



Employment Training Panel

Memorandum

To: ETP Policy Committee
Gretchen Newsom, Chairperson
Rebecca Bettencourt, Member
Rick Smiles, Member

Date: June 20, 2024

CC: Executive Staff
Jessica Grimes, Executive Director
Peter Cooper, Assistant Director
Jaime Gutierrez, Chief Deputy Director
Tara Armstrong, Deputy Director

From: Affiliates Workgroup
Michael Cable, Staff Attorney
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Willie Atkinson, Assessment and Program Division
Manager
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Subject: ETP Policy Committee Meeting Agenda Item: Affiliates

I. Brief Issue Statement:

The general definition of an affiliate is “another business that has a commercial relationship with a single employer, including a parent or subsidiary.” Historically ETP has allowed for affiliated companies to participate together in a Single Employer Contract (SEC). SECs are not intended to train many trainees from a group of employers and ETP developed limitations on affiliate participation. The topic of affiliates has been discussed in previous Policy Committee Meetings, however newly appointed Panel and Policy Committee members have expressed interest in the topic so it is being brought back for further discussion. Since no policy has been developed to date, discussion around affiliate participation in SECs is appropriate.

II. Background Information:

Limitations:

In April 2018 ETP implemented the following limitations around the number of affiliates participating in a SEC:

- The number of affiliated companies in a SEC is limited to two (2).
- The number of affiliated companies in a SEC healthcare project is limited to 12.

Healthcare projects were given a higher number of participating affiliates due to the organizational structure of many community hospitals and clinics which are routinely purchased by conglomerates in order to manage operating expenses.

Definitions:

ETP Regulation 4400(II) defines **Contractor** as the following:

The individual or entity responsible for satisfying the duties and obligations set forth in a contractual agreement with ETP for training cost reimbursement.

The Contractor may be an employer or group of employers. The Contractor may also be a training agency; a local Workforce Investment Board; or, a grant recipient or administrator under the Workforce Investment Act of 1998 as further defined at Unemployment Insurance Code Section 10205(c). The agreement may be in the form of a Single Employer Contract (SEC) or a Multiple Employer Contract (MEC).

ETP Regulation 4400(j) defines **Group of Employers** as the following:

- (1) two or more employers which combine efforts to form a consortium in order to meet the common training needs by specific occupational categories or address common training needs based on industrial trends, and/or
- (2) two or more employers which combine efforts whereby the primary employer assumes liability for the Panel contract, with secondary agreements between the primary employer and the supplier employers (or both the primary employer and the secondary suppliers contract with the Panel), and trains the employees of one or more of its suppliers due to the special and unique needs of the primary employer, and/or
- (3) a professional association, trade association, or joint apprenticeship training committee and/or
- (4) any economic development corporation which has been in existence for more than one year and whose Board of Directors is composed of a majority of California employers eligible to participate in a Panel funded agreement. The Board of Directors must approve the Panel agreement.

III. Discussion Points

ETP would like to solicit feedback and suggestions on affiliate participation in SECs. Discussion items include the following, however ETP is open to all feedback and suggestions around affiliates:

1. How to properly identify/define an affiliate?
 - California Employer Account Number (CEAN)
 - Federal Employer Identification Number (FEIN)
 - Secretary of State (SOS)
 - Some other criteria
2. How to determine what companies are affiliates of each other?
3. Limit the number of participating affiliates on a SEC?
 - Should Healthcare projects be allowed a different limit?
4. Do not allow any affiliates on SECs and have them apply as a MEC?
 - Who would be the main Contract holder? Parent Company?
 - Could the Contract holder train their own employees?

Please submit all affiliate feedback and suggestions to the email below before COB July 19, 2024*. The Affiliate Workgroup will review all emails and return to a future Policy Committee Meeting with recommendations for further discussion.

Affiliate suggestions/feedback email: ETPComments@etp.ca.gov

*email address will be inactivated after July 19, 2024

IV. Recommendation

No action items beyond soliciting and receiving any feedback and/or suggestions via the email address provided above from the Policy Committee, contractors, stakeholders, and public concerning affiliate participation in SECs.