



# 2014-15 STRATEGIC PLAN





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## **APPENDIX**

Program Budget

**VISION:**

*The Employment Training Panel (ETP) will support job creation and retention in California through strategic partnerships with business, labor, and government.*

**MISSION:**

*ETP provides financial assistance to California businesses to support customized worker training to:*

- *Attract and retain businesses that contribute to a healthy California economy;*
- *Provide workers with secure jobs that pay good wages and have opportunities for advancement;*
- *Assist employers to successfully compete in the global economy; and*
- *Promote the benefits and ongoing investment in employee training among employers.*

## Introduction: Fulfilling Its Mission

Established in 1982, the Employment Training Panel (ETP) has proven itself for 30 years as the state's premier program supporting job creation and retention through training. ETP is funded by a special tax on California employers, and differs from other workforce development programs whose primary emphasis is on pre-employment training. ETP fulfills its mission by reimbursing the cost of employer-driven training for incumbent workers and by funding the types of training needed by unemployed workers to re-enter the workforce. Overall, the ETP program helps to ensure that California businesses will have the skilled workers they need to remain competitive.

Today, more than ever, employers must be able to train workers in response to an increasingly competitive business environment. The need for workforce training of frontline workers who produce goods and deliver services is critical. Many employers are limited in their capacity to allocate resources for training. ETP helps to fill this gap by funding training that is targeted to frontline workers.

ETP funding works because it is predicated on simple and effective principles:

- *Employers make decisions about the training program.* Employers are involved in every aspect of training. Companies assess their training needs, customize curricula to address the specific needs of their businesses, and implement and administer the training plan.
- *Training investments help companies become more profitable.* ETP contracts promote wage increases and require employers to retain trained workers for specific periods in order to earn ETP funds.
- *Employers are encouraged to assume greater responsibility for training.* ETP reimburses contractors based on flat rates. Companies must pay the difference between ETP reimbursement and their actual training costs. As training costs increase, companies pay a larger percentage of the costs.
- *Performance-based contracting helps to ensure success.* A business may earn ETP funds only after a trainee completes all training and is retained for a minimum time period (normally 90 days) at a required wage, in a job using the skills learned in training.
- *ETP funding is a catalyst for future workforce training.* Employers who participate in ETP-funded training are more likely to invest in future workforce training. The ETP experience provides them with the practical knowledge and tools to successfully implement a training plan.

ETP's role in the economy is derived from its initial mandate in 1982 – to move large numbers of unemployed workers quickly into employment and to save the jobs of workers threatened with displacement. The program has expanded over the years to include increased support for retraining incumbent workers of businesses in industries challenged by out-of-state competition (primarily the manufacturing and high technology sectors), as well as in industries key to California's infrastructure (such as construction and healthcare). Today, ETP focuses on supporting job creation and business attraction, retention, and expansion, as well as the re-employment and retention of workers.

ETP keeps pace with statewide economic initiatives and workforce priorities such as targeting training for ex-offenders/at-risk youth, veterans, and workers impacted by the housing market, and by supporting the growth in the green economy.

As one means of keeping pace, ETP is partnering with the Governor's Office of Business and Economic Development (GO-Biz). GO-Biz was created by the Governor "to serve as California's single point of contact for economic development and job creation efforts. GO-Biz offers a range of services to business owners, including attraction, retention, and expansion of services, site-

selection, permit streamlining, clearing of regulatory hurdles, small business assistance, international trade development, assistance with State government, and much more.<sup>1</sup>

ETP has historically accomplished its mission without appropriations from the State General Fund or alternative sources of funding. The core ETP program is funded by an Employment Training Tax (ETT) paid by California employers, and only employers subject to this tax directly benefit from the program. In the last few years, however, ETP has received additional funding for alternative programs to train unemployed workers for jobs emerging in the recovering economy. The alternative funding is provided to ETP principally through distributions from California's Labor and Workforce Development Agency (LWDA) and the California Energy Commission (CEC). ETP anticipates additional funding in Fiscal Year (FY) 2014-15 to expand or implement alternative programs.

## Overview of the Organization

ETP is organized under the Labor and Workforce Development Agency (LWDA), which is led by a Cabinet-level Secretary and encompasses ETP, the Department of Industrial Relations (DIR), the Employment Development Department (EDD), the Agricultural Labor Relations Board (ALRB), the California Workforce Investment Board (CWIB), and, beginning in 2014, the Public Employment Relations Board. ETP retains its autonomy under LWDA, acting independently to disburse funds and set program policy. The LWDA promotes opportunities to collaborate and expand workforce training.

ETP is governed by an eight-member panel, seven of whom are appointed by the Governor and Legislative leaders. The eighth is the Secretary of Business, Transportation, and Housing (or a designee) who serves ex-officio as a voting member.<sup>2</sup> The main functions of the Panel are to act on training proposals, to adopt appropriate program policies and regulations, and to make final determinations regarding appeals decisions made by the Executive Director.

The Governor appoints a Chair to lead the Panel's deliberations. All actions require a quorum of the Panel members and a majority vote of the quorum. The Panel normally meets monthly.

ETP has a professional staff of 85 full-time positions; approximately one-half are located in Sacramento, with the remaining staff located in regional offices in San Diego, the San Francisco Bay Area, and North Hollywood. Staff administers the program statewide through outreach to industry and employers; by developing, monitoring, and auditing contracts; and by providing program and administrative support to the Panel. Staff is led by the Executive Director appointed by the Governor. The Executive Director has authority for administering the program.

Beginning in 2014, ETP is participating in a reorganization project with EDD, CWIB, ALRB, and DIR that will consolidate functions such as policy, strategic planning, and marketing at the LWDA level. ETP headquarters staff, along with CWIB staff, will physically co-locate in the EDD Sacramento headquarters building. EDD, DIR, and ETP are also exploring the viability of co-locating their field staff in EDD managed facilities.

## Accomplishments

ETP reports annually to the Legislature and Governor's Office on prior year administrative improvements, including legislative and regulatory actions, contract activity, and progress and accomplishment toward ETP's strategic goals. Due to the extended nature of many of ETP's strategies and initiatives, the Panel considers prior year progress and accomplishments in planning for the future. The annual report is available on ETP's website.<sup>3</sup>

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<sup>1</sup> [www.business.ca.gov](http://www.business.ca.gov)

<sup>2</sup> [http://www.etp.ca.gov/panel\\_members.cfm](http://www.etp.ca.gov/panel_members.cfm)

<sup>3</sup> [http://www.etp.ca.gov/pubs\\_annual\\_reports.cfm](http://www.etp.ca.gov/pubs_annual_reports.cfm)

Following is a summary list of ETP's major accomplishments in FY 2013-14:

- **Job Creation Initiative:** ETP continued to prioritize projects which contained a strong job creation component, offering incentives for retraining newly-hired employees.
- **Veterans:** ETP continued to prioritize training projects which included veteran trainees. Historically, ETP has served veterans in its training population through the Veterans Program, which was incorporated in 2010, and has actively participated on the California Interagency Council on Veterans (CICV) since its establishment in 2011.
- **Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP):** ETP continued to prioritize this program under AB 118 and administered by the CEC. The ARFVTP supports the development and employment of renewable alternative fuels and clean vehicle technologies in the marketplace. By the April 2013 Panel meeting the Panel had approved all remaining training funds.
- **Apprenticeship Training Pilot:** ETP continued to prioritize the Apprenticeship Training Pilot Program to help apprenticeship programs supplement steadily declining Montoya funds.<sup>4</sup> In order to be eligible for ETP funding, apprenticeship programs must be approved by the Division of Apprenticeship Standards (DAS). The program has been very well received and demand for funding continues to be high.
- **Approved Contracts (by contract type):** The following table identifies some contracts approved last year, in FY 2013-14 (using core program funds and alternative funding).

<b>Small Business</b> (Core Funded) Under 100 CA/ Under 250 WW	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	80	\$4,007,410	3,476
<b>High Unemployment Areas (HUA)</b> (Core Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	102	\$17,628,585	13,658
<b>Nurse and Allied Healthcare</b> (Core Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	15	\$4,516,767	4,035
<b>Alternative and Renewable Fuel Vehicle Technology</b> (Alt Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	2	\$402,720	530
<b>Retrainee - Job Creation Initiative</b> (Core Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	121	\$11,914,368	8,011
<b>Apprenticeship Pilot</b> (Core Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Approved # to Train</b>
	16	\$7,552,860	4,435
<b>Standard Retrainees</b> (Core Funded)	<b>Number of Contracts</b>	<b>Amount</b>	<b>Number of Trainees</b>
	226	\$56,020,447	52,115

*Note: contracts can be duplicated above if they serve multiple attributes.*

<sup>4</sup> State funds dedicated to the related and supplemental classroom training and instruction portion of an apprenticeship curriculum  
ETP Strategic Plan 2014-15

## C. Economic Overview

The fundamental goal of ETP is to support job creation and retention through training. Strategies for achieving this goal are directly tied to the current state of the economy, California's key industries, and workforce training trends. ETP continues to coordinate with both public and private sectors in leveraging alternative funding which is broadly intended to develop both the economy and workforce.

### Statewide

The EDD Labor Market Information Division (LMID) reports that nine of California's major non-farm industry sectors gained jobs, while only two have lost jobs on a year-over basis ending in December 2013. The state saw gains in construction (4.4 percent); professional and business services (3.9 percent); leisure and hospitality (3.2 percent); information (2.8 percent); educational and health services (2.8 percent); other services (2.3 percent); trade, transportation and utilities (2.1 percent); government (0.2 percent); and manufacturing (0.1 percent). The two sectors that showed a decline in jobs were financial activities (-0.2 percent) and mining and logging (-0.3).<sup>5</sup>

California's non-farm payroll jobs experienced an increase of 11,800 jobs during the month of March making it the 32<sup>nd</sup> month with job gain in the prior 33 months.<sup>6</sup> Even with this increase, the first quarter of 2014 is showing slow growth compared to 2010 through 2013. However, a clearer trend in job growth will be revealed over the next few months. The unemployment rate remained fixed at 8.1 percent (seasonally adjusted). This is a 1.1 percent decline from 9.2 percent in the year-over-year unemployment rate.<sup>7</sup> Although the unemployment rate has remained steady at 8.1 percent over past three months, California has experienced a total .09 percentage decrease in the unemployment rate in the prior six consecutive months from July 2013 to January 2014. Similarly, the three-year trend in California (from March 2011 to March 2014), shows a continued decline in the unemployment rate.

On the subject of job growth, there seems to be a disproportionate geographical job growth difference between coastal and inland areas of California, according to the last quarterly report of 2013 of the UCLA Anderson Forecast.<sup>8</sup> Jobs are increasing in coastal areas while job growth in the inland areas of California seems to be at a standstill. The Inland Empire and the Sacramento Delta regions are among the areas with below average job growth, similarly, the East Bay and San Joaquin Valley regions are showing little to negative job gains. In spite of this noted disparity, the UCLA Anderson Forecast shows that California has almost recovered all of the jobs lost during the last recession (2007-2009).<sup>9</sup> The UCLA Anderson Forecast also points to another interesting correlation between high human capital and increased economic performance in terms of higher income levels, higher home values and higher employment. The opposite is true for areas of low human capital.<sup>10</sup>

Since California has experienced three consecutive years of below average rainfall, the UCLA Anderson Forecast also examined, in their first quarterly report of 2014, the effects of the drought and dry weather conditions for California's economy.<sup>11</sup> Although the drought has wounded California's economy by hitting the agricultural industry, the effects on California as a whole are not expected to be as detrimental to our growing economy. For example, states that have experienced dry weather conditions over the past 10 years have not fared worse than

<sup>5</sup> California Labor Market Review, <http://www.calmis.ca.gov/file/1fmonth/Calmr.pdf>

<sup>6</sup> March 2014 California Employment Highlights, <http://www.calmis.ca.gov/file/1fmonth/Employment-Highlights.pdf>

<sup>7</sup> Ibid

<sup>8</sup> December UCLA Anderson Forecast, <http://www.anderson.ucla.edu/media-relations/2013/december-ucla-anderson-forecast>

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> [http://www.uclaforecast.com/contents/archive/2014/media\\_04022014\\_1.asp](http://www.uclaforecast.com/contents/archive/2014/media_04022014_1.asp)



states with more rainfall. Southern California residents have grown accustomed to living with the same amount of water although their population has continued to grow during the past 20 years.

Considering the effects of the drought along with our continued recovery from the recession, the Anderson Forecast predicts total employment growth. Specifically, non-farm payroll jobs are forecast to grow by 2.2 percent in 2014, 2.3 percent in 2015, and 2.0 percent in 2016. The unemployment rate will continue to decrease respectively in the same three years to 7.8 percent, 6.9 percent, and 6.0 percent (the rate for 2016 is even predicted to go as low as 5.7 percent in the final quarter).

### Regional

Although California is gradually showing signs of recovery, some areas of the state continue to struggle with high unemployment. These are often rural, agricultural areas in the central and northern parts of California, such as Tulare County which in March 2014 reported a 15.6 percent unemployment rate (scarcely a 0.1 percent drop in the year-over rate change)<sup>12</sup>. In comparison, the unadjusted unemployment rate for California was 8.4 percent and 6.8 percent for the nation in the same period. Colusa County, in the rural, northern part of the State, reported the highest unemployment rate of 24.5 percent.<sup>13</sup> ETP defines these high unemployment areas (HUAs) as distinct regions that have unemployment rates exceeding the State average by at least 15 percent. Still, some of the industries that are beginning to create and retain jobs during recovery (e.g., construction, educational and health services, information) are also present in the HUAs.

## D. Priority Industries

ETP concentrates its outreach effort to industries identified during the Panel's strategic planning process as most vital to California's economic growth and recovery. While ETP's priority industries typically remain unchanged from year to year, ETP's designation of priority industries takes into account changes in the economy and factors necessary in supporting job creation and economic revitalization throughout the state. Additionally, employers in these priority industries receive a higher fixed-fee reimbursement rate for ETP-funded training. ETP added an additional Priority Industry this year: Technical Services. This has been a focus for ETP in the past, but was designated as a subset under Manufacturing, Healthcare, and other Services known as "High Tech". Technical Services is described more fully below.

Following are industries ETP has identified as priorities for FY 2014-15:

- [Agriculture](#)
- [Allied Healthcare](#)
- [Biotechnology and Life Sciences](#)
- [Construction](#)
- [Green/Clean Technology](#)
- [Goods Movement and Transportation Logistics](#)
- [Information Technology Services](#)
- [Manufacturing](#)
- [Multimedia/Entertainment](#)
- [Technical Services](#)

<sup>12</sup> <http://www.calmis.ca.gov/file/lfmonth/frsnSpds.pdf>

<sup>13</sup> California Labor Market Review <http://www.calmis.ca.gov/file/lfmonth/CaLMR.pdf>

**Agriculture** – California is the largest agricultural producing state in the nation and the world's fifth largest supplier of food and agricultural commodities.<sup>14</sup> California is an agricultural powerhouse, producing nearly half of the nation's fruits, nuts and vegetables.<sup>15</sup> With over 80,000 farms and ranches producing more than 400 different commodities, California has continued to remain the top agricultural state for cash receipts, which, in 2012, brought a record \$44.7 billion.<sup>16</sup> According to the California Department of Food and Agriculture, the state employs approximately 800,000 people involved in various aspects of farming and ranching.<sup>17</sup> The agriculture industry also generates at least \$100 billion in related economic activity.<sup>18</sup>

The state accounted for 15 percent of national receipts for crops, and 7.1 percent of the U.S. revenue for livestock and livestock products.<sup>19</sup> Agriculture production is a base industry in the food chain which includes, but is not limited to, production, processing, distribution, retail, and service.<sup>20</sup> The food chain has a broader economic impact than agricultural production alone. Now more than ever, with California's growing population expected to double by 2040, it is crucial to protect and strengthen the state's agricultural economy which is vital to the nation and the world.<sup>21</sup>

**Allied Healthcare** – Healthcare is one of California's highest growth industries. The healthcare industry must continue to meet the demands of a growing and aging population. Allied healthcare occupations are generally those that support doctors and nurses, including home health aides, medical assistants, nursing aides, orderlies and attendants, dental assistants, and pharmacy, radiology, and medical technicians. These occupations are experiencing shortages and are expected to have the largest growth within the healthcare industry.<sup>22</sup> It is estimated that 200,000 new healthcare professionals will be needed by 2014 to address this shortage, and training is needed to prepare them for their new medical careers.<sup>23</sup> Employment in California's healthcare industry is expected to increase by 2.4 percent annually from 2008 through 2018, equating to a growth of 24 percent over a 10-year period, with over 400,000 jobs projected.<sup>24</sup> Furthermore, the passage of healthcare reform at the federal level has offered expanded opportunities for California to carry out activities that will lead to coherent and comprehensive health and workforce development strategies. One example is the CWIB's Health Workforce Development Council (HWDC), established in August 2010, which, under federal healthcare reform, is broadly tasked with expanding California's health workforce over the next decade in order to provide access to quality healthcare for all Californians.<sup>25</sup>

**Biotechnology and Life Sciences** – California remains a global leader in biotechnology and medical technology. It is home to multiple biomedical clusters located primarily in the San Francisco Bay Area, Los Angeles, Orange County, and San Diego areas as well as in other

<sup>14</sup> <http://www.cdfa.ca.gov/Statistics/>

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> [http://www.cdfa.ca.gov/exec/public\\_affairs/pdf/CDFA\\_StrategicPlan2013-18.pdf](http://www.cdfa.ca.gov/exec/public_affairs/pdf/CDFA_StrategicPlan2013-18.pdf)

<sup>18</sup> <http://www.cdfa.ca.gov/CDFA-History.html>

<sup>19</sup> <http://www.cdfa.ca.gov/Statistics/>

<sup>20</sup> <http://foodchainworkers.org/wp-content/uploads/2012/06/Hands-That-Food-Us-Report.pdf>

<sup>21</sup> [http://www.cdfa.ca.gov/farm\\_bill/](http://www.cdfa.ca.gov/farm_bill/)

<sup>22</sup> <http://gov38.ca.gov/press-release/11998/>

<sup>23</sup> Ibid

<sup>24</sup> <http://www.calmis.ca.gov/file/indproj/calSindnarr.pdf>

<sup>25</sup> [www.cwib.ca.gov](http://www.cwib.ca.gov)

counties throughout the state.<sup>26</sup> California also leads the nation with 2,324 biomedical companies and employs close to 270,000 people.<sup>27</sup> Further, the “job multiplier” for biotechnology is about 1.9, which means that almost two additional jobs are created elsewhere in the economy for every job created in biotech.<sup>28</sup> Average annual salaries in this industry surpass \$95,000. California also has the highest concentration of world class research institutions with an impressive 10 out of the top 100 universities in the world.<sup>29</sup> As a result, continued job growth is projected in biotechnology and life sciences.

Biotechnology is also an example of an industry that is converging with green technology for a more sustainable future. In 2007, the University of California at Berkeley, in partnership with the University of Illinois Urbana-Champaign, the Lawrence Berkeley National Laboratory, and the international energy company BP commenced hosting the Energy Biosciences Institute (EBI) dedicated to developing biofuel technologies. EBI conducts biological research relevant to renewable energy sources including the development of sustainable, cellulosic fuels (derived from non-food plants) for transportation and energy needs.<sup>30</sup>

**Construction** – Labor needs for highway and transportation infrastructure improvements and nonresidential and public works projects are expected to increase. In recent years, federal stimulus funds, along with voter passage of billions of dollars in bonds, have led the way to new transportation infrastructure investments, fueling high-priority transportation corridor improvements, trade infrastructure and port security projects, transit and passenger rail improvements, state and local partnership transportation projects, and improvements to streets and roads.<sup>31</sup> Additional opportunities for job growth in construction have included the renovation of schools and other public buildings.

As movement continues toward “greening” the construction sector of the economy, further opportunities are emerging in green construction jobs. Along with new construction projects, there are many buildings being weatherized and retrofitted in order to achieve the Leadership in Energy and Environmental Design certification.<sup>32</sup> Occupations in green construction encompass all aspects of the building trades and offer opportunities for workers at various skill levels, from apprentice to journey-level. As California continues to lead the nation in the development of new technologies, renewable energy, and the sustainable design and construction of more efficient buildings, the market for workers in green building trades will expand. With voter approval of Proposition 39, the California Clean Energy Jobs Act in November, 2012, the demand for skilled workers in green construction projects is anticipated to rise. The California Clean Energy Jobs Act is expected to allocate up to \$550 million annually to the Clean Energy Job Creation fund for five fiscal years, beginning with fiscal year 2013-2014.

**Green/Clean Technology** – California is strongly committed to increasing energy efficiency and the sustainable use of resources, and is aggressively working towards achieving a 33% renewable resources portfolio by the year 2020. Innovative public policy addressing this commitment continues to promote the development of new green/clean technologies. Accordingly, California attracts 60% of the current clean-tech venture capital in the U.S., in industry sectors including sustainable agriculture, environmentally friendly manufacturing processes, transportation logistics, green building practices, and clean energy production. These green/clean technologies are creating new markets for products and services, are increasing business investment, expansion, and job creation, and are helping California reach

<sup>26</sup> [http://convention.bio.org/uploadedFiles/2012/Promote\\_Your\\_Company/2014-CHI-Calif.-Biomed-Report.pdf](http://convention.bio.org/uploadedFiles/2012/Promote_Your_Company/2014-CHI-Calif.-Biomed-Report.pdf)

<sup>27</sup> <http://www.business.ca.gov/WhyCA/CaliforniaEconomybytheNumbers.aspx>

<sup>28</sup> “Under the Microscope, Biotechnology Jobs in California”, EDD, LMID (June 2004, with December 2007 update).

<sup>29</sup> [http://convention.bio.org/uploadedFiles/2012/Promote\\_Your\\_Company/2014-CHI-Calif.-Biomed-Report.pdf](http://convention.bio.org/uploadedFiles/2012/Promote_Your_Company/2014-CHI-Calif.-Biomed-Report.pdf)

<sup>30</sup> Energy Biosciences Institute, [http://www.energybiosciencesinstitute.org/index.php?option=com\\_content&task=view&id=51&Itemid=90](http://www.energybiosciencesinstitute.org/index.php?option=com_content&task=view&id=51&Itemid=90)

<sup>31</sup> California Department of Transportation/Strategic Growth Plan/Bond Accountability <http://www.bondaccountability.ca.gov/>

<sup>32</sup> <http://www.calmis.ca.gov/file/occmisc/constructioncareers.pdf>

our renewable resources goals. Green/clean technologies also provide the added benefits of improved air and water quality, reduced greenhouse gas emissions, healthier communities, natural resource conservation, and increased energy independence. The Employment Development Department's (EDD) LMID estimates more than 500,000 Californians are currently working in the green economy. That number is projected to grow to 1.2 million by 2020. Clean energy jobs and businesses have grown much faster than the economy as a whole in the past fifteen years, and have continued to grow even during the economic downturn<sup>33</sup>. As such, the green/clean industry sector has demonstrated its importance to the continued health of California's economy.

**Goods Movement and Transportation Logistics** – California supports one of the largest trade networks in the nation and serves as a major gateway for products entering and leaving the United States. The movement of goods is vital to California's economy and to the rest of the nation. Goods movement is dependent on a complex manufacturing supply chain and an infrastructure.

During the next 20 years, California's population will continue to increase as millions of new residents are added each decade. In all areas of infrastructure, including transportation, population growth will lead to new demands.<sup>34</sup> The amount of goods transported through California is projected to nearly quadruple.<sup>35</sup> The production and consumption of goods will continue to increase as population grows. Improving transportation and goods movement will remain one of the state's highest priorities.

The smart growth of essential infrastructure improvements is a crucial component of ensuring that California's transportation network can keep pace with the growing population. With transportation projects continuously underway, California's goods movement and transportation logistics industry is expanding and becoming an increasingly important sector of high-wage jobs. Investment in all aspects of this industry is resulting in increased mobility and traffic congestion relief for the state's growing population, while measures addressing the serious environmental and social concerns associated with goods movement and transportation are resulting in more sustainable development.

**Information Technology Services** – All industries are undergoing an increased need to utilize information technology to ensure competitiveness in the new world economy. For example, the agricultural industry is becoming "high tech" as it turns to sophisticated tools such as Geographic Information Systems (GIS) and Global Positioning Systems (GPS) to assist in growing crops.<sup>36</sup>

In 2012, California continued to rank as the nation's leading cyber-state.<sup>37</sup> California ranked #1 in:

- High-tech employment - employing 968,800 high-tech workers, with 17,700 net jobs added from 2011 – 2012;
- Highest tech wages in the country – annual average wage of \$123,900;
- High-tech payroll of \$120 billion; and,
- High-tech establishments: 41,900.

Information Technology Services is a fast-growing sector in the national economy. Employment in computer systems design and related services will grow by 45 percent by 2018 and add nearly one-fourth of all new jobs in professional, scientific, and technical services, according to

<sup>33</sup> EDD LMID: <http://www.labormarketinfo.edd.ca.gov/>

<sup>34</sup> Public Policy Institute of California, <http://www.ppic.org/main/publication.asp?i=895>

<sup>35</sup> Pacific Institute [http://www.pacinst.org/topics/community\\_strategies/goods\\_movement/index.html](http://www.pacinst.org/topics/community_strategies/goods_movement/index.html)

<sup>36</sup> <http://www.caseyresearch.com/cdd/high-tech-heads-for-the-farm>

<sup>37</sup> <http://www.techamericafoundation.org/cyberstates2011-california-sv>

the U.S. Bureau of Labor Statistics (BLS).<sup>38</sup> The BLS projects excellent employment opportunities in the industry as demand for computer-related occupations increase due to rapid advances in computer technology, continuing development of new computer applications, and the growing significance of information security. Conversely, due to increased accessibility of information via the internet, the newspaper, periodical, book and directory publishers subsector is projected to lose 12,200 jobs, lowering the expected job growth rate for this sector.<sup>39</sup>

**Manufacturing** – Manufacturing is an industrial engine that fuels job creation. Growth in the manufacturing industry has a job multiplier effect that favorably impacts other industries. In 2009, following the lowest point in the recession and after a decade of steady declines in California manufacturing jobs (which dropped nearly 33 percent between 2000 and 2010), the rate of decline began to slow. California began to experience a modest job gain due to consistently strong demand for California exports which increased by 25 percent between 2009 and 2011.<sup>40</sup> In April 2010, manufacturing was also the industry with the highest percentage of green jobs in California.<sup>41</sup> In fact, between 1995 and 2008, manufacturing in the green economy grew by 19 percent, and in 2010, nearly 21 percent of California’s green employment was in manufacturing.<sup>42</sup> According to GO-Biz, after more than ten years of consistent job losses, California has posted three consecutive years of manufacturing job gains in 2011, 2012, and 2013.<sup>43</sup>

Generating \$229.9 billion, California’s manufacturing sector generates more manufacturing jobs than any other state. With manufacturing accounting for 11.7 percent of the total output and employing 9 percent of the state’s workforce, California is by far the number one state for manufacturing jobs and output in the country.<sup>44</sup>

**Multimedia/Entertainment** – Multimedia/Entertainment, along with the motion picture industry, remains a staple of the State’s economy, providing high-wage, high-skill employment in jobs with significant multiplier effects on the economy. Essentially, high-wage jobs extend beyond the people directly employed and support indirect employment elsewhere in the local economy. Industry experts estimate that for every one job in the motion picture industry, 2.7 additional jobs in the area benefit economically. According to a recent report completed April, 2014 by the California Legislative Analyst Office (LAO), California had 107,400 film and television production jobs in 2012. Thus, almost 300,000 additional jobs in California are being supported indirectly by these film and television production jobs. Incidentally, more than half of the total entertainment industry jobs in the nation located in California are centralized in the Los Angeles County, and have an average annual wage of \$101,000.<sup>45</sup>

## Technical Services

California, in particular the Silicon Valley, is home to many of the world’s largest high-tech companies who provide technical services to various industries. According to the Bureau of Labor Statistics (BLS), “the technical services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others”.<sup>46</sup> Some major technical

<sup>38</sup> U.S. Department of Labor, Bureau of Labor Statistics, Occupational Outlook Handbook, 2010-11 Edition, Overview of the 2008-2018 Projections

<sup>39</sup> California Industry Employment Projections 2010–2020, [http://www.calmis.ca.gov/file/indproj/cal\\$indnarr.pdf](http://www.calmis.ca.gov/file/indproj/cal$indnarr.pdf)

<sup>40</sup> California Governor’s Office of Business and Economic Development

<sup>41</sup> <http://www.labormarketinfo.edd.ca.gov/contentpub/GreenDigest/2010-California-Green-Innovation-Index.pdf>

<sup>42</sup> [http://www.energy.ca.gov/cleanenergyjobs/Select\\_Committee\\_on\\_Ca\\_Green\\_Economy\\_FinalReport\\_2010.pdf](http://www.energy.ca.gov/cleanenergyjobs/Select_Committee_on_Ca_Green_Economy_FinalReport_2010.pdf)

<sup>43</sup> California Governor’s Office of Business and Economic Development, 2014;

<http://business.ca.gov/WhyCA/CaliforniaEconomybytheNumbers.aspx>

<sup>44</sup> Ibid

<sup>45</sup> <http://www.lao.ca.gov/reports/2014/finance/tax-credit/film-tv-credit-043014.pdf>

<sup>46</sup> [www.bls.gov](http://www.bls.gov)

services industries include architecture, engineering, computer systems design, environmental consulting, and research & development firms. Architecture and engineering are driven by residential and commercial construction activity, as well as by corporate and government spending. In 2014, California reported over 168 thousand people employed in these industry sectors, the highest employment level compared to other states in the nation. Civil engineering, and especially its subset of green engineering, continues to grow in California.<sup>47</sup> The BLS expects civil engineering employment to increase at a faster-than-average rate of 20 percent over the decade ending in 2022. According to the California Employment Development Department (EDD), about one-quarter of all engineering openings were for civil engineers in Orange County, a trend which is expected to continue through 2018. With a projected job growth rate of 25.1 percent over the 10-year period of 2008-2018, the occupation of civil engineer is expected to be the county's 21st fastest-growing occupation among occupations employing 400 or more.<sup>48</sup> Environmental consulting and green businesses are also blooming in California, creating jobs at a faster pace than the broader economy. According to the Environmental Defense Fund, approximately 300 businesses in over 400 locations across California are responsible for growing the state's clean transportation sector.<sup>49</sup>

## E. Workforce Trends

**On-the-Job Training** – Over the last several years, the U.S. Department of Labor has increased its efforts to encourage the state workforce and One-Stop systems to expend more funding on incumbent worker and On-The-Job training (OJT). California was granted a federal waiver that allows Local Boards to spend their local formula funds on incumbent worker training programs (they were previously prohibited from using their formula funding for that purpose). California also has a federal waiver that allows Local Boards to more easily fund OJT programs with employers. As a result, many workforce programs have developed and implemented targeted OJT initiatives and incumbent worker initiatives.

Retirees, along with individuals eligible for retirement, are among those workers for whom up-skill or re-skill training may be required. Many in the “baby boomer” generation are choosing to remain working rather than retiring, or are attempting to return to work due to current economic conditions.

Older workers who want to remain in or re-enter the workforce constitute only one among numerous special populations that represent a sizeable percentage of the current and future labor force. DOL programs, for instance, prioritize services to low income adults, at-risk youth, people with disabilities, authorized immigrants, and other populations that are underserved or have multiple barriers to employment. Employment and training services to veterans has become a particularly important focus in the last few years.

**Veterans** - A U.S. Department of Veterans Affairs study found that 18 percent of the veterans who sought jobs within one to three years of discharge were unemployed, while one out of four who did find jobs earned less than \$21,840 a year. ETP currently serves veterans in its training population, (see [Accomplishments](#) and [Strategic Initiatives](#) sections) and strongly supports training to assist veterans and members of the National Guard in entering the workforce and improving their opportunities for advancement in high-wage secure jobs.

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<sup>47</sup> <http://degreedirectory.org>

<sup>48</sup> <http://www.edd.org>

<sup>49</sup> [www.edf.org](http://www.edf.org)

**Middle-Skill Workers** - The trend of serving special populations with public workforce funding continues, as does the trend toward the re-employment of skilled workers and up-skill or re-skill training for incumbent workers. The investment of state and federal funds in workforce training continues, by necessity, to become more limited and strategic – targeting priority industries, occupations, and populations.

There is also a trend toward growth in jobs that require more than a high school, but less than a college education. These jobs, referred to as “middle-skill,” represent approximately 47 percent of the jobs in California,<sup>50</sup> while only about 38 percent of California’s workers have the necessary training for them. Many of the middle-skill occupations such as medical lab technician, heating and air conditioning installer, emergency medical technician, and plumber fall into the Career Technical Education (CTE) category of training and education. Many middle-skill jobs are also accessible through apprenticeship training.

**Sector Strategies** - Sector strategies continue as a workforce training trend. The California Regional Economies Project (CREP) developed a methodology for economic development partners to identify and assist industries and businesses vital to their regional economies in meeting workforce needs, and to assist communities in preparing underserved populations for careers. The CWIB is also pursuing sector strategies at the state level through special committees and workgroups, such as the Green Collar Jobs Council and the Advanced Manufacturing Workforce Development Council. Working closely with ETP, the CCCOC, the California Department of Education (CDE), and other agencies, the CWIB is developing programs that support sector-strategy based career pathways throughout the state. In 2014, for instance, the CWIB is launching an initiative aimed at accelerating income mobility through regional collaboration. Known as “Slingshot,” the initiative seeks to seed regional collaborative efforts by employers and industry, government, workforce and economic development agencies, and education stakeholders within regions. The Slingshot collaboratives will first identify, and then work to solve, regional employment challenges that slow California’s economic engine. ETP is participating as a partner in this new sector strategy.

ETP is legislatively mandated to coordinate its program with local workforce investment boards, the CWIB, and other partners in the Workforce Investment Act (WIA) to achieve an effective and coordinated approach to the delivery of the state’s workforce resources. ETP has entered into an agreement with the CWIB to promote its role in the workforce system and to assist in marketing and outreach for the ETP program, as well as to support the CWIB’s continuing development and implementation of California’s Strategic Workforce Investment Plan.

ETP partners with LWDA, GO-Biz, CWIB, EDD, the CCCCO, CEC, and others at the State and local levels in coordinating resources and services to assist industries, businesses, and citizens that will have the greatest positive impact on California’s economy. ETP continues to expand and enhance its program and services in response to the dynamic and fluctuating economy by 1) seeking out new partners with whom to collaborate, such as CEC, Office of the State Treasurer and local workforce investment boards, and by 2) leveraging additional resources such as WIA Discretionary or AB 118 funding.

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<sup>50</sup> “Can California Compete?” by America’s Edge, June 2012. <http://cdn.americasedge.org/clips/CAAESkillsReport-5.pdf>

## F. Strategic Initiatives

ETP plays an important role in California's larger workforce system by assisting businesses in providing lifelong learning opportunities to both new hires and incumbent workers. Historically funded by the employers themselves, incumbent worker training is increasingly becoming a focus for public workforce funding as the economy recovers. ETP not only targets business and industry vital to economic recovery and growth, but also focuses training in HUAs and serves lower income workers and individuals with barriers to employment. As a strong partner in California's efforts to strategically target priority industries and to focus on emerging workforce trends, ETP is continuing to expand and enhance its historical training role by coordinating the investment of alternative funding for workforce training in California businesses.

As a long-term partner supporting job creation and retention through training, ETP coordinates its efforts within its core program and partners with other State agencies in the design and delivery of services via alternatively funded programs. ETP has developed significant partnerships with the CEC and has strengthened partnerships with the LWDA and other labor and workforce organizations. Since FY 2009-10, ETP's partnerships with the LWDA and the EDD have resulted in allocation of WIA Governor's Discretionary and other funds to ETP.

As ETP's role in the State's workforce system evolves, it continues its historical program, partnership, and administrative strategies while simultaneously responding to changing economic and workforce needs with the addition of new initiatives and pilots geared toward job creation, workforce training, and overall economic recovery and revitalization. The following are current and proposed ETP strategic initiatives:

### Drought Relief

In January 2014 Governor Brown declared a state of emergency relating to one of the worst droughts in decades. In the spring, he signed omnibus drought legislation which appropriated \$2,000,000 to ETP from the General Fund for the purpose of providing flexible training-related services to workers and employers in localities designated by the Governor for drought or other disaster relief. These funds will allow ETP to be more flexible in contracting with cities or counties, municipal water districts, and non-profit organizations.

In April, 2013, ETP implemented a new training Pilot, "Rapid Employment Strategy Pilot on Natural Disasters (RESPOND)," to guide a strategic and timely use of these funds. ETP is coordinating RESPOND with stakeholders and government partners, including participating on the LWDA's Drought Response task force.

ETP will focus its marketing efforts to:

- Identify opportunities to support drought-related displaced workers,
- Avert layoffs by employers, and
- Assist employers with transitioning operations to more sustainable operations and practices.

### Healthcare

The Employment Training Panel's commitment to train professionals in the healthcare field remains strong. ETP participates in the CWIB's Health Workforce Development Council (HWDC). The Council is tasked with understanding the current and future workforce needs of the health industry and developing a comprehensive strategy to address those needs.



## The ARFVTP

The ARFVTP, created under AB 118 and administered by CEC, provides workforce training in new transportation technologies to help address the workforce needs of companies engaged in the development or deployment of alternative fuels and vehicle technologies.

The overall goal of AB 118 is to transform California's fuel and vehicle types to meet the state's climate change policies. ETP's partnership with the CEC, which began in FY 2009-10, was established to implement a training program via an Interagency Agreement (IA) in alignment with the overall goals and objectives of AB 118. Due to an amendment in FY 2013-14, the total CEC approved IA funding amount is \$11.5 million. The term is effective through March 30, 2017.

In FY 2014-15, ETP will continue to receive ongoing reimbursable authority of \$3 million based on historic grant awards and expenditures. This ongoing appropriation in reimbursable authority allows ETP to allocate AB 118 funds on a timely basis each fiscal year to contracting entities.

## Green Technology

The Administration and the Legislature continue to pursue efforts to expand the economy and to protect the environment through support for the development of green technologies, energy efficiency (including renewable energy generation and distribution), and greenhouse gas emissions reductions. California remains at the forefront of innovative public policy that serves to protect natural resources while also stimulating new markets.

Numerous initiatives have continued to shape California's leadership role in the development of green technologies, such as: California's Renewable Portfolio Standard, created in 2002 and expanded in 2011, that establishes some of the most ambitious renewable energy standards in the nation; the High-Speed Rail initiative; and the Green Building Initiative (through Executive Order S-20-04) that calls for public buildings to be 20 percent more energy efficient by 2015. Most recently, the Public Utilities Commission provided guidance to utilities to strengthen their energy efficiency programs and achieve deeper energy savings. Part of the guidance

Through public policy initiatives, investments, and market forces, California continues to further its commitment to clean energy and the development of green technologies. Since 2006, when clean technology investment began to rise, investors put more than \$27 billion in venture capital and other financing into California clean technology companies.<sup>51</sup> Although total investment in California clean technology companies has declined since its peak in 2011, early investment has helped pave the way toward more efficient and affordable technologies, resulting in an increase in consumer demand.<sup>52</sup>

Between January 2002, and January 2012, jobs in California's Core Clean Economy grew by 20 percent, much faster than the economy as a whole, and its leadership and commitment to clean technology continues to drive growth in the clean economy, creating jobs in activities ranging from research to installation, and businesses in a variety of areas from water efficiency to the development of bio-based advanced materials.<sup>53</sup>

<sup>51</sup> 2014 California Green Innovation Index, <http://www.next10.org/2014-california-green-innovation-index>, pg.25

<sup>52</sup> Ibid

<sup>53</sup> Ibid, pg. 29

## Career Technical Education (CTE)

CTE programs are intended to prepare workers for the 21<sup>st</sup> Century economy and to maintain California's competitive edge in the global marketplace.

The fastest growing fields requiring a vocational associate's degree will require CTE training. LMID estimates that from 2010 to 2020 California will see an increase in occupations, including: computer and mathematical occupations; healthcare practitioners and technical occupations; healthcare support occupations; and construction and extraction occupations, including carpenters and plumbers.<sup>54</sup> These and other trade and craft occupations, particularly many emerging green jobs, are also often served by registered apprenticeship programs.

ETP's Pre-Apprenticeship Training Program offers CTE in a form that provides trainees with the requisite skills and education for successful employment through a registered apprenticeship. Furthermore, this Pilot provides a means to continue developing the trade skill career paths started in pre-apprenticeship by providing training for apprentices working toward certification at the Journeyman level.

In support of California's efforts to reduce recidivism and gang violence through CTE and job training, ETP will continue, under its SET category, to prioritize training to help ex-offenders and at-risk youth (ages 18 to 23) enter and succeed in the workforce. The program requires critical job skills training and employment to ex-offenders and youth at risk to support long-term job preparation and security.

## Apprenticeship Training Pilot Program

This continued ETP pilot initiative, implemented in March of 2012, allowed the Apprenticeship Training Pilot Program to provide funds for apprenticeship training through sponsorship programs. Under the pilot, ETP funding allows Joint Apprentice Training Committees (JATCs) or other program sponsors to supplement limited state Montoya Funds for the RSI portion of training. The program funds up to 200 hours of RSI training, plus 10 hours of OSHA training for apprentices in second year and beyond. Training is reimbursed at \$13 per hour. ETP is seeking opportunities to expand its ability to help fund apprenticeship training and is continually reaching out to other state agencies in order to better understand construction apprenticeships and efforts to expand apprenticeship into new sectors. The Panel revised its apprenticeship guidelines to deem employers under a JATC to meet out-of-state competition requirements, enabling them to be funded with economic development funds rather than SET funds. This change will increase SET funding available for healthcare, small business and other business that do not have out-of-state competition.

## Support for Veterans

ETP will continue to enhance its funding for training to help veterans pursue high-skill, high-wage jobs in secure industries by providing incentives such as increased training reimbursement rates for contractors who prioritize training for veterans. ETP will continue to partner with other state agencies, through the California Interagency Council on Veterans (CICV), to develop initiatives for the training and employment of veterans and will increase outreach to veteran organizations with the intent of developing training projects that focus on meeting veterans' training needs. The CICV, which consists of a wide array of veterans' organizations and state-level stakeholders will continue to

<sup>54</sup> LMI for the State of California Occupational Projections: <http://www.calmis.ca.gov/htmlfile/county/califhtm.htm>

identify and prioritize the needs of California's veterans while coordinating activities at all levels of government in order to meet those needs.<sup>55</sup>

ETP will continue its veterans outreach by working directly with local chambers, business groups, and public agencies and by participating in conferences, job fairs and community workshops. The need for employment training assistance for veterans is increasing, due to the number of active and reservist personnel who have performed military service in recent years.

In January 2014 the CICV Employment Workgroup, of which ETP is a member, established the "Apprenticeship Sub-Workgroup," under the leadership of DAS. ETP is playing an active role on this sub-workgroup, which will help apprenticeship programs become CalVet certified.

### **Serving Small Business**

Small employers with fewer than 100 employees, currently 3.4 million small businesses, represent 99 percent of all employers in the state and employ 52 percent of all California workers.<sup>56</sup> ETP recognizes the importance of small business to the California economy. ETP prioritizes outreach and funding for small business, funding training for small business owners, equipping them with tools needed to run a business and funding training for employees of small businesses to provide them with critical job skills. ETP incentivizes training for businesses with 100 or fewer employees in California, but no more than 250 worldwide - providing an expedited contracting process, a higher training reimbursement rate, and flexible training hours. ETP will continue to explore means of streamlining the funding process for small businesses.

ETP participates on the Small Business Advocate Intergovernmental Advisory Council to GoBiz which joins staff and resources from various state agencies to share information and streamline policy for small business. The Council increases awareness of small business needs; of the effects of regulatory, financial, political and economic environments on small business; and of the impact of small business on jobs and the economy. ETP also has participated in a series of statewide presentations with the Governor's Small Business Advocate in coordination with the US Small Business Administration, with California Small Business Development Centers (SBDC) Legislative and Professional Development Conference for the Small Business Development Centers, and at regional Small Business Summits provided by the US Small Business Administration and the California Public Utilities Commission.

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<sup>55</sup> "Employing America's Veterans: Perspectives from Business: <http://www.cnas.org/employingamericaveterans>

<sup>56</sup> <http://www.business.ca.gov/WhyCA/CaliforniaEconomybytheNumbers.aspx>

## G. Strategic Alliances

### Marketing Contracts

During FY 2013-14, ETP entered into two marketing contracts covering the 2013-2015 time period. The first is a partnership with California Manufacturing Technology Consulting, Inc. and the Corporation for Manufacturing Excellence which will market to employers in ETP priority industries, primarily manufacturers. The second marketing contract is with the California Federal of Labor AFL-CIO Workforce and Economic Development which will market to signatory employers within ETP priority industries.

Through both of these contracts, ETP is seeking to strengthen and expand its marketing to employers interested in contracting with ETP for the delivery of job training. Marketing partners will continue to locate and secure appropriate target applicants for funding, including bringing new contracts to the Panel. Marketing contracts will support ETP in meeting the goals and objectives of our Strategic Plan as set forth in UI Code Section 10205 (a).

### San Diego German Skills Initiative and Non-traditional Apprenticeships

ETP will continue to partner with DAS, CCCCO and the German American San Diego Foundation to use the German vocational system model and the German Skills Initiative as a catalyst to develop more non-traditional apprenticeship programs in areas such as manufacturing and renewable energy.

### Apprenticeship Training Pilot Program

ETP is coordinating with California Federation and the State Building and Construction Trades Council to continue the Apprenticeship Training Pilot Program. Through this partnership, the Labor Federation and the Council assist ETP in building awareness of the program among JATCs and advise ETP on potential program refinements. Additionally, ETP is coordinating with the DAS to provide RSI and Local Educational Agency materials as well as to assist ETP with program and policy refinements. ETP continues to participate in the interagency working group that includes LWDA, CCCCO, DAS, CWIB, and CDE. For more information on the pilot see [Introduction](#) and [Strategic Initiatives](#) sections.

### Job Creation and Retention

ETP develops projects in partnership with other governmental sources of funding. ETP works with GO-Biz on Critical Proposals with an emphasis on creating new jobs in California. ETP also supplements state funding for training under an approved apprenticeship program and adult education. As part of this effort, ETP supports job creation and retention in partnership with state and local economic and workforce development partners.

For instance, ETP participates quarterly on the Economic Development Program Advisory Council of the CCCCO, along with representatives from community colleges and other state agencies that are charged with workforce and training development. ETP's participation provides an opportunity for information exchange, as well as for forming alliances and partnerships for funding, training assistance, and career path/workforce skill enhancement throughout various regions in the state. The CCCCO and individual community colleges have received ETP funds for various training programs.

### **High Unemployment Areas (*including rural and agricultural areas such as the Central Valley*)**

The areas of highest unemployment continue to be rural regions of the state, including the Central Valley, San Joaquin and Imperial Valley. These areas trail the rest of the state in family income, educational achievement, healthcare access, employment, and job stability. Unemployment rates in these regions have been persistently high, even prior to the economic downturn of the last few years.

ETP funds training for companies in counties with HUAs to stimulate local economies. Funding focuses on workers who have full-time jobs and fairly stable employment; but who earn low wages and lack the essential job skills necessary to improve their employment. The Panel also serves populations with multiple barriers to employment within these HUAs.

ETP waives some of its standard program criteria (lowered wages, flexible retention) for businesses in HUAs (areas with at least fifteen percent higher unemployment rate than the state average).

## **H. Administrative Strategies**

- **Management Information System**

ETP is in the process of purchasing and building a new system to better meet the needs of the agency and its customers, combining multiple functions of the current internet, intranet, and ETP's Management Information Systems. The new system, Employment Training Management System (ETMS), will enable ETP to more efficiently provide its services, improve ETP's overall fiscal and accounting processes, improve data collection and reporting, provide greater flexibility within the application and contracting processes, improve ETP's online processes, and automate more of the contracting process. ETMS's projected implementation date is late 2014.

- **Consolidation**

In an effort to improve its workforce development agencies' program interaction at the State and local levels and to facilitate better alignment of program policies and direction, LWDA has begun the process of consolidating ETP and the CWIB within EDD Sacramento headquarters. The consolidation will move administrative support functions under a single enterprise within EDD. Both ETP and the CWIB will physically relocate to the EDD headquarters. ETP is in process of planning its move and anticipates relocating its headquarters in FY 2016/17. In the future, ETP's Regional Offices will also consider physical site consolidation of ETP and DIR/DAS field offices with EDD/Job Services.

Consolidation will achieve the following outcomes:

- Improved policy and program coordination and implementation;
- Administrative efficiencies and cost savings; and,
- Better service delivery integration.

- **Maximizing Funds**

The Panel currently maximizes funds based on available revenue by; adjusting funding caps, establishing funding priorities, adjusting substantial contribution levels, and high earner reduction outlined below.

Specific factors supporting FY 2014-15 funding recommendations are:

- Increase in Employment Training Tax (ETT) collections during FY 2013-14 that is likely to continue into FY 2014-15;
- Increase in the amount of prior FY project funding liability carried forward to FY 2014-15;
- Continued 35 percent encumbrance level for standard core-program projects; and,
- Full appropriation of ETT revenue to the ETP program in the FY 2014-15 State Budget Act.

### **Caps**

The Panel establishes project funding caps to maximize use of available training funds. Caps may be adjusted during the fiscal year based on revenue projections. Caps will be applied to projects as follows:

<b>Contract Type</b>	<b>Project Cap</b>
<b>Single Employer</b>	\$425,000
<b>Single Employer: Job Creation Only</b>	\$325,000
<b>Single Employer: Job Creation &amp; Retrainee</b>	\$750,000
<b>Single Employer: Multiple Facilities</b>	\$625,000
<b>Multiple Employer</b>	\$750,000
<b>Small Business</b>	\$50,000
<b>Fast Track – Eliminated<sup>†</sup></b>	N/A
<b>Apprentice Training: Per Program Sponsor<sup>††</sup></b>	\$225,000
<b>Critical Proposals</b>	\$750,000
<b><i>†There is no longer a Delegation Order for Fast Track projects. All small business projects must comply with the Small Business cap. Large businesses must comply with the Single Employer cap.</i></b>	
<b><i>††Projects with multiple sponsors may not exceed the MEC cap.</i></b>	
<b><i>*AB118: These caps will be determined on a case-by-case basis.</i></b>	
<b><i>*Drought: These caps will be determined on a case-by-case basis.</i></b>	
<b><i>*Amendments: Funding for active contracts may be increased, in conformity with these caps, on a case-by-case basis depending on performance.</i></b>	
<b><i>*Adjustments: The caps may be adjusted upward on a case-by-case basis with justification.</i></b>	

### **Funding Priorities:**

- Lowest priority
  - *Retraining for employees of Training Agencies*
  - *Adult Entertainment Industry* - This includes the design, manufacture, distribution, servicing, management or sale of products or services in the adult entertainment and gambling industry.

- Other limitations
  - Support Costs – Multiple Employer Contract (MEC) support costs will default to the highest percentage (8 percent of training costs for retraining and 12 percent for new-hire training). Applicants must justify the need for and amount of support costs, case-by-case.
  - Employer Demand in a MEC - ETP will continue to require that MEC applicants with performance in prior agreements over the last five years at or greater than 80 percent demonstrate that at least 60 percent of requested funding is linked to firm employer demand. MEC applicants with lower previous performance or new MEC contractors will be required to demonstrate that at least 80 percent of requested funding is linked to firm employer demand. ETP staff will continue to substantiate this demand during the project development process.

### **Substantial Contribution Levels**

- SC will default to the lowest percentage (floor). The Panel has flexibility to set levels on a case-by-case basis at a higher percentage (ceiling)
  - Floor: 15 percent first-time SC and 30 percent subsequent SC
  - Ceiling: 30 percent first-time SC and 50 percent subsequent SC

### **High Earner Reduction (HER)**

The HER will be assessed in lieu of substantial contribution for single employers and participating employers in a MEC (excluding critical proposals, job creation, and alternatively funded projects) who have earned at least \$2M over the past 5 years, regardless of facility.

- The threshold for prior project earnings will be \$2M.
- The level of reduction will be tiered:
  - 1<sup>st</sup> time assessed = 15%
  - 2<sup>nd</sup> time assessed = 30%
  - 3<sup>rd</sup> time assessed = 50%

# I. Goals and Objectives

## **ETP's Six key goals in FY 2014-15:**

***Goal #1 Enhance the visibility of the Program***

***Goal #2: Target California's key industries.***

***Goal #3: Continue support for small businesses.***

***Goal #4: Support hard-to-serve populations through pilots and initiatives.***

***Goal # 5: Enhance ETP's impact on job creation and retention.***

***Goal #6: Increase the efficiency and effectiveness of the ETP program.***

## **DETAILS BELOW:**

### ***Goal #1 Enhance the visibility of the Program***

- a) *Partner with public and private, State and local economic and workforce development organizations, including GO-Biz, to identify projects that demonstrate a direct economic impact to the State.*
- b) *Use the agreement with CMTC/Manex and California Labor Federation to develop new ETP contracts.*
- c) *Partner with public and private stakeholders to increase outreach and raise awareness about the ETP program.*
- d) *Educate legislative members and staff on the availability of training funds for their constituencies.*

### ***Goal #2: Target California's key industries.***

*Objectives:*

- a) *Target at least 90 percent of available program funds to ETP priority industries.*

### ***Goal #3: Continue support for small businesses.***

*Objectives:*

- a) *Improve outreach to small businesses through partnerships (e.g. Small Business Development Centers).*
- b) *Develop new models for serving small business.*

### ***Goal #4: Support hard-to-serve populations through pilots and initiatives.***

*Objectives:*

- a) *Continue the Veterans Program.*
- b) *Continue the Ex-Offenders/At-Risk Youth Program.*
- c) *Continue targeting training projects in the Central Valley region, rural Northern California, Imperial Valley, and other HUAs.*
- d) *Target funds, as available, for projects to provide new and upgraded skills to dislocated workers seeking re-employment.*



- e) *Expand career opportunities for workers through support of pre-apprenticeship and apprenticeship programs.*
- f) *Support workers returning to or remaining in the labor market.*
- g) *Support workers and businesses impacted by the drought.*

**Goal # 5: Enhance ETP's impact on job creation and retention.**

*Objectives:*

- a) *Continue the Retrainee – Job Creation Pilot Program*
- b) *Evaluate the performance and effectiveness of the Retrainee – Job Creation Pilot Program*

**Goal #6: Increase the efficiency and effectiveness of the ETP program.**

*Objectives:*

- a) *Continue the upgrade to ETP's new Data Management Information System to ensure comprehensive and seamless data collection and reporting.*
- b) *Continue ongoing, internal evaluation and assessment of program/contracting issues.*
- c) *Increase availability of Information Technology support services from EDD under the existing MOU.*
- d) *Work with stakeholders to identify, develop and implement policy to simplify program requirements (e.g. Public Forums).*
- e) *Continue to partner with Labor and Workforce Development Agency to consolidate workforce services delivery.*

# Program Budget

ETP is funded principally by the Employment Training Tax (ETT) which California companies pay to promote the development of an improved workforce. The tax revenue is collected by the EDD Tax Collections Branch and deposited into the Employment Training Fund (ETF). The Budget Act of FY 2014-15 appropriates \$63.2 million to the ETF. Considering ETF expenditures for the EDD Tax Collections Branch, the Financial Information System for California (FI\$Cal) Project, and ETP's estimated \$3 million in available program funds for reinvestment in new training projects – ETP will have close to \$60.6 million available for the current fiscal year. Given ETP's prior-year obligations (\$24 million) and planned program expenditures (\$11.9 million), ETP will have \$24.6 million available to fund new core contracts in FY 2014-15.

## FY 2014-15 Core Program Revenue & Expenditures

The following table illustrates the projected ETF and ETP revenue and expenditures for FY 2014-15.

ETF Budget Act Appropriation <sup>57</sup>	\$63,193,000
 <u>Budget Act--ETF Expenditures:</u>	
Program 21: EDD Tax Collections Branch	(\$5,561,000)
FI\$Cal Project <sup>58</sup>	(\$42,000)
Remaining ETF Balance:	\$57,590,000
ETP Program Funds Reinvested (Estimated) <sup>59</sup>	\$3,000,000
<b>Total ETP Funds Available:</b>	<b>\$60,590,000</b>
<u>ETP (Planned) Program Expenditures:</u>	
Prior Year Program Fund Obligations (Estimated)	(\$24,000,000)
Marketing and Research	(\$300,000)
Pro Rata	(\$648,462)
Employment Training Management System	(\$874,523)
Program Administration	(\$10,150,000)
Current Year Core Program Funds	(\$24,617,015)
<b>Total ETP Expenditures:</b>	<b>\$60,590,000</b>

<sup>57</sup> Cannot exceed Governor's Budget Act Appropriation.

<sup>58</sup> FI\$Cal Project is a business transformation project for state government in the areas of budgeting, accounting, procurement, and cash management..

<sup>59</sup> Program fund cash balances from closed and terminated prior year contracts are subsequently disencumbered and reinvested for use in the current year, per Provision 1 of the State Budget Act.

## Allocations by Category

As indicated in the funding table on the preceding page, the ETP (Planned) Program Expenditures are budgeted within the following categories:

- 1) **Program Funds:** As a result of ETP's incremental funding process, obligations in prior year contracts account for \$24 million of the \$60.6 million in available program funds, leaving \$24.6 million available for new training projects after all other planned expenditures are allocated. However, through the incremental funding process this will yield close to \$68.3 million in total contract value.

ETP available program funds are used to off-set the costs of training for incumbent workers and unemployed workers under two categories:

- a) Job Creation and Job Retention – Most projects are approved under this category, primarily to support retraining of incumbent workers. Some funds under this category are allocated in support of training for unemployed workers (i.e., “New Hires”).

**Job Retention:** Retraining programs train incumbent, employed individuals in companies that are facing out-of-state competition and need to retrain their employees to improve the business' competitiveness.

**Job Creation:** New Hire training programs train unemployed individuals who are currently receiving unemployment insurance benefits or have exhausted their benefits within the last two years. Training is in job skills needed for a specific occupation or industry.

- b) Special Employment Training (SET) – Up to 15 percent of ETP's annually available training funds are available under this category. The purpose of SET is to fund training projects to improve skills and employment security of frontline workers in projects that do not meet standard eligibility requirements, but are a priority for workforce training. SET projects target frontline workers (i.e., those workers directly producing goods or services) earning at least the State average wage. SET funding also allows training of frontline workers who earn less than the State average, if they are in HUAs, have multiple barriers to employment, are small business owners, or are seasonal workers.
- 2) Marketing and Research: \$300,000 includes two marketing contracts (\$150,000 each). Marketing and outreach are driven by ETP's priorities and the need to reach businesses that have the most impact on the California economy.
  - 3) Pro Rata: \$648,462 represents General Fund recoveries of statewide general administrative costs (i.e., indirect costs incurred by central service agencies) from special funds. The Pro Rata is a fair-share proration amount that fluctuates each year based on workload incurred by central service agencies.
  - 4) ETMS: \$874,523 for the design, implementation, and replacement of the existing ETP MIS system. This amount also includes ongoing maintenance costs.
  - 5) Program Administration: \$10,150,000 for operational costs which includes personal services and benefits, operating expenses and equipment (\$9.5 million), and EDD program support (\$650,000).

In addition to receiving ETF core program funding, ETP will receive the following alternative funds:

- Through an approved BCP in FY 2013-14, ETP will receive ongoing reimbursable authority of \$3.0 million in alternate AB 118 funding.

- Senate Bill 103 (SB 103), (2014), appropriates \$2.0 million to ETP for the purposes of providing flexible training-related services to workers and employers in localities designated by the Governor for drought or other disaster relief.

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The Strategic Plan is available on-line at the Employment Training Panel's website:  
<http://www.etp.ca.gov/>

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Individuals with disabilities who would like to receive the information in the publication in an alternate format may contact ETP at (916) 327-5640.



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