



Employment Training Panel

Memorandum

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

Date: August 20,
2020

CC: Executive Staff
Peter Cooper, Assistant Director

From: Lis Testa, Policy Manager

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

-
- 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 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. After receiving a large amount of stakeholder comments, this issue was brought to the July, 2020 Policy Committee meeting for additional discussion, and is being presented again for you today.

- II. Background: Committee had requested some additional information on this item.

100B Form

Committee was interested in seeing what the 100B form would look like with an added field to identify Priority Industry status. The 100B form is a listing of potential Participating Employers that may be included in a MEC project. The 100B is submitted to Panel along with the rest of the MEC's Panel Proposal, and lists basic information about the potential

Participating Employer such as company name and location. It does not currently list Priority Industry status.

A draft version of the 100B with a Priority Industry identifier is attached. Please note that the actual NAICS code for the Participating Employer, which is how Priority Industry status is determined, is often not known by the MEC at this point in the contracting process, so the actual NAICS code cannot be included on the 100B.

Additional Funding Data

Committee requested some additional data figures over what the impact would be if non-PI PEs were capped at 10% of the contract value, or if they were reimbursed at the lower, \$18 reimbursement rate. Data below is based on the most recent contracting year with a high percentage of completed contracts, ET18 contracts. Given that this contracting year does still have some contracts that are still ongoing, the data is a slight underestimate.

Funding Earned Information:

Amount Earned by non-PI PEs in ET18: \$3,631,228

- Amount Earned by non-PI Apprenticeship PEs: \$1,001,760
- Amount Earned by non-PI MEC PEs: \$2,629,468

Therefore, if all non-PI PEs are included in the moratorium, approximately \$3.6M would become available for other PI companies. If non-PI Apprenticeship PEs are excluded from the moratorium, approximately \$2.6M would become available for other PI companies. This is a fairly substantial amount.

10% Cap Information:

FY 20/21 MEC Allocation = \$20M (10% cap = \$2M)

FY 20/21 Apprenticeship Allocation = \$20M (10% cap = \$2M)

Therefore, if all non-PI PEs are capped at 10% of funding, then a maximum of \$4M will be directed to non-PI PEs. If only non-PI PEs in MECs (not in Apprenticeships) are included, then a maximum of \$2M will be directed to non-PI PEs.

Given that in ET18, non-PI PEs in MECs (not in Apprenticeships) earned \$2.6M, applying this cap this year will only free up \$600K to become available for other PI companies. This amount is quite small.

Alternative Reimbursement Rate Information:

Average hours per trainee in ET18 non-PI PEs was 45 hours.

Number of non-PI trainees: 3,545

- Number of non-PI trainees in Apprenticeship projects = 637
- Number of non-PI trainees in MECs = 2,908

of trainees x average hours x reimbursement rate = funding amount

Non-PI Reimbursement Rate = \$20

Apprenticeship Reimbursement Rate = \$18

All non-PI PEs in MECs (not including Apprenticeship – already at \$18 rate):

$2,908 \times 45 \times \$20 = \$2,629,468$

$2,908 \times 45 \times \$18 = \$2,355,480$

Therefore, if we allow non-PI PEs in MECs and reduce their reimbursement rate to \$18, we'd only free up \$273K to be used by other PI companies. This amount is negligible.

Summary of Funding Made Available to PI Companies:

If moratorium is expanded to include non-PI PEs in MECs (not Apprenticeships): \$2.6M

If 10% of total funding cap is placed on non-PI PEs in MECs (not Apprenticeships): \$600K

If \$18 reimbursement rate is used for non-PI PEs in MECs (not Apprenticeships): \$273K

Additional Consideration

An additional thing to consider is how non-PI PEs that are attempting to qualify for Out-of-State Competition (OSC) funding using the 'manufacturing activities' appendix will be treated.

These companies have a non-PI NAICS code, but are manufacturing companies. They can qualify for OSC funding and for Priority Industry status (even with a non-PI NAICS code) by utilizing the 'manufacturing activities' appendix on the Certification Statement, where they describe their manufacturing activities. If qualified, staff provide a manual override, granting OSC and PI status to these companies.

When considering this population with regards to the non-PI moratorium, they can basically be handled in one of two ways:

- If they have a non-PI NAICS code, and the moratorium is extended to PEs, then they do not qualify under the moratorium; or,
- If they have a non-PI code and are using the first appendix to qualify for OSC as a manufacturer without a manufacturing NAICS code, then they can come in and be granted PI as well as OSC status, as they are currently. If they have a non-PI code and are using the other appendices (services/headquarters/call center/etc), then they cannot come in, since they are non-PI. (So this would be the only additional exception to the non-PI PEs in MECs).

RESPOND

An additional concern has surfaced over the possibility of non-PI companies appearing in RESPOND projects. The current moratorium on non-PI companies only applies to Single Employers, with the exception of non-PI SEs that are part of the COVID Plan and/or COVID Pilot.

RESPOND is ETP's program for addressing natural disasters. Staff would like RESPOND Single Employers and RESPOND PIs in MECs to be exempt from the moratorium on non-PI companies.

Single Employer Affiliates

Staff would like it clarified that the current moratorium on non-Priority Industry Single Employers also applies to affiliate companies participating in those contracts (excepting COVID Plan, COVID Pilot, and potentially RESPOND projects).

III. Recommendation:

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

Staff would like to know if Committee would like the PI status identifier to be added to the 100B form.

Staff would like to know which option Committee would like to implement for the PEs that utilize the manufacturing activities appendix on the Certification Statement, and for this option to be included in our motion request below.

Staff would also like Committee to move to Panel for full approval the following: 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, RESPOND projects, COVID Response Plan, and COVID Pilot projects, and for a motion on how to process non-PI PEs utilizing the manufacturing activities appendix on the Certification Statements. For Single Employers, staff is requesting to add RESPOND projects as exempt from the non-PI moratorium, and a clarification that non-Priority Industry affiliates are included in the moratorium.