



Employment Training Panel

Memorandum

To: ETP Policy Committee
Gretchen Newsom, Chairperson
Janice Roberts, Member
Rick Smiles: Member

Date: July 16, 2020

CC: Executive Staff
Peter Cooper, Assistant Director

From: Lis Testa, Policy Manager

Subject: ETP Policy Committee Meeting Agenda Item 4.b.
Proposal to Policy Committee Re: Non-Priority Participating Employers in MECs

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- I. Brief Issue Statement: At the May, 2020 Panel meeting, Panel enacted a moratorium on non-Priority Industry Single Employer contracts for FY 20/21. Single Employers (including Small Businesses) whose EDD assigned NAICS (North American Industry Classification System) code does not appear on ETP's listing of Priority Industry NAICS codes will not be granted projects this FY. The listing of Priority Industry NAICS codes can be found in our Regulations, code 4416(i), and on our website.

An exemption to this moratorium was granted to non-Priority Industry NAICS code companies who do appear on the COVID-19 Response Plan (including the COVID Pilot) as a Governor declared essential industry for expedited processing during eligibility and development. These companies will not be subject to the moratorium, for as long as the COVID Response Plan and Pilot are active.

The Policy Committee, at their June, 2020 meeting, approved bringing to full Panel for consideration extending the existing moratorium on non-Priority Industry companies to also include Participating Employers in MEC contracts.

- II. Background: If ETP adds the non-Priority Industry Participating Employers into the existing moratorium, this will affect a relatively small number of Participating Employers (12%), and a similarly small amount of trainees (7,000). This has the potential of also freeing up approximately \$7M in funding over the next few years, which could fund either Single Employer contractors or other Priority Industry Participating Employers in MECs.

Give the current economic recession, heightened level of demand for ETP's program, and reduced budgetary resources, expanding the existing moratorium to include non-Priority Industry Participating Employers, and further aligning our program with the priorities set by Panel, may be prudent.

Since the Policy Committee meeting held on 6/18/2020, staff has received additional comments from stakeholders regarding this issue, particularly in how this potential expansion of the moratorium may affect apprenticeship programs. A small number of registered apprenticeship programs have some Participating Employers that do not fall under Priority Industry NAICS codes (as most construction industry apprenticeship employers normally do). Therefore, an exception to the moratorium expansion for Participating Employers in apprenticeship projects was requested.

The Participating Employers in apprenticeship projects are slightly different from Participating Employers in other MECs. These Participating Employers are members of a training trust, to which they pay dues, which are used for the training costs of the DAS approved apprenticeship program that they operate. ETP determines the apprenticeship trusts to be the eligible contract holders, and as such, all of the paying members of the trust are considered eligible Participating Employers for these contracts (regardless of NAICS code). Additionally, apprenticeship projects are not reimbursed using the Priority Industry (\$23)/non-Priority Industry (\$20) reimbursement rate structure, but rather are reimbursed at an \$18 apprenticeship reimbursement rate, which takes into account additional Montoya funds that the apprenticeship programs receive.

Given these reasons, that the Participating Employers in apprenticeship programs are members of an eligible training trust, and that they are reimbursed at the lower apprenticeship reimbursement rate, staff feels that expanding the moratorium on non-Priority Industry companies to include Participating Employers in MEC contracts, with the exception of those non-Priority Industry Participating Employers in apprenticeship projects, is a reasonable request.

III. Recommendation:

Staff would like to know if Committee or stakeholders have any feedback or desire for more discussion on this item.

Staff would also like Committee to approve an amendment to the proposal they approved last month, namely: to expand the existing moratorium on non-Priority Industry companies to include non-Priority Industry Participating Employers within MECs, with the exception of any non-Priority Industry Participating Employers within apprenticeship projects.