

Employment Training Panel



Memo to Panel on OSC
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What is OSC?

- ETP funding must foster retention of jobs threatened by Out-of-State Competition (OSC)
- OSC is a key factor in employer eligibility
 - Single Employer Contract
 - Small Business
 - Participating Employers in a MEC
- No OSC = Special Employment Training
 - OSC drives wages

Internet & OSC

- Should ETP accept web-based delivery of goods or services as a form of competition?
- An emerging issue in recent years
 - ETP created in statute: 1984
 - OSC added to statute: 1994
 - OSC Regulation adopted: 1996 (amended 2006)
- *Statute and Regulation are silent on this Issue*
- *There is no formal policy on this Issue*

Adapting to Change

- Over past 5 years web-based delivery has been accepted when integrated in business model
 - Professional Services
 - Finance & Insurance
 - Internet Publishing
- With case-by-case analysis per Section 4416
 - Fact-specific
 - Time-consuming
 - Outcomes are varied

Section 4416 Overview

- Defines “employer” by location
- Authorizes case-by-case analysis
 - Four Factors
 - Fact-specific
- Some Industries “Deemed to Meet”
- Three Industries “Carved Out”
- Follows NAICS codes



What is NAICS?

- North American Industry Classification System
- Developed by Panel of Experts in 1997
- Used to track business trends/data
 - 20 Sectors
 - 1065 Codes



NAICS Sectors

- Sectors are 2-digit:
 - Manufacturing: Sector 31- 33
- Codes are granulated up to 5-Digit
 - Subsector
 - Industry Group
 - Industries
 - Other details



MAGIC BULLET NAICS

- Deemed to Meet
 - All Manufacturing Sectors 31-33
 - 14 Ancillary Industries
- Carved-out
 - Mortgage Banking
 - Destination Resorts
 - Call Centers



Why Employers Want OSC

- Without OSC funding is SET
- OSC wages are lower (regional averages)
 - CY 2017 Highest Wage = \$17.02 hr.
- SET wages are higher (statewide averages)
 - CY 2017 = \$28.37 hr.
 - Modified Priority Industry = \$21.28



Wage vs. Priority Rate

- Wage varies by OSC , SET & HUA
- Priority Industry Rate is separate
- Both determinations rely on NAICS
- Employer can qualify for Priority Rate and be held to the SET Wage
 - Healthcare
 - Building Trades

Note on Apprenticeship

- Individual Building Trade Employers usually do not face OSC
- Apprenticeship pulled from SET by Panel policy decision
- Based on nature of collective bargaining
- Apprenticeship held to SET Wage

Key Sectors

- Not Deemed- to-meet, Ancillary or Carved-out
- Not Healthcare or Building trades
 - Wholesale Trade: Sector 42
 - Retail Trade: Sector 44-45
 - Transportation & Warehouse: Sector 48-49
 - Some Information: Sector 51
 - Internet Publishing Industry 519
 - Finance & Insurance: Sector 52
 - Some Accommodation & Food Svc.: Sector 72



Funding Priorities

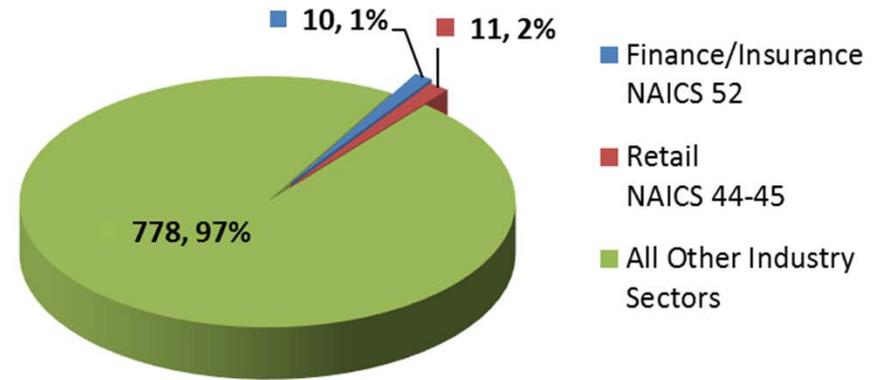
With web-based delivery, these Sectors and Industries will qualify for OSC:

- Retail Trade Sector
 - Auto & Other Dealership Industry
- Finance & Insurance Sector
 - Mortgage Banking Industry



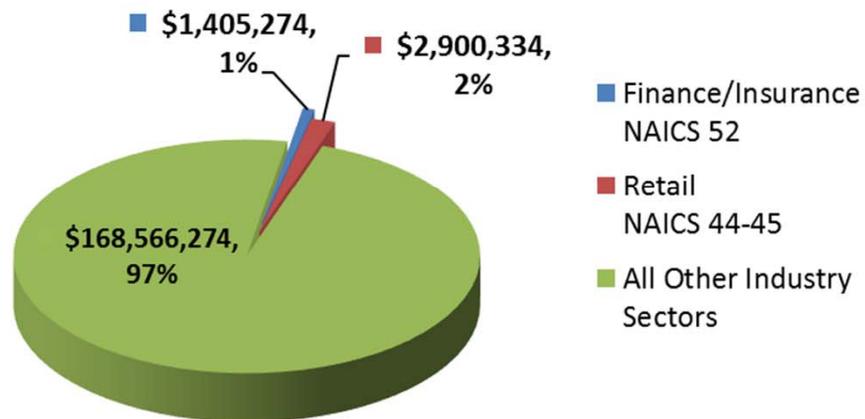
Sector Breakdown

ETP FY15-FY16 Approved # of CORE Contracts by Industry Sector



Total # of Approved Contracts: 799

ETP FY15-FY16 Approved CORE Amount by Industry Sector



Total Amount Approved: \$172,871,274



Retail Trade Demand FY2015/16 & 2016/17

- Approved Contracts 2
- Applications in Development 1
- Pending Pre-Applications 3

OSC and Funding Priorities

- Accepting web-based delivery will open up funding for Retail Trade Sector 44-45
- Retail Trade has historically been a low priority for the Panel
- If the Panel does not want to open up to Retail Trade (or other Sectors) then funding priorities must be clear

Recommendation

- Accept web-based delivery of goods or services as a form of competition
- Address Funding Priorities in Strategic Plan each Fiscal Year
 - Strategic Plan can be reviewed mid-FY
 - Priorities can shift by FY or mid-FY
 - Depends on allocation of remaining funds



Two Options

Two options are presented for discussion by the Panel.

- Both conform to existing statutory and regulatory framework
 - Statute and Section 4416 are now silent on this issue
 - Eventually, the regulation could be clarified
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- Analysis still required as to:
 - Amount of annual revenue based on OSC
 - Other factors specific to industry and location



Option 1

- Accept web-based delivery
 - All industry sectors
 - All industries



Option 2

- Accept web-based delivery
 - But not for Retail Trade

Sector 44-45

Note: Mortgage Banking in Finance & Insurance Sector is a Section 4416 carve-out; this is a matter of Priority Industry designation



Epilogue

- OSC can be automated by NAICS Code
 - Numerical Indicator
 - Easy to Program
- More NAICS Codes can be made Ancillary
 - To be more specific within Industry Sectors
 - Could eliminate case-by-case analysis
 - Would streamline the process

