



New Jersey State Employment and Training Commission

Dennis M. Bone, *Chairman*

Chris Christie, *Governor*

State Energy Sector Partnership Council (SESP)

**July 31, 2012
Meeting Minutes**

I. Welcome & Introductions - Dennis M. Bone, Chairman, New Jersey State Employment and Training Commission (SETC)

The July 31, 2012 meeting of the State Energy Sector Partnership Council (SESP) was called to order at 8:35 am. Chairman Bone welcomed everyone and thanked Sally Nadler and PSE&G for hosting the meeting. Introductions were made around the table. The draft minutes of the April 12, 2012 meeting were introduced. A motion was made by Robert Santare and seconded by Gary Finger to approve the minutes. The motion passed unanimously by voice vote. The minutes of the April 12th meeting were approved. Chairman Bone reviewed the agenda.

II. Regional Updates – Maureen O’Brien-Murphy, LWD; Eileen Higgins, Monmouth WIB (Central NJ Region)

Maureen O’Brien-Murphy presented the updates for Kathy Weaver, Northern NJ Region and Dante Rieti, NJ Southern Region as both were unable to attend the meeting.

For the northern region, Ms. O’Brien-Murphy reported there is one on-the-job contract with a company from Clifton, NJ and in contact with another in Dover, NJ. They have been working with the Lieutenant Governor’s office regarding engaging some out of state companies and utilizing the SESP funds if those jobs come to fruition. They have expended \$5800 of their \$500,000 contracted funds to date.

Ms. O’Brien-Murphy reported the southern region has two on-the-job contracts for this last quarter, with vendors in Cumberland County. The southern region has invoiced \$15,000 against their \$500,000 contract. Ms. O’Brien-Murphy reported that both the northern and southern regions have hired staff that will be handling business outreach and marketing for their respective regions.

Chairman Bone asked if there was any indication of what was in the pipeline. Executive Director Horst reported she had a conversation with Cumberland/Salem WIB Director Christy DiLeonardo who advised that the southern region is working on a program with the hospitality industry in the southern counties. Additionally, there have been talks with the advanced manufacturing talent network for a program with Cumberland County College for the southern manufacturing industry. There are other activities developing, but details are not fully available at this time.

An SESP member indicated they have also had conversations with the southern region and their partners at Salem Community College in supplementing the nuclear energy technology degree program. The specific training program would be based around a math boot camp to assist the graduates refine and refresh their math skills to enable them to pass pre-employment tests for nuclear workers in the Salem plants. These conversations have just begun and look promising.

Chairman Bone spoke about the challenge of the grant timing. He indicated the window is closing. Most of the funds are committed, but not billed against. The time is rushing out quicker than the money is rushing out to the programs we have.

Eileen Higgins gave an update for the Central Region. The Central Region has been relatively successful in the on-the-job training program. There are 50 planned OJT placements with 11 contracts in place and 2 in the pipeline since May 2012. IN addition to the SESP staff person, the region has a relatively new state business service representative going out and meeting with businesses as well.

The Central Region has not been as successful on the classroom side with only four people to date placed in training. Mercer County Community College is working to develop the curriculum for a September start date for classroom training. Staff has been participating in many meetings, marketing and participating with the other regional partners as well. There is a lot of activity, but not expending the money. More time would definitely be beneficial.

Chairman Bone asked members for any suggestions to improve the situation. One member commented that some of the stagnation may be linked to the solar industry in New Jersey. Since the solar energy policy was signed last week there may be an opportunity to reinvest in solar in New Jersey. The first phase of this policy may be a time for the market to level out bringing more investment and utilization of the training programs available through this grant. Chairman Bone commented this is a great point because when this grant process began all the incentives were directed to the solar industry, council members agreed. The market became flooded driving the price down causing things to be very flat for a period, but now companies are looking to expand and continue to grow.

Chairman Bone raised the issue of timing and commented that at the time of grant application in 2009 it was forecasted that significant job growth would ensue in NJ's Renewable Energy market. The solar capacity outlook was optimistic and the need for trained workers to deploy that technology. However, evident by the minimal job growth and dis-interest from employers on the training demand, that forecast did not occur. There will be future growth, but not immediately. It may take a year or more.

A member asked if, because jobs are not available, we will continue training and wait for the jobs. This could be out some time and if we don't get the extension our report will look poor. There is not a lot of hiring going on in Burlington County and the unemployment rate just went up another point. There is not a lot of hiring going on. We can train people and wait for the jobs to come if we think it will take that long of a cycle. There is much concern about placing people after training. Where are the jobs? Additionally, as far as the private companies using the community colleges as training providers, we just went through one of the busiest season in years for HVAC. They were supposed to start their training this week. It will be a couple more weeks because they are so busy. Their people are working 12 hours and Saturdays and Sundays. This unexpected situation, along with businesses being flat, creates less optimism in the job market then when we received this grant. Chairman Bone asked if we should continue to train the unemployed even if there is no job on the end of the training.

Chairman Bone asked Ms. Higgins what sort of timeline she would need to fully commit the \$500,000 for the central region. She responded they will need at least until June of 2013. We need people in the classroom by September or they will not be finished by the end of this current grant. If we received the extension to June there would be two and possibly three cycles of classroom training. If we do get the extension, what is your confidence level that you will expend the \$500,000? Ms. Higgins indicated her confidence in spending the dollars is low. It is extremely difficult to get this done. Of all the people who have had the classroom training, we have only four placements. There are a lot of little ripples. On-the-job training is improving. There is a solar company in our region that is currently re-hiring. So we may be able to have some on-the-job training there. There are potentially 20 people who would receive a twelve month training/certificate program in Mercer that we are waiting approval to have shortened to eight to ten weeks.

Chairman Bone asked if there was any improvement or optimism in the building trades. The trades are still slow. Projects in the energy field are being pushed back and delayed. Building trades continue to train in green technology and almost every trade has an energy/conservation/solar/green piece that members are being trained in. The trades need the jobs for training. The theory of training a workforce and waiting for the jobs doesn't work that well. New apprentice numbers are down in the trades and building trades unemployment is between 30 and 40%. Insulators received a grant a few years ago. Members who were out of work were trained and there were some good results in placement.

The insulators trained and invited contractors and engineers to come in to try to curve the industry. The insulation industry can do an evaluation, not a BPI on the building envelope, but on the mechanical insulation. This evaluation shows how much an owner can save with energy costs and pollution. The presentation is a win-win, but the corporations, plant and building owners are not buying into the idea.

Chairman Bone asked if incentives are still in place at the BPU, and are they robust. Incentives are still in place at the BPU. They just completed a lighting program to retrofit lighting in older schools. It was a \$6 million program that was completed quite quickly because there was so much participation. The key is outreach and marketing. The HVAC industry is quite busy and don't have time for training during this peak period. Members commented this is the worst economy they've seen. Any tick-up in work is being covered by overtime. There is no hiring. Companies are not spending money. There are too many uncertainties regarding taxes, health care and other issues. Rutgers is working with the BPU on the energy master plan. It is a good plan, but it needs policies in place to incentivize the industry to increase jobs.

Chairman Bone commented that three or four years ago when we started this process there was a lot of energy and thought about all the potential demand, especially on the renewable energy side. We received a grant based on a forecast of a lot of jobs being created. Now here we sit with not a lot of good news. How can we spend this money in a responsible way? What is the reality check at the federal level? The Chairman advised that everyone is having the same problem. Since we received the grant, New Jersey was the number two state in the country in solar installation. Now the policy is catching up and will hopefully eliminate the oversupply and stabilize the market. This will take time for the policy to find its way into implementation. This makes good sense for a business case for an extension. We have some really substantial business reasons to try for an extension.

A member asked if the incentives that came from the BPU assisted in flooding the market. The response to those incentives was so great they ran out of money. This brings the public policy issue to the forefront.

Chairman Bone's observation of the situation is basically this area at the federal level has become a political football. The challenge is that they are demanding accountability for the dollars. They demand training where there is a job at the end. They don't want to be accused of wasting billions of taxpayers' dollars.

III. SESP Updates

1. USDOL - Grant Status - Michele Horst, Executive Director, New Jersey State Employment and Training Commission

We have a draft letter into our program manager for a no cost extension for the maximum allowable through June of 2012. That will not be acted upon until the results of a second monitoring next week. Our program manager and someone from Washington are coming in next week. There is a high level of scrutiny on this money. While we need to spend it, they are looking for placement results. If we don't produce jobs we, technically, are not spending the money they way the grant was meant. We can train, but there must be a job attached to that training or we will not have good outcomes according to USDOL. Therefore, if they grant the extension based on the results of the monitoring next week, the extension will have to focus on placement. We can't propose additional training activities to take up most of that extension period; it must be mostly placement and retention activities. These are the verbal conversations I've had with USDOL. We are as prepared as we can be for the monitoring next week. While our numbers are low and we are not hitting the numbers we projected, and this conversation today has spoken to why some of those issues exist, the outcomes we are getting are strong. They are good outcomes. I am in constant contact with USDOL. We are in the bell curve in relation to placement and not an outlier. We do have lower training activity than some other states. However, the industry itself has taken a shift nationally. In fact, there was a special technical assistance in DC two weeks ago focused solely on placement for all 38 SESP grantees. That speaks volumes to the fact that everyone is struggling with this issue. No one is coming up with the silver bullet. We all have similar initiative, thoughts, collaborations and partnerships. We need to build relationships and that takes time. We have a strong plan in place and we are in the right trajectory.

Chairman Bone asked of the monitors from USDOL will be testing whether or not there is a job at the end of the training? We submitted in March a response to their last monitoring report and basically they are looking to see our progress on that plan. We have a strong plan in place; they want to see the progress on that plan. They are looking at the progress on the unemployed, training, on-the-job training, the activity toward the placement goal. Chairman Bone referred to the new solar policy recently put into place to stimulate this area and having the money available up to June of next year would be very helpful with that new policy.

Anthony Ferrara reported that he has met with Commissioner Wirths, Deputy Commissioner Fichtner, Chairman Bone and Executive Director Michele Horst and LWD's CFO. The Commissioner would like us to reach out to USDOL prior to the audit next week. Even though they are telling us the audit is important, we do not want our extension to be contingent on the

audit only. We feel that we have made progress and have a plan in place. We should be evaluated on that plan. We had a similar situation with an on-the-job training grant and resolved the issue and spent all the money within six months. We have proven that if we can get additional time we can make some progress. Our past performance will help. We will also be working with the Governor's office as a "Plan B" to help us as well. Mr. Ferrero has advised the Commissioner that if we are denied the extension for six months we don't know how successful this grant will be. The regions have just now taken hold. It takes a good six to nine months to get started on these grant. All your earlier comments are being taken back to the executive committee. We have hired additional personnel to assist with this program and move this plan forward. All the money has been obligated. We have our people auditing these contracts and de-obligating money where it is not successful and move it to people who are successful. This process moves quickly, within 30 days.

A member asked if data was available about existing job placements and what the salaries of these people are. That information is not currently available. We are planning to do wage analysis at some point toward the end of the grant. Assistant Commissioner Stoller will work to provide that information as soon as possible. In the impact analysis report we have asked whether or not they have received any wage increases. There have been a few, but in most cases, salaries have not increased as a result of training, but employees have retained their jobs.

2. ***Program Dashboard*** – *Maureen O'Brien-Murphy, LWD*

Ms. O'Brien-Murphy reported that on paper we have allocated almost \$5.7million, roughly \$300,000 over what we have available to us. We have experienced significant de-obligation in many of the contracts. The actual invoice dollars is roughly \$1.2million. This continues to be an issue we struggle with. It is difficult to get the grantees to expend their funds. Most of these grantees are small businesses and they find our process cumbersome. We have tried to simplify this process. These companies have very small staffs. Our struggle in cycles three and four was a vendor who was over-marketing the program to small employers and they have not been able to keep up with their invoicing. Many of these contracts are now closing.

Another issue we see is that the colleges and universities do not bill in a timely fashion. We constantly try to go after the colleges and universities, especially the community colleges and ask them to bill us as soon as someone is in the classroom. We need to pay these grants as quickly as possible. We've worked with colleges to create condensed courses to speed up the cycle. We have made some strides.

Cycle six contracts were just approved in June and one contract is completely closed out. They spent 100% of their money. It was an incumbent training program and all ten participants attained a nationally recognized credential. We received two additional invoices yesterday from a cycle six grantee that is training unemployed individuals. They have trained 10 to date in both BPI Building Analyst and BPI Multi Family. We are waiting for the test results there and hopefully, get some placements. Our success rate has been fairly good. 70% of graduates from our training programs have acquired a nationally recognized credential. Chairman Bone commented that if the economy had stayed strong or this industry had stayed strong we would have experienced great results.

One of the surprises of this process has been the small demand for solar training. There was such minimal demand in our NGOs for solar training. Originally, we slotted a significant amount of money for solar training, but we didn't see it as a demand skill. Employers are looking more for the BPI and various credentials. In our modifications we reduced the number of people we planned to train to 2878. Today, we have identified 2496 individuals to be trained in our existing contracts. If we train what we projected we will fall slightly short. Time is what we need. The grant can be considered a success with those individuals we have been able to train, but we need more time. We haven't focused on the unemployed based on the economy. It has now been mandated that we train the unemployed by USDOL. We are doing that in cycle six. We need time to get them placed in this economy that still isn't producing green jobs.

It is important to note, we wrote an incentivized way for placement. The vendors that have been successful with those contracts are incentivized at three, six and nine months in terms of the trainees they turn out. So they place and retain and there are money incentives to the vendor to produce employable trainees and get them jobs. We have done what we are able to with this grant.

A member asked if under the time constraints, even if we get the extension, what message do we send the vendors, train unemployed people to receive a national credential and we will get them a job later? This could be a double edged sword if we train too many for future available jobs. Executive Director Horst provided two answers. This Council has decided to go in the direction of training on the side of a national credential and wait for the jobs. The SESP has decided to go in that direction. The USDOL position is placement, training as an avenue to placement. The issue becomes that the jobs are not available. The data in New Jersey shows that 7.9% of the economy is green and provides only < 1% of new jobs. This information has been provided to USDOL in every response that has been sent to them. When we put the grant together we had forecasted huge increases in renewable energy new jobs. The wave of this grant didn't hit until the end of 2010. That is when the NGOs went out and the dollars became available and that is when the economy became flat.

A member noted the political implications of this situation indicate that USDOL might rescind the grant. The decision to rescind the grant has not come out of USDOL at this time. However, that is the undercurrent.

We are currently in an open enrollment period at most colleges where this training is available. Do we go forward and continue to spend money to train people? When the opportunity presents itself to expand the workforce, do you hire someone who needs training or hire someone who is already trained. If we continue to train people we will have a pool of people ready to work immediately. We are required to focus on the placement. So there must be a balance between those who have the skill sets already and those who need training. It was suggested that documentation as to a potential promise to hire trained individuals when the jobs become available. Having a new energy policy in place and knowing this will bring jobs gives us some justification for training without placement. There have been some states that have received the extension. It is up to us to provide the best information in order for New Jersey to receive an extension as well.

A member asked if solar industry companies are using the One-Stops and WIBs to find their new hires. Do the employers that might be hiring have the knowledge that there is a pool of trained potential employees available? Is there a way to use this extension to provide that information to these employers to ensure these employers are targeting that pool of trained individuals? Executive Director Horst noted that as part of the expansion of the regional contracts was to add

staff specifically around business development. Those business outreach individuals have been looking at this and working to make it happen.

A member commented that solar has a role to play in achieving the master plan. However, energy efficiencies are equally, if not more, important. They must go hand-in-hand. There are incentive programs for energy efficiency. It is important to get this message out. The outreach must be targeted to the right people who are aware of the opportunities and can create jobs.

A member indicated on behalf of the building trades, that wage is an important issue. We have a skilled, trained workforce that is currently unemployed. Many of the unions have adjusted their pay scales to get into the residential markets. There are many skilled workers who are currently unemployed. We continue to train people for entry level positions, but there is a skilled workforce out there at every level.

Chairman Bone advised the unemployment in New Jersey is currently 9.6%.

A member commented that we have fallen short on the marketing and outreach side. We need to focus on this.

Chairman Bone summed up the discussion. This is a great group of people around the table. Unfortunately the grant hasn't performed the way we would like. We are not currently in an environment where training is valued. This money is available to us. We know what the challenges are with the economy. We've heard some positive things today. Training more people if we get the extension is doable. It will be hard and we must be creative. How can we obligate this money and work with the vendors to spend this money over the next 11 months? Part of the success will depend on how we execute this. We will fight for this money and spend it the best we can.

A member asked for a list of the companies with which to connect that might be interested in on-the-job training. This has been very successful in the past.

3. ***Internal Audit*** – Anthony Ferrera, LWD and Jerry Calamia, LWD

Anthony Ferrera reported on the process of the internal audit. Mr. Ferrara thanked Jerry Calamia, Director of Internal Audit, for attending. At our last meeting there was conversation regarding de-obligating money for noncompliance by vendors. We brought Jerry and his team in to look at the funding and to ensure we have reasoning behind what we are doing if we need to de-obligate funds. This will help us facilitate moving the money more quickly if need be.

Mr. Calamia reported they have reviewed one training vendor who is working with 12 companies. These 12 contracts total approximately \$756,000 to train 116 workers. They were contracted to perform 405 certifications for these 116 workers. We reviewed their contract through the end of June and have paid out \$215,000 on these contracts leaving over a half million dollars still available, which we recommend be de-obligated. 71% of the money is still available. The performance of the training provider is not great. They contracted for 405 certifications and have only started 150 of those certifications, which equals 37% of the contract certifications and only 94 were completed, approximately 62%. One company working with this same training provider put in for 100 certifications for 35 people. They started 45 and completed only 20. We actually paid for the equivalent of 32 certifications because we paid 50% of the cost up-front.

This is a snapshot of just one of the training providers we had. Internal Audit will continue to work with Workforce Portfolio and Contracts Management, to review other unexpnded contracts and recommend de-obligation additional funds that may be re-obligated to different vendors. Approximately ½ of the \$540,000 could be de-obligated.

Chairman Bone asked of this review took place with direct contact with the vendor. Mr. Calamia indicated they have not yet reached out directly to the vendor, but worked with the data available at LWD. Members agreed that dollars should be de-obligated in the case of non-performing vendors. Approximately 20 to 30 percent of the existing contracts could be de-obligated at this time. These contracts were primarily for incumbent workers. This particular vendor over-marketed the program indicating there was money available for all types of national certification. Some were needed by the employers and some were undertaken just to make money for the vendor. This is not representative of the balance of the contracts.

Chairman Bone commented that internal audit is a great business tool. Mr. Calamia will continue to conduct additional audits and review monthly and recommend de-obligation of funds accordingly.

IV. *Emerging Issues and Discussion*

Chairman Bone asked if any official action is necessary from the Council for the grant. All members are in favor of the extension. No official action is necessary.

An employer council member reiterated they are anxious what energy policies will be coming out of the BPU and Governor's office that will grow job creation and economic development for small and large energy companies. Will there be energy programs that will try to stimulate the economy? What are the things we want to do as a state that will promote energy efficiency and job creation? Is there anything the SESP can do collectively to help in this effort? The energy master plan is still evolving, policies are still being discussed.

The BPU is revising their budget due to recent changes. They have created a state energy office to work with the government sector. There is a strong initiative to make the government sector more energy efficient. They are excited about the legislation for the Energy Saving Improvement Program. This has passed the legislature and is waiting for the Governor's signature.

V. *Closing – Dennis Bone, Chairman*

Chairman Bone thanked the council members for their support. He announced the next meeting will take place on October 25, 2012. This meeting concluded at 10:15am.

Member Attendees – July 31, 2012

Bone, Dennis – Chair SETC, Madison, NJ
Brennan, Margaret – Economic Development, Rutgers
Ewalt, Jaime - NJ Department of Environmental Protection (for Commissioner Martin)
Finger, Gary – Board of Public Utilities
Garlatti, Betsy –Office of the Secretary of Higher Education (for Secretary Hendricks)
Grikas, Mary – Petra Solar
Higgins, Eileen – Monmouth County WIB
Ielmini, Pete – NJ Building Trades Apprenticeship Committee (for Mr. Mullens)
Janz, Greg – Bergen County One-Stop
Loderstedt, Robert - NJ Manufacturing Extension Program, Inc.
Montero, Ana – NJ Department of Community Affairs (for Commissioner Constable)
Nadler, Sally - PSE&G (for Mr. LaRossa)
Santare, Robert - Champion Fasteners and Burlington WIB
Stoller, Jeff – NJ Department of Labor and Workforce Development (for Commissioner Wirths)
Szymanski, Ashley – Governor’s Office (for Ms. Caliguire)

Guests and Staff Attendees – July 31, 2012

Calamia, Jerry – LWD
Ferrera, Anthony – LWD
Lord, Ann – LWD
O’Brien-Murphy, Maureen - LWD

Horst, Michele - SETC
Vetterl, Susan - SETC