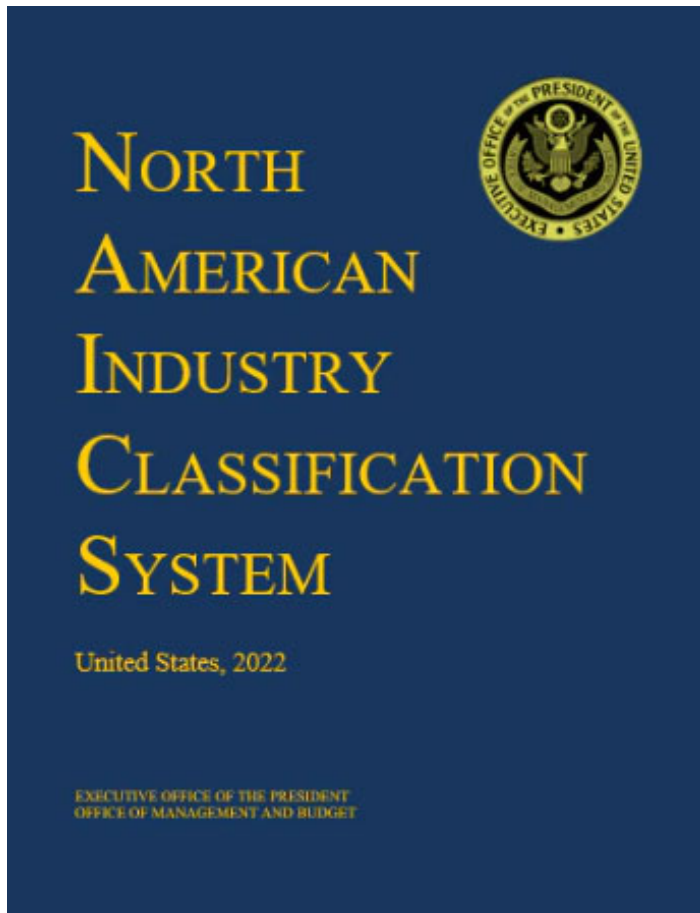# ETP Priority Industry Recommendations
Fiscal Year 23/24

April 18, 2023
Policy Committee
Meeting

NAICS and ETP Priority Industries

June 2022 Panel

- Background on the North American Industry Classification System (NAICS)

- ETP current process and how NAICS are utilized

- 2022 NAICS codes revisions

- Requested panel to approve new codes in current designations as priority

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM

United States, 2022

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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Panel - NAICS and ETP Priority Industry

- The 2022 revisions analysis prompted
  - Re-evaluation of ETP's current Priority Industry Designation process
  - Goal is to adapt to industry changes
  - Benefit California Businesses and Employees

- Ways to approach
  - Collaborate with sources outside of ETP
  - Identify industries key to the State's economic health
  - Return back to panel with new recommendations

What is North American Industry Classification System (NAICS)?

- Developed as the standard for use by Federal statistical agencies
  - Designed to classify businesses when collecting, analyzing, and publishing statistical data about the United States economy.

- It's a numerical coding system where the first two numbers of the codes designate the economic industry sector. The remaining digits are comprised of the Industry Groupings and National Industry subsectors.

  - Meaning that it groups business establishments into industries according to similarity in the processes used to produce goods or services.

- Every 5 years there are potential revisions to keep pace with the changing economy.
  - Most recent NAICS revision was released in 2022.

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ETP Current Priority Industries

The Panel designates certain industry sectors as Priority Industries.

Employers that are determined to be within a designated Priority Industry may obtain benefits such as a higher reimbursement rate or a lower wage requirement, with Panel approval on a case-by-case basis.

- Agriculture
- Healthcare
- Biotechnology and Life Sciences
- Construction
- Green/Clean Technology
- Goods Movement and Transportation Logistics
- Information Technology Services
- Manufacturing/Food Production
- Multimedia/Entertainment
- Technical Services

* NAICS groups establishments into industries according to similarity in the processes used to produce goods or services. These are identified in 2-digit codes, 3-digt subsectors, and 4-6-digit industries.

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Background

- ETP reviews applicants' NAICS codes to determine:
  - If the NAICS code is designated as an industry being threatened by out-of-state competition;

  - If an Employers' NAICS code is a Priority Industry code:
    - May be provided a higher reimbursement rate than the standard rate
    - May be provided a lower required wage for SET projects as mentioned in the previous slide

  - Or when ETP has a moratorium on specific industries, the NAICS code will determine an employer's eligibility to apply for ETP funding.

ETP Legislation and Regulation Statutes

Under the Unemployment Insurance Code, the Legislature finds and declares that the panel must identify priority industries to promote a healthy labor market in a growing, competitive economy.

ETP Legislation

❖ 10205(b)(2)

❖ 10205(d)

❖ 10214.5(b)

ETP Regulations

§ 4405(a)(4) Funding Limitations

§ 4409(a)(3) Special Employment Training Projects

§ 4409(a)(6)(A) Special Employment Training Projects

§ 4451(f) Alternative Funding Source

https://etp.ca.gov/legislation-regulations/

What we know?

- ETP priority designations have had an informal process and have remained unchanged over the years

- Designations were based on executive level review of the current state of CA and Governor's Office Administration initiatives

- ETP Industry Names do not match Bureau of Labor Statistics (BLS) NAICS classifications due to some of those Governor's Office Administration initiatives
  - ETP 'Multimedia/Entertainment' priority initiatives includes some 'Information' NAICS industry sector codes
  - ETP 'Green/Clean Technology' priority initiatives encompass various NAICS sectors

Collaboration Efforts

ETP is collaborating with EDD's Labor Market Information Division (LMID)
- Gain insight on labor market information and trends
- Enhance ETP's ability to categorize industry sectors throughout the State.

Analyses to include:

- Economic summaries on business establishment and job trends within NAICS major 2-digit sectors and 3-digit subsectors

EDD-LMID Presentation - Brandon Hooker

ETP Factors to Consider

- ETP Legislation and Regulation statutes
  - Manufacturing
  - Keeping pace with ebbs and flows of economy

- California Governor/Administration Initiatives
  - Climate Change, Clean Energy, Mining, Gun Control

- LMID qualitative and quantitative analyses and insight of NAICS industries and codes
  - Industry Employment Trends - job growth patterns
  - Business establishments and wage trends

ETP Current Priority Industry NAICS codes compared to recommended NAICS Codes

2 Digit	Current ETP Priority Sectors	NAICS Industry Name	ETP Current PI Codes	Recommended Changes	Industry Business Establishment Types	Total number of code changes
11	Agriculture	Agriculture, Forestry, Fishing and Hunting	111110-111998		Crop Production	0
21		Mining, Quarrying, and Oil and Gas Extraction	None	212210-212390	Mining (except Oil and Gas)	12
22	Green/Clean Technology	Utilities	All		Utilities	0
23	Construction	Construction	All	237120	Oil and Gas Pipeline and Related Structures Construction	-1
31-33	Manufacturing/Food Production Biotechnology and Life Sciences Green/Clean Technology	Manufacturing	All	332992-332994	Small Arms Ammunition Manufacturing	-3
42	Goods Movement and Transportation Logistics Green/Clean Technology	Wholesale Trade	423860 423930	423110-423990 423610-423850 423910-423920 423940 423990	Merchant Wholesalesers, Durable Goods	34
44-45	Retail	Retail Trade	None	None		0
48-49	Goods Movement and Transportation Logistics Green/Clean Technology	Transportation and Warehousing	481112 481212 482111-482112 483111 483113 483211 486110-486990 488111-488390 488510-488991 492110 493110-493190	484110-484230 486110 486910	Truck Transportation Pipeline Transportation of Crude Oil Pipeline Transportation of Refined Petroleum Products	9 -2
51	Information Technology Services Multimedia Entertainment	Information	512110-512120 512191-513210 516210-518210 519290	512131-512132	Motion Picture and Sound Recording Industries	2
52		Finance and Insurance	None	523150-523999	Securities, Commodity Contracts, and Other Financial Investments and Related Activities	7
53		Real Estate and Rental and Leasing	None	None		0
54	Technical Services	Professional, Scientific, and Technical Services	541310 541330-541340 541360-541370 541380 541511-541513 541614 541620-541715	541320 541350 541519 541720	Architectural, Engineering, Computer Systems Design, Scientific Research and Development Related Services	4
55		Management of Companies and Enterprises	None	None		0
56	Green/Clean Technology	Administrative and Support and Waste Management and Remediation Services	562910-562920			0
61		Educational Services	None	None		0

ETP Current Priority Industry NAICS codes compared to recommended NAICS Codes

2 Digit	Current ETP Priority Sectors	NAICS Industry Name	ETP Current PI Codes	Recommended Changes	Industry Business Establishment Types	Total number of code changes
62	Healthcare	Health Care and Social Assistance	621410-621910 622110-623990	621111-621399 621991-621999	Ambulatory Health Care Services	13
				623110	Nursing Care Facilities	
				624110-624190	Individual and Family Services	
71		Arts, Entertainment, and Recreation	None	711110-711510	Performing Arts, Spectator Sports, and Related Industries	11
72		Accommodation and Food Services	None	722310-722515	Food Services and Drinking Places	8
81	Technical Services Green/Clean Technology	Other Services (except Public Administration)	None	812111-812199 813311-813319	Personal Care Services, Social Advocacy Organizations	8
92		Public Administration	None	None		0
		Total	526	102		102

Industries

ETP Industry Names do not match NAICS classifications (BLS)

Recommendation: Adopt NAICS database named definitions when designating any industry as an ETP priority industry

ETP Priority Industries
Agriculture
Healthcare
Biotechnology and Life Sciences
Construction
Green/Clean Technology
Goods Movement and Transportation Logistics
Green/Clean Technology
Information Technology Services
Manufacturing/Food Production
Multimedia/Entertainment
Technical Services

Sector	NAICS Definition
11	Agriculture, Forestry, Fishing and Hunting
21	Mining, Quarrying, and Oil and Gas Extraction
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Educational Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

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Summary

Recommendation:

1. Keep ETP's current Priority Industries, and adopting LMIDs recommendations, minus some codes that don't align with ETP legislation or Governor Office Initiatives

    ❑ 102 NAICS code changes

        ➤ Adding 109 to Priority Industries

        ➤ Removing 7 existing Priority Industry designations

2. Renaming ETP Priority Industry names consistent with NAICS database names

Future: Keep this process each year and refine to continue to target key industries in CA.

Questions/Comments

Staff would like to know if the Committee Panel or stakeholders have any questions or desire for more discussion on these items. Staff also requests approval to move this discussion item to panel for approval to adopt new NAICS codes as Priority Industry NAICS codes and Industry name change.

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