



Employment Training Panel

Memorandum

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

Date: June 10, 2021

CC: Executive Staff
Reg Javier, Executive Director
Peter Cooper, Assistant Director

From: Lis Testa, Policy Manager

Subject: ETP Policy Committee Meeting Agenda Item 4.b.
Discussion Item Re: Small Business

I. Brief Issue Statement:

ETP defines Small Businesses (SBs) as businesses with 100 or fewer employees in California, and with no more than 250 employees worldwide.

Small businesses have experienced special hardships over the past year and half during the COVID pandemic.

Panel has expressed the desire to look at what kinds of incentives or benefits we can provide to help the state's small business population recover from the negative effects of the pandemic. This memo will explore a few potential options.

II. Review and Options:

Per ETP's Annual Report, one of our Goals & Objectives, as relates to small business, is to provide support for small businesses by 1) improving outreach to small businesses through partnerships; and 2) to build strategies to guide small businesses towards MECs to improve efficiencies. In the last full FY (FY 19/20), we served nearly 2,000 small businesses with 100 or fewer employees, the vast majority of which were included as Participating Employers in MECs, rather than holding their own individual contracts.

The push to include SBs in MECs has been continuing for the past few years. There are some advantages to this: SBs can choose training from MECs in their geographic areas; SBs often are intimidated to contract directly with the government themselves, so participating in a MEC contract provides them with subsidized training without having to take on the full administration of their own ETP contract – something for which they may

or may not have staff able to devote to; ETP analysts can then expend their time on developing more MEC and larger Single Employer contracts – and each contract, regardless of business size, requires a similar amount of time and energy to develop.

We can continue to direct small businesses to relevant MECs, thus continuing the benefits outlined above. One note about this strategy is that, if all or most SBs are funneled into MECs, then the number of SBs that we serve on an individual basis will remain quite low, and some SBs will not be able to find the types of training they require, if MECs in their geographic area are unable to provide it.

So for those SBs that are holding their own individual contracts, how can we better serve them? Here are some possible ideas

- Provide expedited processing during eligibility and development – meaning, SB preliminary applications will move to the front of the line in AAU for eligibility and in the Field Offices once received there for development;
- Give SBs a higher reimbursement rate. SBs are currently at our highest reimbursement rate of \$23/hour. We could create a higher reimbursement rate just for small businesses... perhaps at \$25/hour.
- Create some kind of streamlined process or Pilot for Small Businesses. This could include things like:
 - o A shortened or streamlined application;
 - o A more limited or a set curriculum framework: ie including basic curriculum topics that could be useful to all businesses, such as customer service, basic computer skills, etc... so that the applying SB would basically be applying for a basic skills training for their employees. This can cut down on staff development time, as well.

Note that things such as wage and retention requirements, in-kind contribution levels, etc. are codified in our Regulations and are not truly able to be adjusted.

Also, we do already serve owners of SBs in other ways, for example:

- The MEC Entrepreneurial Contract is for small business owners, exclusively.
- Small Business owners are also allowed to participate in their ETP contracts (whereas in normal contracts, owners are not considered to be frontline staff, and would not be able to participate). Some other restrictions apply (ie: must be SET funded, etc.).

Lastly, there is a strong possibility that ETP will receive additional funding from the Legislature, which will be confirmed once they finalize next FY's budget, much of which will be devoted to small business development. This funding will give us the opportunity to develop a program that meets the requirements of the legislation and allows us to

serve the small business population in a more expansive way, most likely through MEC contracts, especially with the Community College system.

III. Recommendation:

Staff would like to know if Committee or stakeholders have any feedback or desire for more discussion on these items. No action is needed.