve it. She said that ETP is just a drop in bucket, but the way the Panel could help is with positive feedback to help others have hope that the economy will get better. She said people are scared and not spending money like they used to. She said she could testify to that with her own business. She believed that relaxing the guidelines so that we can concentrate on our State might help, but that not much else needs to be changed, assuming the Panel already have some flexibility to approve things that might not be perfectly within the guidelines. The Panel already does that; we look at projects on a case-by-case basis, and we talk back-and-forth a little and decide, this is a good one. She said that she was not convinced that a major overhaul of policy was necessary, but that it might be helpful to have a general understanding that we are going to be a bit more flexible, and that we need to get our State feeling more confident in spending money again.

Ms. Roberts asked about the RFP proposal and where it would be posted. She said she commonly finds RFPs posted on the Department of Labor website. Mr. Rice said the RFP would not be posted on the Department of Labor website, but rather on the State Contracts Register through the Employment Development Department (EDD) where contracts are posted. He said ETP could also advertise it itself. He said it would be a marketing type of approach, and typically it would be on the State Contracts Register with a certain period of time to respond. Ms. Roberts said it would be good to also post the RFP on the Department of Labor website so that it refers back to the ETP because she is aware that many people still do not know how to find information about the ETP. She said if people believed they could go to the ETP website and find an RFP, it may reduce much confusion. She said when she is trying to locate funding opportunities in another state, it commonly takes her to the Department of Labor website for the state, and she can find the RFP posted there. Mr. McMahan said that the RFP proposal is just an element of the overall proposal. He said ETP does not have any funds for the remaining Fiscal Year, so it would be something that would occur next Fiscal Year.

X. PUBLIC COMMENT

Mr. Duscha said that as someone who has made the same arguments the Chairman has made, in regards to training, there is one level of the argument, simply that training does not and cannot create jobs, which of course is a true argument. He said in the situation we are given today, however; if ETP is not seen as doing a little extra to put people to work or to reward companies that are hiring because there still are companies that are hiring; that is bad, and we are not part of the solution. He said he views the Economic Stimulus Initiative presented today as a move in that direction; whether all of the changes are necessary or not, he didn't know. He continued: the Panel needs to do something to encourage more new-hire training, and ETP's past record on new-hire training has actually been fully documented as being of great economic value, as being of more economic value to the people trained and to the State of California, than retraining. He said there is historical data on new-hire training which is getting a little old but is still very sound. He said ETP funds are protected in new-hire training because you only pay it out when people go to work, and it's important to remember how unusual that is in the world of government funded training. It is unusual in that nobody else does it, as the federal money that is going to be spent, is going to be spent

for training whether people get jobs or not. Thus, ETP has enormous protections. He also mentioned that there is value in rewarding the employers that are hiring and expanding, and that is where he sees the use of the productive lab as important. Mr. Duscha said that he certainly agrees that this Initiative should be discussed further because these are very important issues.

XI. ADJOURNMENT

Mr. Gordon moved and Ms. Roberts seconded adjournment of the meeting at 12:54 p.m.