



**STATE OF CALIFORNIA
EMPLOYMENT TRAINING PANEL**
California Environmental Protection Agency
1001 I Street
Sierra Hearing Room, 2nd Floor
Sacramento, CA 95814
May 26, 2016

PANEL MEMBERS

Barry Broad
Chair

Janice Roberts
Vice-Chair

Gloria Bell
Member

Sonia Fernandez
Member

Leslie McBride
Ex-Officio Member

Gretchen Newsom
Member

Edward Rendon
Member

Sam Rodriguez
Member

Executive Staff

Stewart Knox
Executive Director

Maureen Reilly
General Counsel

STATE OF CALIFORNIA
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I. PUBLIC PANEL MEETING CALL TO ORDER

Chairman Broad called the meeting to order at 9:31 a.m.

II. ROLL CALL

Present

Gloria Bell

Barry Broad

Sonia Fernandez

Leslie McBride

Gretchen Newsom

Edward Rendon

Janice Roberts

Sam Rodriguez (arrived at 9:35 a.m. after initial roll call)

Executive Staff Present

Stewart Knox, Executive Director

Maureen Reilly, General Counsel

III. AGENDA

Chairman Broad asked for a motion to approve the Agenda.

ACTION: Ms. Bell moved and Mr. Rendon seconded the motion that the Panel approve the Agenda.

Motion carried, 7 - 0.

IV. MINUTES

ACTION: Ms. Newsom moved and Ms. Fernandez seconded the motion that the Panel approve the Minutes from the March 25, 2016 meeting.

Motion carried, 7 - 0.

Mr. Broad said, one matter I want to bring up, which is, we now have a full Panel for the first time in a number of years. Typically, Panel members are supposed to be recognized before they speak. We've developed a more relaxed approach to that, where Panel members just fire off questions. I've been told that we really need to move to a more traditional format for

the benefit of the new member. So henceforth, we're going to raise our hands, and get recognized by the Panel Chair prior to speaking. This doesn't mean that anybody is going to get cut off; it just means that we're going to go one at a time and take turns. I hope nobody will be offended by this process. This is just how we should conduct business.

V. REPORT OF THE EXECUTIVE DIRECTOR

Stewart Knox, Executive Director said, welcome and good morning Panel members, applicants, and stakeholders. It's been a month and a half since our last Panel meeting. We have a fairly large meeting today, totaling approximately \$9.4M in projects with an additional \$2.3M in Delegation Orders, for a total of just over \$11.6M.

Mr. Knox said, we are now at the end of this Fiscal Year (FY) 2015/16; and I will have a PowerPoint presentation later on that will cover funding for next FY 2015/16. We've done some incremental encumbering of the funds to get us to the level of funding that we're at this year, and enable us to push more projects forward. This is the most projects we've seen in many years. We are also working with the Administration to look at a higher appropriation for the Budget Year 2017/18. This is being looked at favorably based on our level of demand and current performance levels.

Mr. Knox introduced Diana Torres from the San Diego Regional Office, Creighton Chan from the Foster City Regional Office, and Willie Atkinson from the Sacramento Regional Office who are presenting the Single Employer and Multiple Employer Projects.

Regarding the Alternative Fuels and Vehicle Technology Program, Mr. Knox said, we just signed another \$2M Interagency Agreement with the California Energy Commission going into the new FY 2016/17. We're almost down to \$0 for this Fiscal Year; the new allocation of \$2M will be accounted for at the June Panel meeting. Also, the one-time \$2M appropriation for drought funding was completely exhausted. This was from the General Funds, and we don't see any additional appropriations from the source.

In regards to the "core program" funding for FY 2015/16 to date: today, the Panel will take action on \$9.4M in projects (with another \$2.3M having been approved by Delegation Order). Should the Panel approve all projects today, the ETP will have expended all funds for FY 2015/16. I want to commend our staff as they have done an amazing job this year. As we noted at the last Panel meeting, projects approved in June will have a July 1st start date to be funded in the new FY. We will continue to accept pre-applications; and continue to approve Delegation Orders to be funded in the new FY.

Mr. Knox reminded the Panel that Delegation Order projects are capped at \$100,000 and are approved by the Executive Director on a flow basis. He said 43 projects were approved in this manner since the last Panel meeting, totaling over \$2.3M.

For FY 2015/16 funding to date, we have approximately over 680 projects submitted, with a value of just over \$130M. If all the projects are approved today, the Panel will have approved close to \$95.5M in proposals. Financially we look very strong, and we have expended all of our funding, which is our role to do. Again, I would like to commend our ETP staff; they have pushed out over 405 projects totaling over \$90M.

Turning to the FY 2015/16 Fund Status Report, he said, staff has been adjusting funding allocations based on projections for the remainder of the FY, to maximize funding.

Regarding applications for contracts that are remaining in the Regional Offices: Single Employer Contract requests are at \$35M; Multiple Employer Contract (MECs) are at \$7M; Small Business has \$4M in demand; Critical Proposals are at \$800,000; and Apprenticeships are at \$4.1M. Overall demand, going into the next FY, is approximately \$50M. It's a little bit lower than where we were this time last year. Our demand last year was close to \$70M. We've done a good job of getting the funds approved and assigned out into the Regional Office.

Regarding the number of projects remaining in the Regional Offices today, Mr. Knox reported: Single Employers 123, MECs 13, Small Business 103, Critical Proposals 3, and Apprenticeships 7 for a total of 249. He also reported on the number of pre-applications now in process: Single Employers 68, MECs 13, Small Business 39, Critical Proposals 0, and Apprenticeships 17 for a total of 137. He said, over 75% of the projects are in the Regional Offices. Again, we look financially strong, and we don't see any issues there.

In regards to legislation, he said there was nothing new to report to the Panel at this time.

VI. MOTION TO ADOPT CONSENT CALENDAR PROJECTS

Mr. Knox asked for a motion to adopt Consent Calendar Items #1 through #12.

| | |
|---|------------------|
| Boudreau Pipeline Corporation..... | \$183,320 |
| C.W. Driver, Incorporated..... | \$199,840 |
| Hi-Temp Insulation, Inc..... | \$130,563 |
| J. A. Cosmetics US, Inc. dba e.l.f. Cosmetics..... | \$197,960 |
| L&S Framing, Inc..... | \$179,320 |
| Le Tote, Inc..... | \$145,200 |
| Performance Foodservice – Southern California..... | \$182,000 |
| Qual-Pro Corporation..... | \$108,000 |
| Snap-On Logistics Company..... | \$149,760 |
| Stearns Lending, LLC..... | \$201,980 |
| United Facilities, Inc..... | \$128,484 |
| USA Properties Fund, Inc..... | \$173,190 |

Ms. Newsom requested to have the following items removed from the Consent Calendar: Item #2, Item #7, Item #9, and Item #10. (See highlight above.)

There was no opposition. Mr. Broad directed staff to remove the items requested from the Consent Calendar and put them over to the next Panel meeting.

ACTION: Mr. Rodriguez moved and Ms. Bell seconded approval of Consent Calendar, except for Item #2, Item #7, Item #9, and Item #10.

Motion carried, 8 – 0.

VII. REQUEST MOTION TO DELEGATE IN EVENT OF LOSS OF QUORUM

Mr. Knox asked for a motion for the Panel to delegate authority to the Executive Director to approve Proposals and other action items on the Agenda in consultation with the Panel Chair or Vice Chair.

ACTION: Ms. Roberts moved and Mr. Rendon seconded the approval to delegate authority to the Executive Director in event of loss of quorum.

Motion carried, 8 – 0.

VIII. REPORT OF THE GENERAL COUNSEL

Maureen Reilly, General Counsel said, I want to speak for a few minutes on something that has come up recently in regard to our staff time and point-of-view, in doing what we call “employer eligibility determinations”. I just want to give a brief overview for the Panel as to what eligibility means, and how it relates to out-of-state competition. Next month, staff will present several options for the Panel’s consideration toward the goal of simplifying and streamlining the process for employer eligibility determinations. This is the first step in applying for funds under a Single Employer Contract, and it is an essential step in recruiting participating employers under a Multiple Employer Contract.

Historically, these determinations have been made on a case-by-case basis, unless the employer was in a designated industry sector, such as manufacturing. However, case-by-case analysis is fact-specific and labor-intensive. The most time-consuming aspect is whether or not the employer faces out-of-state competition. Without out-of-state competition, then funding must be under the Special Employment Training (SET) program with a higher wage requirement. High wage jobs and the opportunity for advancement are a traditional funding priority, so this is a very important consideration.

In recent years, a new complexity has arisen regarding out-of-state competition as staff struggles to make a meaningful distinction between traditional “brick and mortar” competition and the present-day reality of web-based delivery of goods and services in almost every industry sector. “Brick and mortar” means a storefront or physical facility, and web-based means websites, social media, and software applications. People are marketing over Facebook, Twitter, and Pinterest; it’s the new world.

We all recognize that California business operates in a global economy today, thanks to the Internet. However, the rules that govern out-of-state competition are largely silent in regard to web-based delivery; almost entirely silent. The statute makes some mention of it and the governing regulation has one brief mention of it. The options that will be presented by staff next month will consider how to reconcile the traditional approach “brick and mortar” with the present-day reality of web-based delivery, without disturbing the existing statutory and regulatory framework. Staff hopes to improve consistency and reliability for stakeholders.

Some of these options would also lay the groundwork for more automation in keeping with the new system of data management. The overall goal is consistency, reliability and streamlining. The options will be presented for possible action in June, in connection with the

Annual Strategic Plan. They will be posted on our website in advance, along with the Panel Packet.

If the Panel needs further information, or if the public needs more opportunity to comment, then action can be postponed until July, or even farther out. As Mr. Knox noted, the Panel Members will be invited to consider certain decisions in connection with funding for Fiscal Year (FY) 2016/17 at the next Panel meeting, and he has a presentation in that regard. We're talking about the traditional "top of the Fiscal Year" decision to be made on funding limitations and allocations by contract type. These are methods to control the flow of training funds throughout the FY.

There were no questions or comments from the Panel.

IX. ACTION ON THE MEC BROKER MODEL

Mr. Broad said, we need to go back to Mr. Knox for an action item.

Mr. Knox said, we need to take an action regarding the "Broker Model" that I presented at the Panel meeting last month. We did not have time to take a public comment on that matter, so we put it over until this month.

Staff recommends that the Panel take action to restrict Broker Model Multiple Employer Contracts (MECs) by one or more of the following methods, on a pilot basis. One method is restricting a single vendor to no more than 50% of the total training delivery in a single MEC. Another is excluding development fees for any vendor that also receives part of Support Costs. A third method would be reducing Support Costs for the MEC overall, regardless of split with any vendor. Staff further recommends that the action(s) be implemented case-by-case as proposals are presented for funding the next Fiscal Year (FY) 2016/17.

Mr. Broad asked, are we launching this as a pilot program? How long will this run; can we pilot this program for a year and revisit? Mr. Knox said, this is a case-by-case pilot program. The Panel has the authority to make any changes. Ms. Roberts said, since most of our contracts run for two years, how about running the pilot program for the same duration? Mr. Broad said, that's a good point; 2 years. Mr. Knox said, so we'll look at it at the end of FY 2017/18. Mr. Broad asked, does anyone have an objection? Ms. McBride said, perhaps we can do a review at the end of the first year so we can take a look at where we're at, and see the trajectory we're on. Mr. Broad said, staff will make a note of that. So, are there any other questions or debate on this topic? With the slight modification and amendment, I would like to entertain a motion to establish this pilot program.

ACTION: Mr. Rodriguez moved and Ms. Roberts seconded the approval to establish the MEC Broker Model on a 2-Year Pilot Program.

Motion carried, 8 – 0.

Mr. Broad said, we're training more people than we've ever trained. Our money is going to more employers than it's ever gone to, and things are humming along. From my perspective, having been here for 13 years or more, I would like to commend Mr. Knox and the staff for

the fine work they're doing. A couple of weeks ago, I ran into a lobbyist and he mentioned that one of his clients applied for an ETP contract. He said that the staff was incredible, cooperative, and helpful. So I would like to thank you all for the good job that you are doing.

X. REVIEW AND ACTION ON PROPOSALS

Single Employer Proposals

California Newspapers Partnerships

Diana Torres, Manager of the San Diego Regional Office, presented a Proposal for California Newspapers Partnership (CNP) in the amount of \$743,688. Founded in 1999 and headquartered in San Jose, CNP, a subsidiary of MediaNews Group, is the largest publisher of daily and weekly newspapers in California. This will be CNP's third ETP Agreement within the past five years. There is no Substantial Contribution being applied because no single CNP facility has earned \$250,000 or more within the past five years.

Ms. Torres introduced Joy Gavazzoni, Recruiting, Training, and Development Manager.

Mr. Rodriguez said, I thought Orange County Register was bought out and moved to digital paper publication. Ms. Gavazzoni said, that is incorrect. We purchased Riverside Press Enterprise and Orange County Register at an auction when Freedom Communications filed for bankruptcy. All of our newspapers and publications are printed from our Southern California facility.

Mr. Rodriguez asked, was the bankruptcy proceedings intended to dissolve or reinvent the company? Ms. Gavazzoni said, Freedom Communications was dissolved and Media News Group purchased Orange County Register and Riverside Press Enterprise. Mr. Rodriguez said, thank you.

Ms. Bell said, the company didn't benefit from the training conducted from the prior contract. What is going to be different with this training compared to the previous one? Ms. Gavazzoni said, the previous owners of Orange County Register and Riverside Press Enterprise invested heavily in printing a couple of years ago, and it didn't work out. They started two new print publications; Los Angeles Register and Long Beach Register. At the time, newspaper circulation and print revenue were declining. As a result, they pulled back in digital investment. We need to duplicate the training that was conducted in the past to increase knowledge moving forward.

Ms. Bell asked, do you have a way of measuring the success of your training? Ms. Gavazzoni said, revenues, audience, and increasing the online engagement. Ms. Bell said thank you.

Ms. Newsom said, pertaining to your healthcare benefits, it states in the Panel packet that up to \$3.20 per hour can be used to meet the post-retention wage of \$15.60. Can you elaborate on the type and quality of healthcare benefits that are being offered to your employees? Does it have a high premium? Ms. Gavazzoni said, the medical, dental, and vision benefits depend on the type of program that is chosen by the employee. We offer Health

Maintenance Organization (HMO) and Preferred Provider Organization (PPO), and the plans are based on the individual's needs or desire for different programs.

Ms. Newsom said, in your application, it states a provision about commission for the workers that they are earning. I know that this is probably not applicable to how you actually do business with your workers, but if you're using the post-retention wage of \$3.20, \$15.60 with the healthcare benefits drops down to \$12.40 an hour, and there's a provision of using up to \$4.57 of commission to meet the post-retention wage, which will drop the rate below the California minimum wage. Can you elaborate on the structure of the compensation for the commissioned workers? Ms. Gavazzoni said, what I see in general is probably a 50-50 split of base salary and commission. If I were to give you a general average, a sales representative earns \$30,000 and they can earn an additional \$36,000 in commission, on average. It means that we have some employees who are making a little over the base salary, and others can earn a six-figure income as well. These are based on performance.

Mr. Rodriguez asked, the 50% of workforce that is being trained, is it over in sales? Ms. Gavazzoni said, the majority of the contract would be dedicated to content and editorial. The biggest need would be in sales, as far as moving more towards the digital space. The sales representatives need to be more aware of how to sell digital advertising, and the journalists need to know how to present content outside of the traditional newspaper as far as where consumers are going to receive their news and information.

Mr. Rodriguez said, in the Panel packet, under the wage range by occupation table, the numbers of trainees that are indicated are: advertising/digital media staff 252; sales, marketing and telemarketing 225; account manager and executive 185; news staff and content 105. I'm not philosophically opposed, but I want to understand; the conversion that's taking place in the newspaper industry is reducing the base salary and wage of the permanent employee, and enticing them to have a very minimum wage plus commission. I'm just trying to get an understanding of the focus of training, since they are not necessarily identified as new hires. Ms. Gavazzoni said, from my standpoint, when we acquired Orange County Register and Riverside Press Enterprise, we hired 800 new employees in California who will need additional training.

Mr. Rodriguez asked, so when the bankruptcy took place, was there a huge lay off? Ms. Gavazzoni said, technically, everybody was terminated from Freedom Communications and they were hired by our organization. We hired 800 employees and we are a growing organization. Training the employees to get them up to the digital standard is necessary in order to succeed in the publishing industry.

Mr. Broad said, Mr. Rodriguez, are you basically asking, with the changing situation in the newspaper industry, and as a way of coping, are they going to a commission based model? Ms. Gavazzoni said, we've always had a sales based plus commission structure. We reward the employees based on their performance and sales.

Mr. Broad asked, is that common in the newspaper industry? Mr. Rodriguez said, what is not common is that the traditional newsroom and digital space has become smaller and smaller. They are going to a contract-based type of reporting, so they don't have permanent employees, except for a few. They are hiring more salespeople for digital advertising. That

is what's going on in the industry, and I'm not saying that you're right in the middle of it, but it seems that way.

Ms. Gavazonni asked, are you asking if we're hiring freelance journalist rather than a full-time employee? Mr. Rodriguez said, that's the model going on right now, both in the Bay Area and Southern California. Ms. Gavazonni said, I've seen that happen in some instances, but that's not necessarily the direction we're going. If we see a need for freelance journalist, we might do that, but we're still retaining as many journalists as we can. Without the journalist, there is no news, and without the news, we don't have readers.

Mr. Rodriguez asked, what is the turnover rate in your sales department? Ms. Gavazonni said, I don't know at the top of my head. Mr. Rodriguez said, thank you.

Ms. Torres said, Ms. Newsom, I would like to make a clarification. If we go to page 2 of 5 in the Panel packet, you'll see that there are two tables. The table on the bottom, which is *wage range by occupation*, the lowest wage on the table for some of the occupation is \$12.40. Any commission, health benefits or combination thereof is going to be on top of the \$12.40. It's not \$15.60 minus \$7; it doesn't come down to \$9.25, which is below the California minimum wage. Their particular base wage is \$12.40. Mr. Rodriguez said, thank you. Ms. Newsom said, I feel much better.

Ms. Torres asked, Ms. Newsom, would that answer any question you may have pertaining to the four items that were pulled out of the Consent Calendar? Ms. Newsom said, no. Mr. Broad said, we will address the question regarding the four items from the Consent Calendar next month.

There were no further questions from the Panel members.

ACTION: Ms. Bell moved and Ms. Roberts seconded approval of the proposal for California Newspapers Partnership in the amount of \$743,688.

Motion carried, 8 – 0.

Consolidated Disposal Service, LLC dba Republic Services, Inc.

Ms. Torres presented a Proposal for Consolidated Disposal Service, LLC dba Republic Services, Inc. (Republic) in the amount of \$254,640. Republic provides solid waste collection, recycling, and disposal services. This will be Republic's second ETP Agreement within the past five years.

Ms. Torres introduced Vivian Brown, Los Angeles Area Human Resources Manager, and Judith Kreigsman, Business Development Consultant.

Ms. Roberts said, every time we see a performance issue, I try to address it. I'm sure that staff has told you that the Panel will be asking questions regarding your performance, especially when I have the company's human resource person in front of me. It says here on the Panel packet that the reason for your lack of performance was because of the HR person

leaving the company; they were the ones in charge of the training project. We want you to succeed, so what are you going to do differently to make this contract successful?

Ms. Brown said, thank you for the question. One of the issues we had is that we put all our eggs in one basket. HR should not be the one leading the training and development of the project, it should be management. This time around, we have created a cross functional team, and it's not our HR staff. We have people in operations, maintenance, sales, customer service, drivers, trainers, and participants from the prior contract to assist in putting this training together. Our prior performance was 40%, and now we have a system in place that we have gone over with Ms. Kreigsmann who will be consulting and helping us through the compliance and reporting. The main function in terms of leading this initiative will be placed in different functions, not our HR.

Ms. Roberts asked, do you have a senior management that will support you on this project? You've named multiple departments that will be assisting you, but do you have a CEO or a VP that's also behind this? Ms. Brown said, absolutely. We have the area president and he is the one signing the contract, and we also have the market vice-president who is in charge of the operations. The general managers will also be taking ownership of the project. Ms. Robert said, OK, thank you.

Ms. Newsom said, my question is regarding the use of post-retention wage, particularly with Job Number 2. The employer health care cost of \$3.76 per hour would drop the post retention wage to \$9.01. I just want to make sure that the workers are receiving good compensation, and that we are prioritizing high wage good jobs. Ms. Brown said, absolutely. We are in compliance with minimum wage. The majority of our employee's wages range between \$13.15 and \$25.74. By the time we apply the post retention wage, we are in compliance.

Ms. Roberts said, Ms. Torres, I just want to clarify the wages because I want to address Ms. Newsom's concern over the post-retention wage with the health benefits. Ms. Newsom, these are the base wages. Anything you see regarding the health benefit, that's over and beyond the wages. It doesn't take that base wage down; it adds to it. Ms. Newsom said, is that true, because it reads differently. Ms. Torres said, yes. The ETP post-retention wage is not the same as the base wage. What you see in those tables is just the base wage. Ms. Newsom said, as a new panelist, how I read the application is that "\$3.76 may be used to meet the post-retention wage". Ms. Torres said, that is correct.

Ms. Torres said, the post-retention wage for Job Number 1 is \$15.60 and \$12.77 for Job Number 2. It's very difficult to illustrate and we struggled with this for many years, especially when we have multiple counties and ETP wage requirements. The county by county wage is the ETP requirement, which is above the California minimum wage. Employers can use their base wage plus an "up to" amount – here, it would be \$15.60 or \$12.77. So for instance, we have \$13.76 minimum wage per hour for Orange County in Job Number 2; the difference between \$13.76 and \$12.77 is what they are going to use "up to" to make the base wage, and the base wage in Job Number 2 is \$10. Not everybody is making \$10 per hour; some can be making \$11 to \$12 an hour. So whatever the base wage is, the difference between that and \$12.77 is what they're going to use for employer paid health benefits. It's in the contract that at no time will it go below the California minimum wage. Mr. Broad said, with that clarification, are there any other questions?

There were no further questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for Consolidated Disposal Services, LLC dba Republic Services, Inc. in the amount of \$254,640.

Motion carried, 8 – 0.

Reinhold Industries, Inc.

Ms. Torres presented a Proposal for Reinhold Industries, Inc. (Reinhold) in the amount of \$440,880. Founded in 1928 and presently in Santa Fe Springs, Reinhold is a manufacturer of composite and metallic structures for the aerospace, defense, aircraft, and industrial markets. This will be Reinhold's second ETP Agreement, although it is the first one within the past five years.

Ms. Torres introduced Ben Merio, Director of Finance and Michael M. Lee, Controller.

Ms. Fernandez asked, do you have any plans to hire veterans? Mr. Merio said, yes. We currently have 5 to 10 veterans on staff and we will continue to recruit them. Our HR department will also verify if the candidate is a veteran or not.

Ms. Fernandez said, when a temporary employee becomes a permanent employee, are they eligible for benefits starting day one, or is there an additional waiting period? Mr. Merio said, I am not 100% sure. I will have to double check on that. Normally, it's a 90-day process. Ms. Fernandez said, I would appreciate that, thank you.

Ms. Roberts said, I noticed that you don't have any administration support on this training. Are you going to do all this internally? Mr. Merio said, yes, that is correct.

Ms. Roberts said, your funding request is close to half a million dollars. How familiar are you with the ETP process? You came with the previous contract, but not in the last five years. I don't see any performance. Please tell me how you're going to put all this together. You're the finance person and I know that you are not going to be the arms and the legs of this training program. Mr. Merio said, actually, I will be the arms and the legs of the training program. I'm taking a pretty active role on this. I have done this for another subsidiary of our parent company. I have experience doing this, working with human resources, key management personnel on the production floor, and quality and safety department as well.

Ms. Roberts asked, do you have an LMS system or some way to track the training? Are you going to use rosters? How do you plan to do all this? Mr. Merio said, in the aerospace and defense industry, we are required to keep thorough training logs. We already have a well-established system set-up. Ms. Robert said, OK, very well.

There were no further questions from the Panel.

ACTION: Ms. Fernandez moved and Ms. McBride seconded approval of the proposal for Reinhold Industries, Inc. in the amount of \$440,880.

Motion carried, 8 – 0.

Walter Anderson Plumbing, Inc. dba Anderson Plumbing Heating and Air Conditioning, Inc.

Ms. Torres presented a Proposal for Walter Anderson Plumbing, Inc. dba Anderson Plumbing Heating and Air Conditioning, Inc. (Anderson PHA) in the amount of \$375,120. Founded in 1978 and headquartered in El Cajon, Anderson PHA installs, repairs, and services HVAC systems and plumbing to residential homes in San Diego, Imperial, Orange, and Riverside Counties.

Anderson PHA has developed a recruitment campaign specifically aimed at attracting veterans. The Company collaborates with “Hire a Vet”, a local organization that aids in placing local veterans into good jobs.

Ms. Torres introduced Mary Jean Anderson, President and Owner, Brian Rominger, Training Facilitator and Coordinator, and Jill Meeuwsen, Synergy.

Mr. Broad said, thank you very much. You did a great job. You are to be commended for what you are doing for women and for veterans.

Ms. Roberts said, thank you for the presentation. I really appreciate that. This is a great small business contract. I really would love to see you succeed. The question I have is more around your consultant. For your training and development, normally we say it's 10%, but your proposal is a little higher than that. Is there a reason why? Ms. Meeuwsen said, we've developed a very comprehensive training program for Anderson PHA that is far more inclusive than what is on the actual proposal; it's a very in-depth analysis and built to make this training program successful.

Ms. Roberts asked, do we usually pay more than 10% for development fee of a contract? Ms. Reilly said, no. It's been the Panel's policy for development fee to be capped at 10%, and that of course translates into a dollar amount. It has also been the Panel's policy that those funds don't come out of the ETP award. But with small businesses, we were finding that a lot of the development fees were going over the 10%, regardless of the source.

Mr. Broad said, Ms. Anderson, just so you understand, this means that you will be responsible for the amount that's above the 10%. You can go above the 10%, we just won't pay above the 10%. Ms. Anderson said, I am OK with that. I know this plan is going to be amazing for our community, and I am really excited about it.

Ms. Reilly said, we do have a website that features all of our prior contracts and the amount of money that was paid in development and administrative fees. Without any comment as to whether good or bad, you can always look that up on our website to get a sense of what other consultants charge.

Mr. Rodriguez asked, are you located in northern San Diego? Ms. Anderson said, we are in El Cajon, which is in the suburb of San Diego, but we are committed to the entire San Diego County.

Mr. Rodriguez asked, in your industry, are there other like-minded businesses that are going through what you're going through? Ms. Anderson said, the crisis of finding skilled labor in our industry is nationwide. That's when we started the Grassroots, which is a national and international group of people. I am holding a fundraiser on the USS Midway in September, and there will be people that are coming from all over the country to help raise funds to train the military workers.

Mr. Rodriguez said, are you the president or the leader of the association? Ms. Anderson said, I am not the president; I am the leader.

Mr. Rodriguez said, I would like to echo Ms. Roberts' comment. Back in 1974, ETP's mission was to invest in small to medium-size business in California. If this goes well, we will view you as having the responsibility to communicate with your co-business owners and colleagues in the industry about the program. I would be interested to see if there's an assessment of the success and how it's being deployed given the size of your company. Ms. Anderson said, you have my word. I promise it will be successful. We have people waiting; we already have two on board to do this program, and it's working out really well. Mr. Rodriguez said, thank you.

Ms. Newsom said, thank you for your application and your remarks. Given the crisis of training that you have identified, have you looked into the training programs at our local unions in the San Diego County; UA Local Union 230, Plumbers and Pipefitters, and SMART 206 Sheet Metal and HVAC Workers? They provide training opportunities for apprentices.

Ms. Anderson said, that's an excellent question, and thank you for asking. We offer residential service repair, replacement and installation. We don't do anything that's union; we are completely non-union, and the problem is the unions are teaching how to build high-rise and large commercial buildings. They don't teach how to properly insulate an attic to pass Title 24. It's completely a different industry. The problem is, no one's out there training; the only school in San Diego is a four-year course which is offered for two hours, once a week. We can't do that. We have people in those schools, but it will take them longer to train and we're committed to training them in-house. That's the only way we can be able to not push back and put out people and know that what they're doing is providing quality work to pass municipalities rules and laws.

There were no further questions from the Panel.

ACTION: Ms. Roberts moved and Mr. Rendon seconded approval of the proposal for Walter Anderson Plumbing, Inc. dba Anderson Plumbing Heating and Air Conditioning, Inc. in the amount of \$375,120.

Motion carried, 8 – 0.

Ariat International, Inc.

Creighton Chan, Manager of the Foster City Regional Office, presented a Proposal for Ariat International, Inc. (Ariat) in the amount of \$399,320. Founded in 1992, Ariat is a manufacturer of innovative performance equestrian footwear and apparel.

Ariat's representatives states that specialized training doesn't exist in California or the United States. Less than 5% of the training will be delivered by the out-of-state training vendors for 17 product developers and coordinators, and supply chain staff. The training will take place onsite at Ariat's California facilities and comply with the 1:20 trainer-to-trainee ratio.

Mr. Chan introduced Katie Rosson, Vice President, Human Resources, Lyndsey Silva, Manager-Learning and Development, Kimberly Kleca and Maria Assalone, RSM Consultant.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for Ariat International, Inc. in the amount of \$399,320.

Motion carried, 8 – 0.

Audentes Therapeutics, Inc.

Mr. Chan presented a Proposal for Audentes Therapeutics, Inc. (Audentes) in the amount of \$411,840. This proposal for Audentes is designated as a "Critical Proposal" as defined in Title 22, California Code of Regulations (CCR) 4402.2 by the Governor's Office of Business and Economic Development.

Mr. Chan introduced David Nagler, Senior Vice President, Human Resources and Corporate Affairs, and Steve Duscha, Duscha Advisories.

Mr. Rodriguez said, I'm just curious where the industry is, starting with the human genome. We basically conduct a basic research on a delivery system with radiation and nuclear molecules to attack ailments. You have competitors like BioMarin and others in the field. My first question is, are you facing a workforce issue or challenge in recruiting? The second question is, as we produce the workforce at UCSF, Cal Tech, and other institutions, is the workforce leaving the mainland and going to competitors offshore like China?

Mr. Nagler said, the answer to the first question is, no. We're not finding it hard to hire new people because it's an exciting new area of biology. For manufacturing associates, who earn \$65,000 to \$70,000 a year on average, we actually are having our choice amongst incredibly skilled candidates for each job opening we announce. People join this industry because of the nice wage, and also because we are doing something important. Although no one else is getting in the area of therapeutic manufacturing, the opportunity that we have, together with only a handful of other gene therapy companies in California are present. You also mentioned BioMarin; our core management team, which isn't subject to this grant, comes from BioMarin. Secondly, what differentiates California from any other labor market is the intersection between academia and private industry. It simply doesn't exist elsewhere. So,

the fear of training somebody and have that individual go to China, never even occurred to us. What will occur is that the people we train will work for another gene therapy manufacturer elsewhere. There is a gene therapy company in San Diego who is considering getting into a manufacturing contract, but nowhere near the scale that we're attempting to accomplish at Audentes, nonetheless. There is also a gene therapy company down the peninsula from us that contracts out as a manufacturer to a company in New York. In other words, our trained workers may go elsewhere, but it won't be to China.

Mr. Rodriguez said, for recruitment, you don't need a master's in biothermatics; you get life sciences and engineering. Mr. Nagler said, absolutely. We are actually finding that the military workers are amongst the best folks to hire as manufacturing associates because they have worked on nuclear submarines. Because think about it, the advances in engineering, it's all the same pumps. We just have to teach them the biology part of it at our standard operating procedure.

Ms. Newsom said, I just want to make a comment that this proposal hits many different areas for me; high wages, quality proposal, and exciting priority industry, thank you.

There were no further questions from the Panel.

ACTION: Mr. Rodriguez moved and Mr. Rendon seconded approval of the proposal for Audentes Therapeutics, Inc. in the amount of \$411,840.

Motion carried, 7 – 0.
(Mr. Broad recused himself.)

Hilmar Cheese Company, Inc.

Willie Atkinson, Manager of the Sacramento Regional Office, presented a Proposal for Hilmar Cheese Company, Inc. (Hilmar) in the amount of \$387,000. Hilmar is a commercial manufacturer of dairy and whey products. This will be Hilmar's 5th ETP Agreement in the last 14 years.

Mr. Atkinson said, I want to make a correction on the Panel packet. The counties served by Hilmar are Stanislaus and Merced County, not Tulare.

Mr. Atkinson introduced Jon Tacoma, Corporate Training and Development Manager and Roy Schmidt, Operational Development Manager.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Bell seconded approval of the proposal for Hilmar Cheese Company, Inc. in the amount of \$387,000.

Motion carried, 8 – 0.

Meriliz Incorporated dba DOME Printing

Mr. Atkinson presented a Proposal for Meriliz Incorporated dba DOME Printing (DOME) in the amount of \$339,000. DOME was founded in 1969 and is headquartered in Sacramento. DOME began as a small engraving company servicing local printers and newspapers and has grown into a large commercial printing. This will be DOME's second proposal.

Mr. Atkinson introduced Marcus McCarthy, Human Resources Manager.

Ms. Bell said, great experience on your last contract; good job. Where you there for the previous proposal? Mr. McCarthy said, yes, I was. We plan on growing.

There were no further questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Newsom seconded approval of the proposal for Meriliz Incorporated dba DOME Printing in the amount of \$339,000.

Motion carried, 8 – 0.

Skyline Homes, Inc.

Mr. Atkinson presented a Proposal for Skyline Homes, Inc. (Skyline) in the amount of \$579,200. Founded in 1960, Skyline, a subsidiary of Skyline Corporation, designs and builds manufactured housing, modular housing, and park model homes.

Mr. Atkinson introduced David Whiddon, Division Manager, Woodland, Dann Stark, Division Manager, San Jacinto, Mike Steed, Vice President Human Resources, and John Twomey, Consultant.

Ms. Fernandez said, first of all, thank you for the veterans hiring program that you're trying to initiate. You might want to consider some of the community groups that can help you with recruiting veterans. I do have a question regarding the temporary to permanent hiring. Once your employee becomes permanent, is there a waiting period before the employee can receive benefits? Mr. Whiddon said, there is no waiting period.

Ms. Roberts asked, in looking at the wage range by occupation table, Mr. Atkinson, is the wage \$10, or is it \$18.50? There are multiple occupations, there's a wide range in the wages, but I'm only seeing that the amount of estimated trainee is only one in some of the categories. I'm just trying to get a feel for what I'm reading here.

Mr. Atkinson said, sometimes a company may have 1000 employees, but they're only training 500 employees. So what they're saying is we're only going to do 500, but this is the range for the occupation for everyone within the company. If they happen to do more than one trainee, then that trainee may be within that range of \$10 to \$18.50 an hour. We're putting the range for the whole occupations within the company, not just for one person.

Ms. Roberts asked, so \$10 per hour is probably the right number versus the higher end, is that correct? Mr. Atkinson said, that I cannot answer. Mr. Whiddon said, I think I can answer

that. The \$10 per hour would be the starting minimum wage. The average at our facility in Woodland is a little over \$15 an hour for the manufacturing associates.

Mr. Stark said, it's a combination of the wage and incentive program. Their wage, at the minimum is \$10 per hour and the incentive program puts them up in the higher range. Ms. Robert said, no problem. This is more for clarification on my part because it seems like a big broad number for only one employee.

Mr. Atkinson said, I just want to point out that there is a job creation in the proposal. So when they look at how many people they are going to employ, they're saying that an individual may get hired into a certain occupation, but their wage will be based on their experience. But at the minimum, this is what they're going to make, so that's why we have included that in the wage range table. Ms. Roberts said, very well. Thank you.

Ms. Bell asked, do you manufacture tiny homes? Mr. Whiddon said, we can manufacture tiny homes. We were actually ahead of that curve a few years ago. We've showcased tiny homes at the Auburn home; nobody bought one, but we would be more than happy to build you one.

There were no further questions from the Panel.

ACTION: Ms. Bell moved and Ms. Roberts seconded approval of the proposal for Skyline Homes, Inc. in the amount of \$579,200.

Motion carried, 7 – 0.
(Mr. Rendon stepped away from the dais.)

Multiple Employer Proposals

Southern California Sheet Metal Joint Apprenticeship & Training Committee

Ms. Torres presented a Proposal for Southern California Sheet Metal Joint Apprenticeship & Training Committee (SoCal Sheet Metal) in the amount of \$885,400. SoCal Sheet Metal operates a training center for Apprentice and Journeyman Sheet Metal Workers. This will be SoCal Sheet Metal's fourth ETP Agreement.

Ms. Torres introduced Lance Clark, Administrator, and Steve Duscha, Duscha Advisories.

Ms. Newsom asked, based on the remarks of a former applicant earlier today, does your training program meet Title 24 requirements for installation in the state of California? Mr. Clark said, we train Title 24; we train for residential and commercial. This proposal is only a fraction of our apprentices that are coming in. We have to keep up with the training and I do send out apprentices to non-union jobs sites when a contractor requests them. As long as they follow the rules and guidelines, I'd send them out. Someone has to do the work and I might as well send my guys. Mr. Broad said, thank you for clarifying that.

There were no further questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Fernandez seconded approval of the proposal for Southern California Sheet Metal Joint Apprenticeship & Training Committee in the amount of \$885,400.

Motion carried, 8 – 0.

Sheet Metal & Air Conditioning Apprenticeship & Journeymen Joint Training Fund of San Diego

Ms. Torres presented a Proposal for Sheet Metal & Air Conditioning Apprenticeship & Journeymen Joint Training Fund of San Diego (SMJTF) in the amount of \$278,400. Established in 1941, SMJTF is a joint effort by the Sheet Metal Workers' International Local 206 and the Sheet Metal and Air Conditioning Contractors National Association whose mission is to provide up-to-date industry skills training and secure high-quality job opportunities for its members. This is SMJTF's fourth ETP Agreement.

Ms. Torres introduced Chris Caricato, Training Director, and Jan Borunda, Consultant.

Ms. Newsom asked, does your training program comply with Title 24? Ms. Caricato said, absolutely. Ms. Newsom said, thank you.

There were no further questions from the Panel.

ACTION: Mr. Rendon moved and Ms. Newsom seconded approval of the proposal for Sheet Metal & Air Conditioning Apprenticeship & Journeymen Joint Training Fund of San Diego in the amount of \$278,400.

Motion carried, 8 – 0.

California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Northern California

California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Southern California

(Both proposals presented together.)

Mr. Chan presented a proposal for California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Northern California in the amount of \$518,825 and California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Southern California in the amount of \$511,010. This is the third ETP Agreement between ETP and NorCal Ironworkers JATC; 3rd ETP Agreement between ETP and SoCal Ironworkers.

Mr. Chan introduced Nick Zampa, Apprenticeship Director and Jan Borunda, California Labor Federation.

Ms. Newsom asked, could you expand more on the Gladiator Program? I'm interested in hearing more about it. Mr. Zampa said, it's an apprenticeship class. For the most part, we

do it on our own nickel. We give them direct entry into the program and give them credit for those classes. For instance, the women's classes that will begin next week will be a full blown orientation course; OSHA 10 and First Aide/CPR, and welding and rigging courses. The women that go into our classes receive credit when they enroll into our program. Although the ladies from other states, it's up to their JATC if they will allow them to get the credit or not. We're committed to the program.

Ms. Fernandez said, I just want to commend you for bringing women into the trades and your commitment to veterans.

There were no further questions from the Panel.

ACTION: Ms. Fernandez moved and Mr. Rendon seconded approval of the proposals for California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Northern California in the amount of \$518,825 and California Field Ironworkers Apprenticeship Training & Journeyman Retraining Fund – Southern California in the amount of \$511,010.

Motion carried, 8 – 0.

District Council 16 Northern California Journeymen and Apprentice Training Trust Fund

Mr. Chan presented a Proposal for District Council 16 Northern California Journeymen and Apprentice Training Trust Fund (DC16 JATTF) in the amount of \$949,048. This is the third ETP Agreement between ETP and DC16 JATTF in the last five years, but it is the first time veterans have been included as a discrete cohort of Apprentice trainees.

Mr. Chan introduced Mark Watchers, Executive Director and Jan Borunda, California Labor Federation.

There were no questions from the Panel.

ACTION: Ms. Newsom moved and Ms. Roberts seconded approval of the proposal for District Council 16 Northern California Journeymen and Apprentice Training Trust Fund (DC16 JATTF) in the amount of \$949,048.

Motion carried, 8 – 0.

AMENDMENT

Kern County Electrical Joint Apprenticeship & Training Committee

Ms. Torres presented an amendment for Kern County Electrical Joint Apprenticeship & Training Committee in the amount of \$46,635. The ETP training is currently being provided for journeymen and apprentice trainees and is progressing better than anticipated. The contractor is conservative in their original request for funding; however, there is now more demand for training from participating employers.

Ms. Torres introduced Greg Rogers, Training Director and Jan Borunda, California Labor Federation.

There were no questions from the Panel.

ACTION: Ms. Roberts moved and Ms. Fernandez seconded approval of the amendment for Kern County Electrical Joint Apprenticeship & Training Committee in the amount of \$46,635

Motion carried, 8 – 0.

XI. ACTION ON FUNDING PRIORITIES AND ALLOCATIONS FOR FY 2016/17

Mr. Knox said, the PowerPoint I'm presenting is the draft recommendations for the Panel to look at and approve moving forward. Some of it is conceptual because there are some things we want to look at going into next year, but most importantly, we have some budget information.

Total Project Budget

Over \$88M were approved for the core and alternate funding through March 2016. Should the Panel approve all the projects today, the total amount will be at \$96M. For Fiscal Year (FY) 2013/14, over \$65M were approved, and over \$81M were approved FY2014/15.

Total Number of Approved Projects

For FY 2013/14, 301 projects were approved. We had an all-time high of 413 projects for FY2014/15 and 402 projects for FY2015/16. Some of the smaller businesses were picked up by the Multiple Employer Contract (MEC).

Total Number of Trainees to Train

In regards to the number of trainees, we had over 94,000 trainees; 10,000 more than we did in FY2014/15. After today's meeting, we will have over 109,000 trainees projected. The figures are increasingly impressive, and even more impressive is the fact that staff was able to "push out" this high number of projects and trainees.

ETP Funding Strategies

The ETP Funding Strategies for the past couple of years have worked really well, for purposes of tracking and allocations. We allocated funds based on historical demand for the Multiple Employer Contracts (MEC), Single Employer Contracts, Small Business (including MEC referral), and Critical Proposals. The Apprenticeship Program, with the emphasis on non-traditional outreach and women in trades, is doing very well; their performance rate is at about 96%. Many of the MECs at the community colleges are performing between 86% to 96%. The Smaller Business Contracts perform around 60%. So we're averaging around 74%, which is good news and bad news. The good news is it continues to get better; more payment is earned. But this means they're drawing down the funds, so we have less money at the end of the Fiscal Year.

Priority Industry

The priority industries that we have this FY are expected to continue unchanged: Manufacturing (including food production), Biotechnology, Life Sciences, Information Technology Services, Multi-media and Entertainment, Good Movements and Transportation Logistics, Agriculture, Allied Healthcare, and Construction. Green/clean Technology, and Drought funding remain priority initiatives. Even with the increase in rain this year, we're still continuing the drought initiatives with core program funding.

Strategic Initiatives

Strategic initiatives help us coordinate with the Governor and Labor Workforce Development Agency, for workforce development in California. Recognizing the new state minimum wage and training for industry certifications are examples. We may need more Panel discussion as we move forward next year with the minimum wage increases with some of Ms. Newsom's input around that. I think it's also valid and important to look at training for industry-recognized certifications. One of the things we want to balance is the benefit to the employers, because they're getting well-trained staff; and benefit to the employees; what do they get from training, and possibly take it to the next job. I want to continue to look at the non-traditional apprenticeship programs for women and minorities. We might want to look at how to get women and minorities pushed within the trades, and based on one of the proposals that was presented to the Panel, the "Gladiators Program", it sounds like it's happening.

Training in water conservation under the Drought strategic initiative continues to be a priority. This includes Job creation, business expansion and retention, and working with the Governor's Office of Business and Economic Development (Go-Biz). Our relationship with them will continue to be one of the components of this initiative.

Special populations include Veterans, At-Risk Youth, and a rural area focus. We will have to look at trained occupations more, and I think that is going to be a key for future initiatives.

Proposed Funding Allocation

The proposed funding allocation coming into FY2016/17 is very similar to the previous year. Single employer at \$45M, Multiple Employer Contract (MEC) \$20M, Small Business \$6M, Critical Proposal \$6.9M, and Apprenticeship \$12.5M. This is an overall budget total of \$90.4M. That holds close to the 38% encumbrance level.

Funding Caps

Contractor by category and current cap: MECs \$950,000; single employer \$750,000; small business \$50,000; critical proposal \$900,000; apprenticeship per sponsor \$450,000. I would like to propose to keep the funding caps as they are. I think that the performance level has been good under these caps and the dollar amounts seem to be working out very well. The only take-away is the MECs serving Small Businesses. I don't think the cap increase was enough to make the difference, and it just makes it a more complicated process. As such I am recommending that we do not move to a \$1.2M cap for the Small Business "Super MEC".

Looking Forward

Develop a prioritization strategy for proposals. We continue to have more demand than funding. That's not a bad thing, it's a good thing. We can look at prioritization based on good

performance, high wage and growth. We need to develop and prioritize strategies for the proposals because funding is limited and demand is heavily competitive. We want to make sure that we present the best proposals before the Panel.

Develop a strategy study on effectiveness of ETP. One of the proposals we're looking at is a low cost study. The last study we did on the effectiveness of ETP was in FY 2003/04. We're looking at setting aside about \$100,000 for FY 2016/17, to look at the way ETP operates. I don't want to call it "return on investments" because I think that's an overly used term, but we want to see where our funding is going and how it's being allocated in order to evaluate the overall effectiveness of the program.

Minimum wage and ETP's role and rate setting for reimbursement. This is really more for discussion going into next year with the minimum wage and ETP's role in that, and how we can reflect and look at how we continue to support those businesses moving forward. We will need to look at rate setting as we've heard from a few stakeholders, and also the E-learning process. None of this is going right away, of course, other than previewing the funding.

Two-phase funding for apprenticeship programs. Several of the stakeholders are for, have requested, and some opposed to, the idea of two-phase funding for the Apprenticeship Program. The request is because Community Colleges run on a semester schedule and some stakeholders follow that schedule for apprentice classroom training. We will have to sit down with the stakeholders to truly understand how the two-phase approach would operate, or not.

Mr. Broad asked, what is the practical matter, what does that mean? Mr. Knox said, if there's \$12.5M specifically for apprenticeship programs, \$6.25M will be released at one point during the year, and another \$6.25M another part of the year.

Continue to update the Panel members on fund status by category. We will continue to update the Panel members on the fund status by category at every Panel meeting.

Develop a strategy on employer outreach and training for specific occupations. Again, we are trying to look at this by industry sector where our employers are having a tough time hiring employees by occupation, and really start to have those conversations. I think it's somewhat more detailed, but it's important to train for occupations in demand so California employers do not need to go out-of-state, or out of the country, to find qualified employees.

Project Prioritization

Implement a strategy to prioritize proposals in FY 2016/17 within each funding allocation category.

Does it meet the Panel's priority industry?

Does it meet the Governor's priority?

Does it yield occupation specific training?

Does it serve special populations?

Does it target rural areas and the economically disadvantaged?

High wage / high growth?

Addressing low priorities and funding limitations?

Moratorium: corporate banking and lending, adult entertainment, training agencies that train their own staff, car dealerships, and truck driving schools.

Mr. Knox said, this is kind of off-line the way we do this. But we think the new data system could be programmed to reflect funding priority based on information from the Panel. In the past, we've had "lowest priorities", but we can change the wording to *moratorium*. We can change based on whatever direction the Panel members take. So rather than saying it's a low priority, we can have the Panel members take a look at this quarterly and put a moratorium on it. It just simplifies the process so we don't have about 100 applications that get stuck in the Application and Assessment Unit as a low priority; this way, it just kicks them out. It just makes it simpler, because we have a lot of demand. Again, that would be the Panel's decision.

Ms. Newsom asked, is there a moratorium currently in existence? Mr. Knox said, we do not have a moratorium on any of the industries at this point.

Discussion Items

Panel Featured Items:

Funding targeted towards industry recognized certification

Diversify marketing target / smaller and more contracts / fund study

High unemployment area and rural outreach

Out-of-state completion / policy

Critical proposal designations

Mr. Knox said, the featured items as we move forward in this next year is to have funding targeted toward training for industry-recognized certifications. We also need to look at: diversify marketing, smaller targets and more contracts. We've already worked with marketing partners such as the California Labor Federation in marketing to non-apprentice building trades. This year we have about \$150,000 that we'll put out to our "marketing partners" in smaller and more targeted contracts throughout the year. We will also fund the study on effectiveness of the program. And we need to reach a decision about the out-of-state competition policy. Ms. Reilly already talked about this, we need to look at how to simplify these determinations, and discuss how to handle internet-based commerce.

On-going Program Delivery:

70% completion performance plus 1 per year contracting

Industry forums

ETMS launch and sustainability

Minimum wage and ETP's role

Contingency funds

Mr. Knox said, the Critical Proposals are working very well and I just want to reiterate that they must meet the 70% completion performance, and for MECs, the once a year contract limit. Our contracting last year got away from the once-a-year and MECs came in heavily. We also want to look at industry certification and look at ways to engage employers in a different way.

Regarding the ETMS launch and sustainability, this is something that we have been working on for five years. We're getting close to a launch; it will be in the summer. As everybody knows, we are not going to disband or pull away the old legacy system, which is good news. Nobody has to panic and think that they need to get their proposals in immediately because of the new system. So whether you're in the pre-application or application process, all of it will be loaded in the new system. It is in the final testing phase with our vendor, GeoSol. We have one more "drop" of information scheduled this coming Monday, and if that testing doesn't have any errors or issues, we will launch in middle of July, so we have about 3 weeks to test the final system.

In regard to the minimum wage and contingency funds, we have put in for a Budget Change Proposal (BCP) to the Governor's office through Labor Workforce and Development Agency, and hopefully we will be looking at a higher appropriation for FY2017/18.

Ms. Roberts said, with a moratorium on the different types of industry, when a company comes through and talks to an analyst about a project, will the applicant be told "No, you can't come because we have a moratorium"? How will the process work? Mr. Knox said, that's a great question. What will happen is, it will go through the Application and Assessment Unit (AAU). Once it hits there, we will have a discussion of what industry they fall under. If it's a lowest priority or moratorium, we will tell the applicant that we are currently not accepting applications for that specific industry. What we'll probably do is keep a tally on the numbers of applications and bring it before the Panel, possibly on a quarterly basis. The numbers are not huge; it just makes it tough because otherwise low priorities are just delayed with no clear explanation. My opinion as the Executive Director is that we have a limited dollar amount, and we need to manage staff resources too. Currently, we actually go through the full process of determination, on something that probably won't get funded based on priorities.

Mr. Rodriguez said, regarding the out-of-state competition policy, it's in statute, but we haven't developed a policy? Mr. Knox said, we do have a policy in place, and it's in regulation; the issue with that is it was enacted about 10 years ago. The policy doesn't address internet sales as out-of-state competition, so it's tough to interpret.

Mr. Broad said, I think the actual issue is more for the Legislature to take up. When the Panel was created, the idea was to fund training for California companies who are facing direct competition from companies out-of-state. That made most sense around manufacturing. It's not clear that it's a meaningful distinction in a lot of places, but it creates a "priority position", if you can show that that's what you're facing. If you look at them sometimes, and I'm sure that staff struggles with this all the time, it's sort of a head shaker. What's the out-of-state competition? Are they competing internationally or in cyberspace? At some point, the Legislature is going to have to take a look at that in our statute and decide whether out-of-state competition is appropriate for determining priority of projects.

Mr. Rodriguez said, for future discussion, if we can align competition to California companies with workforce needs, both in the pipeline and skill development, there might be an exodus there. Mr. Knox said, I think that's a good point. One of the things driving towards the occupation issue is to identify what are companies struggling with the most, in filling an occupation.

Ms. Newsom said, staff has done a wonderful job in educating me on reviewing the proposals because I did have a little confusion regarding the post-retention wage and the employer costs for healthcare premiums, so thank you, Ms. Torres, I really appreciate your assistance on that matter. I do want to raise a broader concern about the number of occurrences where applicants are using employer share of health care premiums to meet the post-retention wage. This is applicable to the proposals that I pulled from the Consent Calendar. From my understanding, the provision of healthcare offerings to the workers is a self-certification process without inquiry or confirmation of the healthcare, or the quality of the healthcare being provided to the worker. Personally, I am well aware of the financial burden that some healthcare plans place on working families, whether it's high deductible, high out-of-pocket cost, too little coverage, or high premium. If applicants are using employer healthcare premiums to meet the post-retention wage rate, there should be some type of an assurance or certification that the worker is indeed receiving quality coverage and being placed into a better healthcare plan. And that's not going to be solved today, I recognize that. Mr. Knox said, that's a good point. Where I came from, out of the Workforce Investment Act, we didn't use that as wage indicator for many of the reasons mentioned. It's too difficult to understand how it is applied. It's different for families and individuals. It's also a quality issue, so we didn't use it. I think that we can have that discussion later.

Mr. Broad said, that actually leads into a broader question of the ETP minimum wage versus the state minimum wage. The ETP minimum wage has a different wage compression over the decades. There are only a few companies that come before us that meet the ETP minimum wage requirement, which is more of a livable wage measurement than a state minimum wage. There's a growing gap between the state minimum wage, which remains low, and the ETP minimum wage, which reflects inflation. That's going to change to some degree to abolish the distinction when we get to an index statement of minimum wage starting in 2023. In the meantime, the gap will continue to grow. So in part, it's an admission that we have a lower wage economy. Workers are earning less in California than they use to; that's the core problem. We obviously can't change that problem because we're not at that level of power. All we can do is try to train people to better themselves. But it is an issue, because our minimum wage is frequently out of sync with the average wages in the places where a large percentage of people who come to us for funding are asking for a wage modification.

There's also an additional question with the passage of the Affordable Care Act where everybody has to have healthcare. It's a different calculation because it doesn't reflect an employer election as much. And when an employer doesn't provide health care, that presents an even bigger problem. I don't know how to fix it, but it's worth discussing. Our system shouldn't be filled with what amounts to a fiction, where we're asking people to manipulate a fiction to reach a point of approval. Either we acknowledge reality, or we continue to pretend that it doesn't exist. As distressing as the reality may be at times, that's my comment.

Mr. Broad asked, do we need to take an action? Mr. Knox said, yes.

Mr. Broad asked, does anyone have any question about the funding priorities that Mr. Knox has set out?

ACTION: Ms. Roberts moved and Ms. Newsom seconded approval of the proposal for Funding Priorities.

Motion carried, 8 – 0.

XII. PUBLIC COMMENTS

Steve Duscha, Duscha Advisories

Mr. Duscha said, the issues that Mr. Knox laid out are good issues, and so are the Chairman's. I think it may be time to go back to the Legislature and try to clean this up, especially the wage issues and who qualifies for what. Also, what fixed fee do they qualify for - I can't keep up with it. It is time to simplify this and make it clear what we're trying to do. I would also like to urge you, as you go through priority settings in terms of the broader issues that you go back to the statute which has a very nice list of priorities including companies where there's joint bargaining labor management participation. That's in the statute. I've learned over the years that we should all go over the statute every four to five years and see what it is. I hope that these other issues will be flushed out and taken slowly because I don't agree with every single one of the directions where Mr. Knox is going, but as long as he allows us to object later on, I appreciate that. Thank you. Mr. Broad said thank you.

John Brauer, California Labor Federation

Mr. Brauer said, I have nothing to object to today. First of all, I want to say that when you have that discussion around the minimum wage, we can bring some resources to participate in that discussion to help the Panel and staff around that.

Second is, a year and a half ago, we provided you with a hard copy of some recommendations around the Apprenticeship Pilot. One of which was scheduling the pre-application and application process a couple of times a year. We hope that we can work with you on implementing that piece. From our end in what we brought forward, we fully believe that it will add predictability and it will be a benefit for our JATC coming in for application as well as for ETP.

We had a situation where it was kind of a "first come first serve process" in 2014, where some proposals that weren't based on performance ended up taking a cut. They were based on the funding situation at the time. This current year, we've had the situation of bringing in as many as 14 applications in April, but some of them didn't get dealt with until now. We would suggest that you have some kind of an application process, where it may look something like October through April for the pre-application, and May through August for the applications themselves. A lot of our apprenticeship programs operate close to an academic schedule, in that regard. It would help our apprenticeship coordinators, particularly the smaller ones, where funding is critical. It would give them a really good idea as to when their deadlines are, what they have to do in terms of ETP tasks, and invoicing dates.

I think it will also help with one of the goals that ETP staff gives to us: how do we help these folks with the application process for themselves in the future, and get them to become self-sufficient, as opposed to the Labor Federation and workforce strategies doing it. I think that will ultimately help them. I think for us, it would align in a way where I end up with a JATC where there is no work when the retention period piece kicks in, and it could be really

problematic for those folks on that end. I think that we can help with the process when you have a good idea of what the demand is. You presented earlier, in terms of the numbers of applications you have, but even that is not a full picture of what the demand is for the coming year. I think it will help when you emphasize how much resource you want at different parts of the year, to get those pieces in. I think even with the computer system coming online, this will be an even easier way to do this and help you from a staffing and workflow side of things.

Again, I think it's a great idea. I'm really glad that you're considering this and we would be happy to bring in, as we suggested in the original proposal, some of our JATC coordinators, for a conference call with your staff to help with the implementation.

Mr. Broad said, it seems to me that you guys are for it. I don't know why we can't direct staff to come forward with a proposal and do it on a pilot project basis. Then we can set it up to whatever they think will work. Frankly, in my own mind, I sort of wonder why we don't consider this type of formula instead of having them come in all year long on a "first come first serve" basis. If it works; maybe we can do it as a pilot project with the Apprenticeship Program, and then it's more predictable when it's on a regular schedule, although the rest of the ETP world isn't quite as predictable. Mr. Brauer said, but it's not in this case because you have the training and academic workflow.

Mr. Broad said, you're speaking for the consensus position among the Apprenticeship Program. I don't see why we would raise an objection, but there may be others that would disagree. Why don't we see if we can come up with something close to a consensus and see whether that will work and bring it back for discussion? Mr. Brauer said, that would be great. The California Labor Federation, state building and construction trade would be more than happy to work with you. Mr. Broad said, let's move forward on that. Thank you.

Larry Mandell, Training Refund Group

Mr. Mandell said, my first question is regarding the moratorium. Is that for the applications that are being submitted, or is that for those that are already in the system? Mr. Knox said, that would be for the applications that are in and going forward, because this will not take effect until FY 2016/17. Mr. Mandell said, so this are for the applications that are currently in the field stage. Mr. Knox said, it would affect the ones in the field because they would not be funded until June. This would affect the applications in the field now, unless the Panel wants to change that decision, which they have the authority to do.

Mr. Mandell said, there is one specific car dealership that's coming up and those are clients that I have brought in. Mr. Broad asked, is that for the salespeople or mechanics? Mr. Mandel said, it's from both sides. The Panel approved \$800,000 earlier today for sales training, and I'm trying to understand what's the difference between the sales training in the newspaper industry and sales in an auto dealership.

Mr. Broad said, we don't have the same consumer issues related to the sale of advertising by newspaper that there are by car dealers, mortgage brokers, banks, and others who can't seem to keep themselves out of controversial areas when it comes to their sales practices. I don't know how my fellow Panelists feel. It's a type of sales, and a type of situation. Our Panel felt particularly burnt around 2008 and 2009 when we were getting all kinds of applicants from the mortgage industry who were talking about all the wonderful things they

were doing for consumers, and then we open up the newspaper and find out that we were funding companies who were under significant investigation for their market conduct which practically brought down the United States economy. We are a little bit gun-shy when it comes to retail sales training for individual consumers, as opposed to the newspaper industry which is struggling how to change its whole entire model and survive. That is really quite a different story in a new market situation. That's my own personal view of it, but I don't know how the other Panelists feel.

Mr. Mandell asked, are you aware that the profit margin for new car sales rose to over 50% and the manufacturers are forcing the issue? Mr. Broad said, I don't know about that, but I do know that profitability in car sales is one of the most opaque things in the American economy. It's not quite clear how that profit works. Mr. Mandell said, most of the money is made in the repair department.

Mr. Broad said, we hear you and we can change this priority on a case-by-case basis if you can make a compelling argument with our staff that you've got a car dealership whose sales force needs training. Mr. Mandell asked, ethically? Mr. Broad said, in an ethical way that would meet our priorities, by all means, make an argument.

Mr. Mandell said, let me switch to the second portion, on the technical side of the service department. I've seen many applications approved. Mr. Broad said, the service department is entirely a different training. The technology on repairing automobiles, trucks, trains, or buses are quite different and I don't think we are covering that. Mr. Mandell said, it's a broad car dealership category. Mr. Broad said, I think what we're talking about is new and used auto sales. Mr. Mandell said, OK, thank you. Mr. Broad said, you're welcome.

Rob Sanger California Manufacturing and Technology Association

Mr. Sanger said, thanks to Mr. Knox for leading the review on all this and Mr. Broad as well. I have a few comments. The only thing I'd like for you to keep in mind with manufacturers is the investment they've made in California, the multiplier effect. The fact that they chose to be here when they didn't have to. Unlike a car dealer, I can take my car and fix it right down the street at Mel Raption Honda. I can't go to Nevada and do that; I have to be here in Sacramento. I think that it's important to look at the fact that manufacturers who chose to be here but keep their products in other states and other countries, that we prioritize that. I like that model that Go-Biz uses as to how projects are funded. They look at how you are adding to the California economy as far as the capital and job investment. Please keep that in mind and I'd like to thank the Panel for your consideration.

Mr. Broad said, thank you, Mr. Sanger. From my own personal observation over the years, there are "no-brainer" proposals - the ones that just looks really good when you open the page. And these are typically the single employer manufacturers for training in high wage, high-value added jobs. It just feels like a hand in a soft leather glove for ETP funding. I don't see any argument from the Panel that the manufacturing industry remains a priority. Mr. Sanger said, thank you.

Mr. Duscha said, I can't let the apprenticeship issue go. Mr. Broad said, OK. Mr. Duscha said, I want you to keep an open mind. I have done many apprenticeship projects and ETP's involvement in them has been very important, and I want to see that continue. However,

when you take any type of project, whether it's apprenticeship or anything else, and take it out of the basic ETP process, and you set up a system where you' spend a whole meeting or three quarters of a meeting with 10 or 12 apprenticeship projects, you're putting a target on the back of that whole policy and process. There are people who don't think ETP should be spending \$12M a year on apprenticeship. I have no problem with that, but when you start looking and treating it as a group that has an entitlement to money and giving it a special treatment all at once, you're asking for trouble. I've seen too much trouble over the years. I'm sure every one of you knows that administrative efficiencies pale in comparison to the political problems that could arise by focusing too much on anything, including apprenticeship.

Ms. Roberts said, I agree, only because I don't want to set up a precedence with what he said is seasonal. The manufacturing for the company I work for is seasonal as well. We had parts of the year where our volume was low and parts of the year where our volume was high. If you start looking at just one aspect, like the apprenticeship programs and set it aside differently than the rest of the other contracts, I would be apprehensive.

Mr. Duscha said, most of apprenticeship clients are training year-round. There are a few that stop for the summer, but less and less of that seem to be going on. Mr. Broad said, I understand your point. Although I would say as a practical matter, we are now budgeting by category. Single employer projects, multiple employer projects, apprenticeship projects; your point is well taken. You're saying let's not put a big target on the back of apprenticeship program. On the other hand, if it works as a matter of administrative convenience and efficiency, then maybe we ought to expand it. Let's not make it restricted to apprenticeship, because there's been a discussion as to whether ETP should go with this model. And there's always the argument that things are working fine, so don't monkey around with it, which I think would be your base argument. Mr. Duscha said, yes. I remain very cynical. I've seen ETP attacked many times over the years. There are many ways to make the ETP process simple for the apprenticeship.

XII. MEETING ADJOURNMENT

Ms. Fernandez moved and Mr. Rendon seconded meeting adjournment at 12:16 p.m.