



C.L. "BUTCH" OTTER  
GOVERNOR

## NEWS RELEASE

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### **GOVERNOR OTTER ANNOUNCES WORKFORCE DEVELOPMENT TRAINING FUND REFORMS**

(BOISE) – Governor C.L. "Butch" Otter was joined by Idaho Department of Labor Director Ken Edmunds today in announcing significant changes in operation of the Workforce Development Training Fund (WDTF) to make the business incentive more objective and transparent.

"There have been some high-profile cases of businesses failing or their growth stalling after taxpayer investments were made in workforce development training. It's up to us to ensure the best use of those dollars not primarily to grow any individual business but more importantly to prepare Idaho's workforce for the jobs our employers are creating," Governor Otter said. "Idaho's economy will only grow to the degree we have skilled, well-trained people ready to take on those jobs. The better prepared we can make our workforce, the more attractive Idaho will be for employers to grow or relocate here."

Changes in what has been considered the State's most effective business development incentive were initiated by Director Edmunds – a former State Board of Education member – when he took over the agency last December.

Under the new policy, companies generally must sell their goods or services outside Idaho, provide health care, and pay at least \$12 an hour for jobs performed by employees trained with WDTF money. Once that threshold is met, the applicant's training proposal will undergo an objective evaluation using a department-developed formula and a financial risk assessment by a regional Labor economist where the business is located.

Applications are allocated points for training reimbursement in six areas: the job's wages, the job's economic multiplier, the business's unemployment insurance tax rate, the county unemployment rate where the job will be performed, the concentration of the job type in the overall economy, and the transferability of the skills and the type of training or education planned.

The results will be used to determine whether the investment is beneficial to Idaho's economy. Applications with over 40 points will be viewed favorably while an application scoring 40 or below will be subjected to additional scrutiny.

The point total will determine the level of per-worker reimbursement. Companies scoring between 41 and 45 points would be eligible for up to \$2,000 per trained employee. The per-worker limit rises in \$500 increments with each increase of five points up to a limit of \$4,500 for applications scoring over 70 points.

“There is no foolproof way to eliminate the possibility that a company benefitting from the training fund will never lay off workers or go out of business,” Edmunds said. “But a financial and risk analysis should provide the directors of the departments of Labor and Commerce with enough in-depth information about each company to be able to decide whether to approve the application.”

[A briefing sheet on the quantitative model for determining WDTF eligibility levels can be found here.](#)

Since the program’s inception in 1996, training fund contracts have been signed with 250 companies to use \$45 million to train up to 29,000 employees. Through last month, 200 of those employers have actually received \$43 million in reimbursements for training more than 25,000 workers.

Financed by an annual 3-percent set-aside of unemployment insurance taxes, the Workforce Development Training Fund reimburses employers for actual employee training costs. But in some cases commitment of training fund money became part of an overall incentive package to convince businesses to locate or expand in Idaho, and the training fund commitment rose as high as \$8,000 per employee.

A 2012 department analysis of 160 contracts to train almost 18,000 workers between 2000 and 2009 found mixed results in the fund’s effectiveness. Forty percent of the contracts were rated as effective, 33 percent were classified as ineffective, and the findings for the remaining contracts were inconclusive.

Industries with higher effectiveness ratings included financial services, information systems, manufacturing, repair and maintenance services, utilities and corporate management. Industries with less effective use of WDTF dollars included construction, mining and professional, technical and scientific services.

Edmunds said the new process offers the kind of transparency that allows businesses to understand why training fund applications are approved or denied. The next phase of revisions to the fund’s operations will sharpen the focus to include education bonding with employers and K-through-Career training.

Idaho’s challenges include employers who cannot find Idaho workers with the skills they need to expand their businesses and workers who do not yet have the skills to command higher wages. The objective of the WDTF is to better match postsecondary training to the specific skills employers need and to build an overall pool of skilled workers in Idaho with postsecondary credentials.

The expansion of “Learn and Earn” models such as apprenticeships, internships and on-the-job training encourages business partnerships with education, provides on-the-job training supervised by skilled professionals and allows employees to earn a salary on a graduated scale as competencies and skills are mastered and credentials earned.

The Department of Labor metrics for measuring effectiveness will include the number of established talent pipelines and “Learn and Earn” agreements between specific industries and schools; the wages and job retention of program participants; the number of apprenticeships and internships; the number of postsecondary industry certifications completed; and the number of industry sector partnerships established.

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