

Senate T&E Committee
February 27, 1991
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SENATE LEGISLATIVE COMMITTEE
ON TRADE AND ECONOMIC DEVELOPMENT

February 27, 1991Hearing Room 343
3:00 P.M.State Capitol
Salem, OR

Tapes 33 - 34
Unemployment Insurance Taxes for Job Training (LC 2114)

MEMBERS PRESENT: SEN. WAYNE FAWBUSH, CHAIR
 SEN. SCOTT DUFF
 SEN. JEANNETTE HAMBY
 SEN. JIM HILL
 SEN. PEG JOLIN
 SEN. EUGENE TIMMS

MEMBERS EXCUSED:

STAFF PRESENT: JOSEPH CORTRIGHT, EXECUTIVE OFFICER
 TAMIRA MILLER, POLICY ANALYST
 JERI CHASE, OFFICE MANAGER
 HOLLY BROWN, COMMITTEE ASSISTANT

WITNESSES:JAMES BRATT, ASSISTANT DIRECTOR, CALIFORNIA
EMPLOYMENT TRAINING PANEL

NOTE: These minutes contain materials which paraphrases and/or summarizes statements made during this meeting. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 33, SIDE A

000 CHAIR FAWBUSH convenes the meeting at 3:17 p.m.

007 TAMI MILLER: Submits Draft of LC 2114 (EXHIBIT A).

027 JAMES BRATT: Submits "Employment Training Panel: Annual Report" (EXHIBIT B). The Employment Training Panel is a cooperative business labor program that helps business and labor develop training that strengthens the state economy. It helps workers learn skills they need to stay employed and support themselves and their families. We do have problems dealing with the chronic unemployed. We work on a fixed fee performance contract. We can train no individual for more than

18 months and a minimum of 100 hours of training. There are four basic requirements in the contract. First, job specific training. Secondly, we require placement in a job utilizing the skills. The third item is retention for 90 days after training as a benchmark for final payments. The last requirement is accountability requiring contractors to identify and quantify the successive training and its impact on the economy. We advance money to non profits and governmental entities of 15% maximum or two months operating expense. We are required to hold 25% of any contract until the completion of the contract. If these four things are not done then all of the money is due back to the state. The panel can contract with employers or groups of employers, training agencies, private industry councils and grant recipients. Our statutes require that when a union represented employee will be trained that, that union must participate with the project and must so state by a letter to the panel. First priority is the new hire, an individual who is eligible to receive unemployment insurance benefits or has exhausted benefits within the last 24 months. Small business is our second priority, a retraining priority. The third is jobs threatened by increased competition from outside of the state, retraining of an existing employee. Our fourth priority is all others. We do interact with the service delivery areas and the private industry councils. We work with our community colleges putting together consortiums of small businesses to provide training to their communities of small businesses. The panel was not placed within a department because it is considered economic development and to a degree social development.

172 CHAIR FAWBUSH: How much do you spend in each category?

175 BRATT: 35% is for retraining. 37% is to new hires. New hires are more expensive.

189 CHAIR FAWBUSH: You retrained a lot of people but your new hires weren't that great in comparison. Is that generally the case?

190 BRATT: There are a couple of rationales for that. The rate of unemployment drives the cost of your unemployment training program. In '83 we were training about 80% new hire and 20% retraining. By '86, due to the economic transition that took place, we were retraining 80% and only 20% was used for new hire.

243 CHAIR FAWBUSH: How do you work with the other firms?

245 BRATT: Our laws are so different that the people that we can help is almost in a strata that is separate from JTPA. We meet monthly with the managers of the other services to discuss who we are helping. There are 7 appointed members of the panel, 3 governor's appointees, 4 legislative appointees and two

assistant directors who are appointed at the Governors pleasure. The panel is a separate state body.

Funding comes from 1/10th of 1% tax on employers who are subject to the unemployment insurance taxes in the state of California. That equates to \$7 an employee per year.

In terms of revenue we are earning from \$60 to \$78 million per year. Our administration program is capped at 15 % of the tax collected and is currently running at about 11%.

400 SEN. HAMBY: I noticed a variance in cost between trainees. Why are some more expensive?

TAPE 34, SIDE A

015 BRATT: The training is done by the employer and their costs vary depending on the type of training being done.

024 SEN. HAMBY: Would it help you to go to a competitive bid?

029 BRATT: One of the guidelines given to us by the legislature is not to do a competitive bid. We have moved to a system of asking businesses to go to a three bid system, which makes employers more aware of what is available to them.

040 SEN. J. HILL: Walk me through your process.

049 BRATT: We do not interact with the trainee. The employer comes to the panel, identifies the need in training, the skills in training, the training entity if it is not itself doing the training, the amount of training and who must be retrained. They must certify that the person will be displaced without the training. They must provide us with a business plan. For new hires the employer comes to us, identifies the need and how they will provide the training. We go out and find those individuals that meet the certification requirements of our program. That is done by placing a job order, putting out flyers and a unique system of notifying people within the zip code area of the employer. The contractor screens the individuals, we look at the screening mechanism to keep it from being discriminatory. The employer brings the individual in, they may employ the individuals and train them or train them and then place them.

101 SEN. HILL: If they already had a job they are likely to stay with the company they were with. You pay the company to train their own worker.

117 BRATT: We only pay for certain things.

122 SEN. HILL: How many people that are trained get an increase in wages?

127 BRATT: There was a significant increase in wages.

155 SEN. TIMMS: How do you get the word out to small business?

169 BRATT: On an individual basis it is almost impossible. We have a small business coordinator in each office to do this.

231 SEN. TIMMS: Do you know what percentage of small businesses belong to associations?

233 BRATT: No.

241 SEN. TIMMS: Very few small businesses belong to associations and it concerns me that the big businesses might benefit and get bigger while the small businesses go unnoticed.

265 CHAIR FAWBUSH: Did you get a variance on the wage for agricultural workers?

280 BRATT: I think that project is at the average wage.

287 SEN. JOLIN: You have trained or retrained 99,000 people. What is causing the increase in recent years of the success of this project?

307 BRATT: This says something about the state of California's economy. The effect on the unemployment trust fund is a reduction of benefits drawn in the future.

335 SEN. JOLIN: Where, in terms of area, are your greatest numbers of job losses and where are your greatest needs to retrain?

346 BRATT: In Northern California in real numbers, due to the loss of timber industry and some minor businesses, have caused as much stress as it does in Southern California. In Southern California we are having a shift of the work force due to the defense industry and defense related organizations closing down.

426 SEN. JOLIN: Has the Silicon Valley leveled out?

428 BRATT: Yes. There is a degree of loss in that economy.

446 SEN. JOLIN: When you started this program what response did you get from the business sector?

TAPE 33, SIDE B

024 BRATT: The business sector was primarily represented by the tax payers associations, the chambers and major business associations in California. They all saw the benefit to the future of California. The employer community has dictated what we spent our money on. That is why there has been a change in the organization in terms of appointments to the panels. The panel is now taking a new direction getting much more involved in setting up its policies being more specific and giving us good direction for the panel.

065 MILLER: LC draft 2114 is based on their program as we had account of it from about six months ago, so they have made changes that are not reflected in our draft but we will bring those into what we have.

071 SEN. TIMMS: You haven't really affected anybody's unemployment checks in this program, are people receiving less in their unemployment checks?

080 BRATT: No, they have been receiving more.

094 MILLER: Submits "Employment Training Panel: Update" (EXHIBIT C). Presents Employment Training Panel newsletter (EXHIBIT D).

101 MILLER: Could you talk about the lack of duplication between yourselves and JTPA in regard to dislocated workers?

112 BRATT: Dislocated workers under JTPA would also qualify in part with our own program. We attempt to expand the use of our monies. We use the limited monies in JTPA to do those functions that we cannot pay for (assessment center, assessing need and job skills) JTPA then becomes a referral into our program. We run tangent programs.

124 MILLER: One of the things that distinguishes the JTPA client from trainees that can be served by the California program is that for the California program you must be eligible for unemployment insurance. The long term unemployed are not eligible.

136 BRATT: We have set aside funds for demonstration projects which allows us to vary the eligibility requirement.

153 SEN. HILL: How does the program work in transitional situations like our timber situation?

160 BRATT: We trained individuals in a car industry to get jobs when their plant closed down.

177 SEN. HILL: In their own communities?

180 BRATT: Yes, but the jobs have to be there. Retraining is an effort to keep the employee from leaving.

184 SEN. DUFF: Do you have a geographical distribution system for these funds?

189 BRATT: No. Our statute says that we will not distribute geographically.

203 SEN. HAMBY: How long would you project it would take California to move to modern telecommunication?

211 BRATT: There are some companies that are doing telecommuting. I think

the government will have
to show people that it will work.

249 SEN. TIMMS: How do you implement the administrative processes?

254 BRATT: We have regional offices. Mostly we go to the employers who
want to propose projects. We
have 80 staff, 40 are dedicated to development, 15 are dedicated to
monitoring process, and the
remainder is our head quarters operation doing the fiscal end.

355 SEN. DUFF: How much do we collect each year in unemployment trust fund?

363 MILLER: I think we collect about \$300 million so 1/10 of 1% of that is
some \$3 million.

424 CHAIR FAWBUSH adjourns the meeting at 4:44 pm.

Submitted by,

Jeri Chase
Office Manager

EXHIBIT SUMMARY

EXHIBIT A - LC draft 2114, submitted by Tami Miller, pgs. 6.

EXHIBIT B - "Employment Training Panel: Annual Report", submitted by James
Bratt, pgs. 80.

EXHIBIT C - "Employment Training Panel: Update", submitted by Tami Miller,
pgs 10.

EXHIBIT D - Employment Training Panel newsletter, submitted by Tami Miller,
pgs 6.