

MAINE STATE LEGISLATURE

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Maine Department of Labor
Governor's Training Initiative
EDIR Agency Report – CY 2006
The 123rd Maine Legislature
October 1, 2007



STATE OF MAINE
DEPARTMENT OF LABOR
45 COMMERCE DRIVE, P.O. BOX 259
AUGUSTA, MAINE
04333-0259

JOHN ELIAS BALDACCI
GOVERNOR

LAURA A. FORTMAN
COMMISSIONER

September 7, 2007

The Honorable Lynn Bromley, Senate Chair
The Honorable Nancy E. Smith, House Chair
Members of the Joint Standing Committee on Business, Research and Economic Development
100 State House Station
Augusta, ME 04333-0002

Dear Senator Bromley, Representative Smith, and Members of the Joint Standing Committee on Business, Research and Economic Development:

In accordance with Title 5 MRSA 13070-J, I am pleased to submit the "agency report" for the Governor's Training Initiative (GTI). GTI has been instrumental in the creation and retention of high skill, quality employment for Maine residents since its inception in 1996.

In calendar year 2006, thirty-two companies received GTI reimbursement payments totaling \$10,000 or more. The attached report lists the amounts paid and the anticipated job growth and retention associated with those funds. Because the GTI funding cycle is spread over a two-year period, funds related to the Economic Development Incentive Report (EDIR) reporting requirements for calendar year 2006 may be associated with GTI contract allocations spanning three funding cycles (program years 2004, 2005 and 2006).

Statistics included in this report indicate the public benefit derived from GTI assistance, including actual private dollars leveraged via company match for direct training related activity. A short selection of company comments has been provided representative of responses received regarding company and public benefit.

GTI ensures that the needs of small firms are addressed via the scoring process, and requires applicants to identify the public benefit resulting from proposed training projects. GTI continues to be a primary vehicle for achieving sustainable long-term economic growth for Maine. Incumbent and new hire worker training continue to be referenced in numerous benchmarks of the "Measures of Growth" report submitted annually by the Maine Economic Growth Council.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura A. Fortman", with a horizontal line extending to the right.

Laura A. Fortman
Commissioner

cc: John Richardson, DECD
Thaxter Trafton, DECD
Edmund McCann, MDOL/BES
Dawn Mealey, MDOL/BES

PHONE: (207) 623-7900

TTY: 1-800-794-1110
E-MAIL: Laura.A.Fortman@maine.gov

FAX: (207) 287-5292

The Maine Department of Labor provides equal opportunity in programs, services and employment.

Overview

The Governor's Training Initiative (GTI), created in 1996 by the Maine Legislature as an economic development incentive program, is dedicated to promoting training and skill development for employees of companies intending to locate, retool, or expand in Maine. The Maine Departments of Labor and Economic and Community Development jointly administer GTI.

This report is submitted to the 123rd Maine Legislature in compliance with 5 MRSA § 13070-J "An Act to Encourage Accountability and Return on Investment for Maine Taxpayers from Economic Development Initiatives." This report provides:

- An overview of major program elements and the public benefits resulting from GTI funds,
- A summary of active CY-2006 projects that received \$10,000 or more in reimbursements for employee training and development activities, and
- A brief collection of business responses to the Department of Economic & Community Development regarding the effectiveness of the Governor's Training Initiative.

In calendar year 2006, thirty-two companies received reimbursements of \$10,000 or more. The GTI program cycle spans two years, with a new program cycle beginning each July. It is possible, therefore, for companies to receive funding in any one calendar year that may be attached to Program-Year allocations made prior to or after the calendar year for which the EDIR reporting is required. Reportable EDIR reimbursements were applicable to PY'04, PY'05 and PY'06 contracts.

Program Summary

GTI provides training assistance for firms intending to expand or locate in Maine, reorganize a workforce to remain competitive, or upgrade worker skills. GTI provides a tool for the skill development of Maine workers, competitiveness of Maine industry, and viability of Maine communities. GTI applicants must identify the number of new hire and incumbent trainees for which assistance has been requested, and meet the following basic eligibility criteria by the close of their contract period:

- Pay trainee wages of at least 85% of the prevailing local labor market average for the occupation,
- Pay at least 50% of the cost of the employee/trainee's health insurance premium, and
- Commit to long-term operation in Maine.

In addition, GTI funding is awarded only to companies who meet a basic score rated from the following selection preferences:

- *Training quality*
- *Formation of local partnerships*
- *Leveraging of matching fund*

- *Investment in lifelong learning and employee skill development*
- *Increase in local employment and training capacity*
- *Provision of quality employment*
- *Intention to expand or locate in an economically depressed area of the state*
- *History of hiring new labor force entrants, economically disadvantaged, persons with disabilities, and/or dislocated workers*
- *Provision of Registered Apprenticeship training*
- *Return on investment*
- *Results of project denial*

The IRT (Interdepartmental Review Team), made up of members of Maine Department of Labor and Maine Department of Economic and Community Development, score each application according to the above criteria. The IRT is also responsible for policy development and annual review of program impact.

GTI selection preferences encourage formation of employer consortia and provider partnerships for shared workforce development. These partnerships have traditionally resulted in lower training costs to individual employers resulting in increased employer match overall, increase in local training capacity via development of new and exportable training programs from which additional employers can benefit, and expanded use of public and nonprofit vendors for provision of training. Increasing numbers of small and medium companies have initiated new and expanded employee training policies as a result of GTI selection criteria. GTI has been a catalyst for advancement of employee benefits and return on investment for worker training.

GTI is a cost reimbursement program. Contractors must document completion of contract requirements and payment of associated costs prior to receipt of reimbursement. Contractors who cannot do so do not receive reimbursement.

In addition, GTI has implemented a four-part process to ensure program measures are met:

- 1) Analysis of local labor market wages to assure company wage compliance with GTI criteria,
- 2) On-site interview (Site Review) to define the quality of the proposed training project and compile information required for the IRT scoring process,
- 3) Progress Review during the contract period, to assure project progress as planned, and accommodates necessary adjustments to the training plan. The progress review includes an interview with trainees to evaluate the training experience and ensure provision of benefits as stated, and
- 4) Post Training Report submitted by each contractor at project completion to assure required post-training wage levels have been met, and the correct number of new hires and/or incumbent workers have received training.

AGENCY REPORT 2006

PUBLIC BENEFIT

Job Creation

Contractors receiving reimbursements of \$10,000 or more toward the cost of new hire training anticipated creating 1,413 new positions.

Job Retention

GTI assisted firms with non-routine skill development required to advance the company competitiveness for growth and survival in Maine. Numerous firms engaged in training projects designed to overhaul outdated processes to better compete on a global scale. Contractors receiving reimbursements of \$10,000 or more toward the cost of incumbent worker upgrade anticipated those dollars would advance worker skills and directly affect retention of 2,275 jobs.

Community Benefits

Many companies accessing GTI assistance have done so primarily to grow skilled workers from their existing labor force. New and effective modes of training delivery have allowed Maine workers to acquire necessary skills while remaining employed. Trainees report the skills they have achieved are not only transferable, but have provided opportunity for upward mobility and pay advances within their existing company, and increased job security.

GTI encourages development of cost effective relationships that maximize public funds, outlive public subsidy, and build local workforce development capacity. Past GTI assisted training projects have resulted in improved environmental conditions, increased worker safety, placement of dislocated workers, and a decrease in public reliance on welfare and other public subsidy programs. GTI scoring prioritizes employers/projects providing opportunities to target populations and projects serving economically depressed areas of the state.

Return on Investment:

Based on planned training projects of those contractors covered in this report:

- Each \$1.00 of allocated funds for new hire training leveraged \$1.31 in private company match.
- Each \$1.00 of allocated funds for incumbent worker training leveraged \$1.09 in private company match.

Ten of the thirty-two GTI recipients required to submit an EDIR report planned to provide a wage increase to trainees upon completion of training.

- Average anticipated wage increase for new hires upon completion of training \$1.63 per hour.
- Average anticipated wage increase for incumbent workers upon completion of training \$1.25 per hour.

The following represents comments from some of the companies that received GTI reimbursements of \$10,000 or more during calendar year 2006:

Maine Public Service, Presque Isle, Maine

We have created a culture for learning and provided technical computer skills training for our employees. This opportunity for skills improvement has allowed employees to be more efficient and knowledgeable.

Fisher Engineering, Rockland, Maine

Despite the fact that 2006 was an extremely soft year for the snow & ice control industry, as a whole (especially compared to 2003-2005,) Fisher Engineering maintained its position as the market leader. This was accomplished in part due to our transition (ongoing) to Lean Manufacturing. GTI helped pay for some of the training costs for our employees. Lean helps us to remain competitive despite the geographic, labor and energy cost disadvantages in Maine.

Jotul, USA, Gorham, Maine

Even though we had a down business year, we added 10 positions in our new fabrication function. We invested a great deal of training which increased skill bases.

The Lee Auto Malls, Auburn, Maine

We would not have been able to do the management and sales training we did if it were not for GTI funds. Company-wide management training is still reaping benefits and the sales training has helped us also. There is no doubt the incentive made it possible for us to train.

Mercy Hospital, Portland, Maine

The incentives have enabled our company to hold Leadership Development and Training programs we would ordinarily be unable to do. Retention overall is holding steady. We are already beginning to see a decline in turnover rates. Though it is too early to make conclusions because we are so early in the stage, we are seeing positive trends.

Michael J. Brown Cabinet Makers, Millinocket, Maine

GTI has helped relieve the cost of training. Labor and materials spent on training are very expensive but necessary in order to grow the business.

T-Mobile USA, Inc. Oakland, Maine

The magnitude of the incentive package offered to T-Mobile for this project in Oakland, ME, which T-Mobile will access over the first 10 years of operation, was an integral factor in the decision to move forward with a new customer care center in Maine. These incentives have allowed T-Mobile to run an efficient and successful facility and to deliver the award winning customer service for which T-Mobile is known.

The final page lists the 32 GTI recipients required to complete the EDIR Report for calendar year 2006

