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MAINE DEPARTMENT OF LABOR

Laura A. Fortman, Commissioner

BUREAU OF EMPLOYMENT SERVICES

Ned McCann, Director

GOVERNOR'S TRAINING INITIATIVE
2008 ANNUAL REPORT

PRESENTED TO:

JOINT STANDING COMMITTEES:

- **LABOR**
 - **BUSINESS, RESEARCH, AND ECONOMIC DEVELOPMENT**
 - **APPROPRIATIONS AND FINANCIAL AFFAIRS**
-

MARCH 1, 2009

Overview

Launched in 1996, the Governor's Training Initiative (GTI) provides financial assistance for Maine companies to train new workers and/or enhance the competitive skills of existing workers for new technologies, processes, and markets. Jointly administered by the Departments of Labor and Economic and Community Development, GTI promotes workforce expansion, job retention, and new business attraction.

The purpose of GTI is threefold:

- To provide Maine industry with a globally competitive workforce;
- To provide Maine workers with world-class skills and quality employment; and
- To promote community capacity for worker retention and sustainable economic growth.

Funded wholly with General Funds, the State's investment leverages a private sector return of 3:1; the required return-on-investment is 1:1. As part of business attraction, expansion, and retention proposals, GTI has helped encourage major employers to relocate/expand operations in Maine by assisting with training costs.

Calendar year 2008 saw breakthroughs in efficiencies of application processing, taking advantage of in-house expertise in the Lean function called Bend the Curve. This has resulted in savings of personnel costs and enhancing services to applicant businesses.

Feedback from GTI recipients gathered from surveys and in-person reviews has continued to be positive, substantiating the success of this program.

Statutory changes enacted last year, however, reviewed in light of the current economic environment and the unintended consequences of the changes, will need attention. *(See page 10 for a more full description.)*

Background

The Governor's Training Initiative (GTI) was established by the Maine legislature in 1996 under Title 26, Section 2031, to

encourage high-quality job creation and expansion by directly linking the education and training resources of this State to job opportunities. The program develops and coordinates training for firms intending to expand or locate in this State, reorganize a workplace to remain competitive or upgrade worker skills by providing essential work competencies such as computer literacy, problem-solving strategies, critical thinking skills, math and science proficiency and team-building skills.

Under GTI, employers can be reimbursed for a portion of approved training-related costs. The types of training and services that may receive reimbursement of costs under GTI include

technical training, on-the-job training, work competencies, higher education, non-routine workplace safety, workplace literacy, recruitment, assessment, job task analysis, and consortia coordination.

The criteria for receiving program funding are

1. trainee wages that are at least 85% of the average wage for each trainee occupation in the local labor market;
2. an employer contribution of at least 50% of the premium cost of employee health insurance. (Small businesses with fewer than 25 employees who have been in business fewer than three years at the time of application are exempt.)
3. a statement of commitment by the employer to long-term operation in this State; and
4. analysis of the labor market to assure that training for new hires is not approved for any occupation in the labor market where there is already a sufficient supply of workers trained and available to meet an employer's needs and skill levels for workers in that occupation.

All applications are evaluated by an Interdepartmental Review Team (IRT) consisting of two members from the Department of Labor and two members from the Department of Economic and Community Development. Selection preferences are given for the following elements:

1. Formation of a local project partnership of employers (partnering to providing cost benefits for training) or training providers (to provide an integrated training plan);
2. Employer willingness to contribute a portion of the costs;
3. Investment in the lifelong learning and skills development of employees;
4. An increase in the local education and training capacity to support more than one employer resulting from the proposed project;
5. Provision of high-wage or high-skill employment, employee benefits, and job security;
6. Employer intention to expand or locate in economically depressed areas of the State;
7. Employer willingness to hire new labor force entrants, economically disadvantaged individuals, persons with disabilities, or dislocated workers; and
8. Employer willingness to provide a registered apprenticeship for current employees or new hires.

When an application receives a sufficient score on the above items, a funding decision is made by the Review Team. *Statutory changes in 2008 set caps on awards at \$350 per incumbent trainee and \$800 per new hire trainee. (In all previous years, the cap was \$3,000 per trainee.)* These changes have had an unintended impact on the number of applications received from small businesses. (See documentation in the next section.)

Calendar Year 2008

Looking at the 8 contracts that were awarded in calendar year 2008 shows GTI's support for the goals of the program: to support good-paying jobs with assistance for innovative and non-routine training for both new hires and incumbent workers. These new contracts will train 696 new hires

in newly-created positions and 304 incumbent employees. The average awards were \$500 per new hire trainee and \$285 per incumbent trainee.

The Governor's Training Initiative activity for the year started July 1, 2008, with the new fiscal year appropriation. The balance of the previous fiscal year's funds was awarded to Fraser Paper Company in Madawaska after a devastating layoff, to train remaining workers to handle wider job responsibilities. This award depleted GTI funds and no further awards were possible in the remainder of the fiscal year (January to June 30, 2008).

As we have found in the past, per-trainee reimbursements for 2008 for large companies were lower than for small company reimbursements have been. And since all the companies awarded funds in 2008 were to companies with over 50 employees, the average incumbent trainee award is quite low.

Thirty eight percent of the businesses awarded contracts (and 54%of the dollars) were located in economically depressed areas. GTI gives a selection preference scoring point for any application located in those areas. The Center for Workforce Research and Information computes these designations; the factors used to determine the designations are unemployment rates, poverty rates, average wages, and employment growth.

The average amount of health insurance premiums that companies receiving awards pay is 73%. This is substantially above the 50% minimum required to be eligible to apply for GTI funding.

Contracts in Their Second Contract Year

Since the Governor's Training Initiative contracts cover two fiscal years, there were 22 companies in their second year of funding and training activity in 2008. Looking at these companies will give a broader picture of a typical year's statistics.

Ten of the companies are located in economically depressed areas and companies were spread across 11 counties. A total of 2,895 workers received training, 283 newly-hired trainees and 1,716 incumbent workers. The average amount of health insurance premiums paid by companies was 71%.

The average awards were \$637 per new hire trainee and \$455 per incumbent trainee. This is more typical across the last few years of GTI funding.

Leaning up the Process

For the past few years, the Department of Labor has been involved in "Bend the Curve" activities to bring expenses more in line with funding. In-house Continuous Improvement Practitioners have been trained to facilitate the process of "Lean" and GTI participated in this initiative in 2008. The outcomes have streamlined the application process (with the application forms and explanatory information available on the CareerCenter web page), enhanced the wage analysis function, and enabled the program to function with only one dedicated staff position.

Further improvements are being worked on and future cost savings are expected.

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CALENDAR YEAR 2008 GTI AWARDS

**GOVERNOR'S TRAINING INITIATIVE
2008 Calendar Year**

COMPANY NAME	LOCATION	AWARD AMOUNT	COMPANY CONTRIBUTION	TOTAL INVESTMENT IN WORKFORCE DEVELOPMENT	NEW HIRE TRAINEES*	INCUMBENT TRAINEES
Barber Foods	Portland	\$4,900	\$54,068	\$58,968	0	14
Brewer Automotive Components	Brewer	\$2,025	\$34,455	\$36,480	0	6
Cianbro Constructors, LLC	Brewer	\$146,500	\$3,052,573	\$3,199,073	203	0
Cianbro Corporation	Pittsfield	\$246,500	\$4,049,623	\$4,296,123	493	0
Inland Hospital	Waterville	\$8,100	\$23,580	\$31,680	0	24
J. S. McCarthy Printers	Augusta	\$42,690	\$92,996	\$135,686	0	123
Mainely Trusses	Fairfield	\$5,650	\$5,825	\$11,475	0	19
Morris Yachts	Bass Harbor	\$26,250	\$187,532	\$288,832	0	118
TOTAL		\$482,615.00	\$7,500,652.00	\$8,058,317.00	696	304

* new job creation

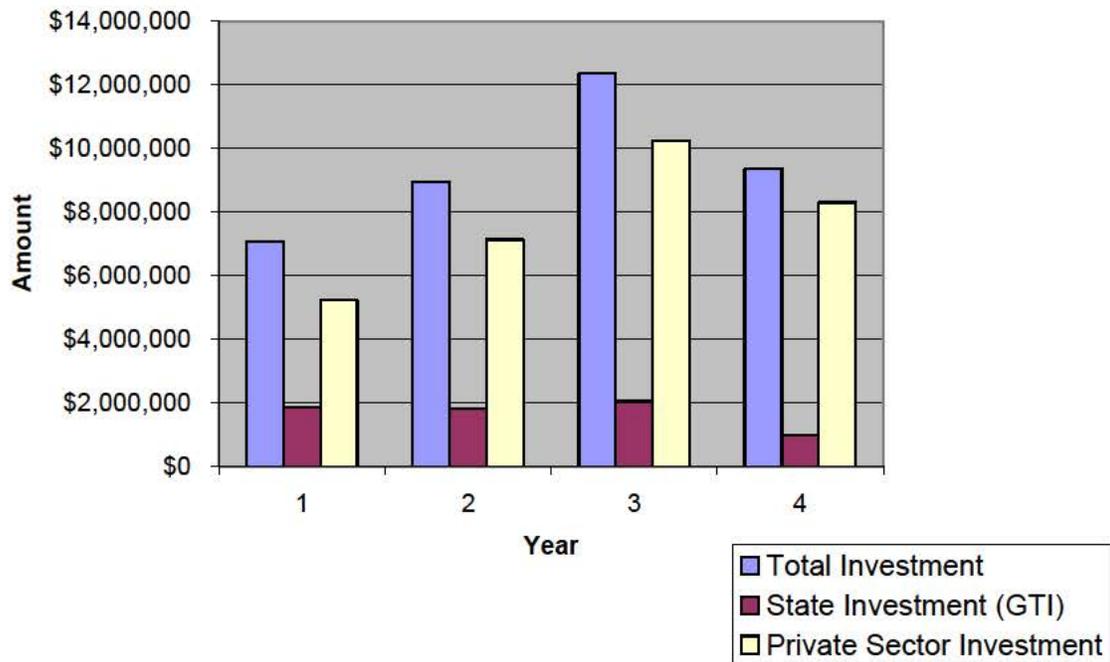
The contracts listed below are in their second year of activity. The dollar amount shown is the amount that came out of the FY2009 budget allotment. The amount of the total contract was reported in the Calendar Year 2007 Annual Report.

Contracts in their Second Year	Location	Amount Allocated for Year 2	New Hire Trainees	Incumbent Trainees
Athenahealth	Belfast	\$52,255	159	0
Crobb Box Co.	Ellsworth	\$2,110	14	17
Design Fab	Greene	\$6,460	6	0
Heli Modified	Cornish	\$6,400	0	14
JSI Store Fixtures	Dover-Foxcroft	\$10,000	11	23
Lincoln Paper & Tissue	Lincoln	\$43,600	6	173
Louisiana-Pacific	Houlton	\$55,501	39	100
McCain Foods USA	Easton	\$66,324	0	242
Mercy Hospital	Portland	\$16,475	1	152
MMG Insurance	Presque Isle	\$3,000	0	109
Refurb Supplies	Auburn	\$2,800	0	6
Sappi Fine Paper	Skowhegan	\$17,000	0	585
Tambrands	Auburn	\$34,000	11	23
Toddle Inn Day Care	Scarborough	\$50,305	36	155
Wausau Paper	Jay	\$20,165	0	117
Total		\$386,395	283	1716

A FOUR-YEAR PERSPECTIVE

Detailed figures on various aspects of the Governor's Training Initiative awards have been kept for the last four years, and the data show how the program has evolved. For instance, for the years 2005 through 2007, total dollar investments in workforce development have risen, as have the amount contributed by the applicant companies. The State investment through GTI, however, has remained relatively stable. While the 2008 aggregate dollar investment in workforce development was lower, the percentage of company contribution to workforce development costs continued to increase. **[The data used in this section are by program year, not calendar year; therefore it may differ slightly from the previous annual reports which are reported by calendar year.]**

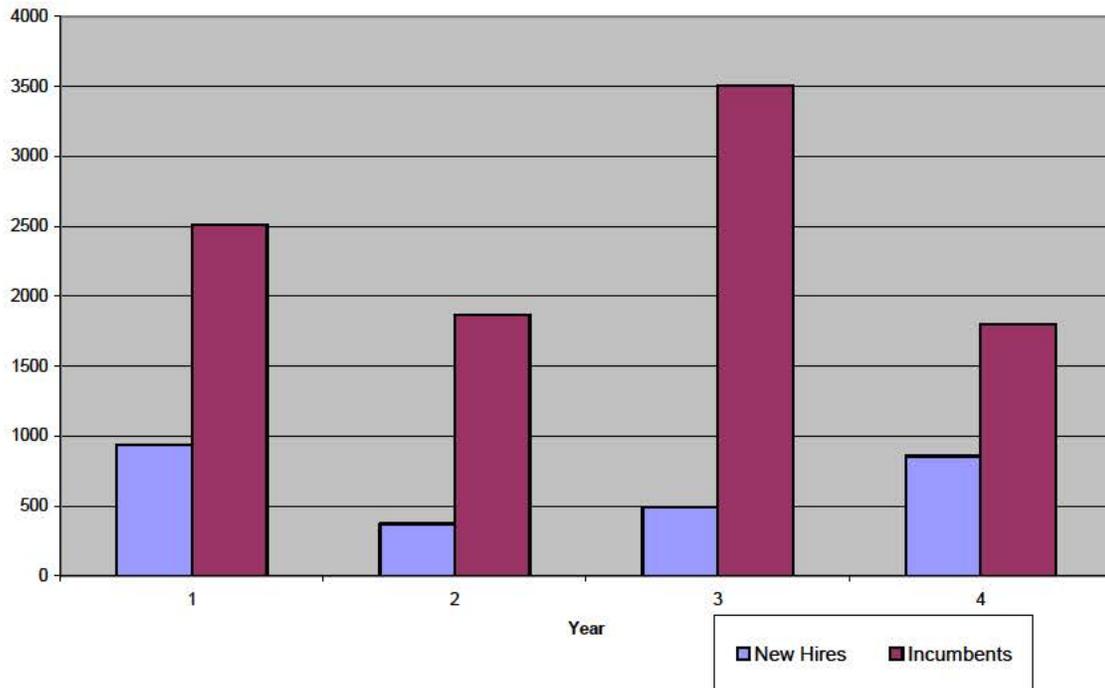
Workforce Investments



Four Year Comparison

Year	Number of Awards	Total Investment	State Investment	Private Sector Investment	% Company Contribution	New Hires	Incumbents
2005	61	\$7,088,146	\$1,859,033	\$5,229,133	74%	935	2510
2006	48	\$8,948,377	\$1,815,845	\$7,132,533	80%	372	1865
2007	40	\$12,358,784	\$2,044,875	\$10,227,166	83%	493	3508
2008	11	\$9,358,628	\$984,554	\$8,299,024	89%	855	1800
		\$37,753,935	\$6,704,307	\$30,887,856		2655	9683

New Hire and Incumbent Trainees



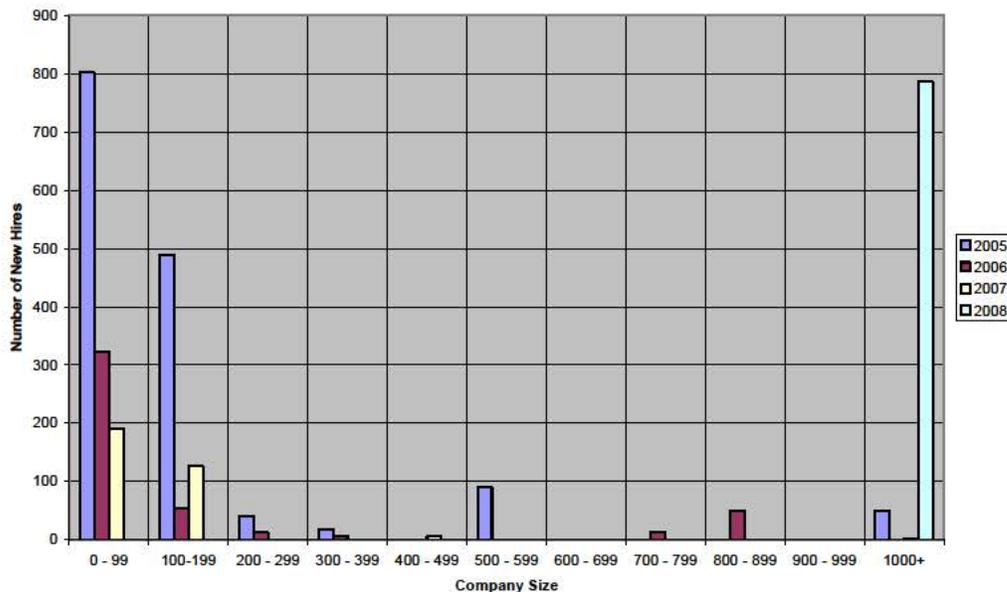
The majority of trainees continues to be incumbent workers. New hires are added slowly and in small numbers. However, GTI funding for training new hires is of utmost importance to all companies.

New Job Creation

Between 2005 and 2008, the majority of new jobs were created by companies with fewer than 400 employees. The following chart shows, by year, that the bulk of new job positions and new hire training were concentrated in the companies with fewer than 200 employees. The GTI statute, rules, and policy all support small businesses with scoring preferences; by extension, new job growth is also strongly supported.

The exception in year 2008 is Cianbro's expansion in both the Brewer facility (in the former Eastern Fine Paper site) and through their Pittsfield headquarters.

New Hires by Company Size



Effects of the Per-Trainee Caps on Applications

The absence of small-company applications (defined by GTI as a company with fewer than 25 employees) in July through December 2008 might be due to a number of factors. First, the award cap of \$350 per incumbent trainee has discouraged small companies with few incumbent trainees from taking the time necessary to complete the application process for what would be a small GTI reimbursement amount. GTI's mission is to support innovative and non-routine training and that training is typically expensive for smaller companies. A small award would not return enough to rationalize spending the time on an application. Several companies have been vocal about this fact when they realize they could receive only a very small percentage of the actual cost of training and would have to shoulder the bulk of the costs. It also means that if the company couldn't pay for the company contribution required by GTI, the training would likely not take place at all.

An obvious additional factor is the current economic situation. Most companies are struggling to stay profitable (or just in business), and training is often the first expense to be cut. It's difficult for companies to rationalize investments in training when workforces are being downsized.

With the data in the sections above showing that job expansion is primarily located in small companies and small companies struggling to hold their own with the today's economic pressures, it might make sense to revisit the low cap on per-trainee awards, particularly on new hire trainees.

Business Attraction and Retention

Over the past four years, the Governor's Training Initiative has played an important part in the State's business attraction and retention efforts. Collaborating with Maine & Company and the

Department of Economic and Community Development, GTI prepared proposal language to be part of a comprehensive proposal submitted to companies thinking of relocating or expanding to Maine.

In the past four years, successful attraction initiatives have included T-Mobile in Waterville (700 new hires), athenahealth, Inc. in Belfast (159 new hires), Wal-Mart Distribution Center in Auburn (450 new hires), and Red Shield in Old Town (23 new hires). Retention efforts included B & M in Portland (26 new hires), General Dynamics in Saco (40 new hires), and Fraser Paper in Madawaska (465 incumbent trainees).

GTI continues to provide a competitive edge for State business attraction proposals, adding a component that many states offer in their competing packages.

Conclusion

The Governor's Training Initiative continues to support the State's position of workforce development as an economic development strategy. When workers have high skills, companies can compete in the global marketplace. When the State's workforce can demonstrate high levels of ability, companies are attracted to Maine as a potential relocation or expansion site. And when companies in Maine succeed, all Maine residents reap the benefits.

Prepared by Gail E. Dyer, Governor's Training Initiative
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