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Maine Department of Labor

Governor's Training Initiative

EDIR Agency Report –CY 2004

The 122nd Maine Legislature

October 1, 2005



STATE OF MAINE
DEPARTMENT OF LABOR
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JOHN ELIAS BALDACCI
GOVERNOR

LAURA A. FORTMAN
COMMISSIONER

October 1, 2005

The Honorable Ethan K Strimling, Senate Chair
The Honorable William J. Smith, House Chair
Members of the Joint Standing Committee on Labor
2 State House Station
Augusta, ME 04333-0002

Dear Senator Strimling, Representative Smith and Members of the Joint Standing Committee on Labor:

In accordance with Title 5, M.R.S.A., §13070-J, we are 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 2004, thirty nine 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 2004 may be associated with GTI contract allocations spanning three funding cycles (program years 2002, 2003 and 2004).

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,

Laura A. Fortman
Commissioner

cc:

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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 122nd 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-2004 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 2004, thirty nine 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'02, PY'03 and PY'04 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 2004

PUBLIC BENEFIT

Job Creation

Contractors receiving reimbursements of \$10,000 or more toward the cost of new hire training anticipated creating 1,219 new positions.

Job Retention

GTI assisted firms with nonroutine 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 4,553 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 \$2.40 in private company match.
- Each \$1.00 of allocated funds for incumbent worker training leveraged \$2.08 in private company match.

Sixteen of the thirty nine 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 \$1.15 per hour.
- Average anticipated wage increase for incumbent workers upon completion of training \$0.45 per hour.

The following represents comments from some of the companies that received GTI reimbursements of \$10,000 or more during calendar year 2004

ATX II, LLC, Caribou

It would be nice if the company directly received more of the funds from the Maine Quality Center. The correct year should be on the report form and we should be able to file this report online. The incentives offset, to a small degree, the significant cost of hiring a new employee. As we search for more programmers with experience in various languages and web development, it costs more to attract them to the area. Once they are hired they buy houses...and help stimulate the local economy. We expanded our call center hours to include a night shift...creating more jobs, providing more training and the ability to hire more programmers who move here from other states.

Cousineau Wood Products, North Anson

These programs keep our company in business. We created all the anticipated jobs at our facility.

Daigle Oil Company, Fort Kent

I suggest moving to electronic access and reporting for all required forms and reports either via a web-based application or email. GTI allowed us to create more comprehensive training for our employees. Giving them the skills to better perform their existing jobs and more easily adapt to changes brought about by new technology. The first grant allowed us to create in-house training programs for our existing positions, the second grant allowed us to provide training to prepare employees for the implementation of our new data systems.

Disability-RMS, Westbrook

(Not required to report, received less than \$10,000 - not included in agency report).

Both GTI and MQC are so easy to use, no suggestions for improvement. We have been able to deliver an unprecedented amount of high quality training to our employees; this enhances their skill level and ability to work more effectively with each other and our clients. DRMS hired 42 people in 2004, however, it is difficult to make a direct correlation to jobs created or retained as a direct result of the incentives.

First Technology, Standish

The GTI incentive has resulted in our organization going forward with the "much needed" training programs. I would be hard pressed to find anything deficient or in need of improvement...very effective and efficient program delivery. The impact on First Technology has been dramatic. We are able to retain our current workforce because we have become more efficient... the result of the "Lean Initiative" we embarked on 2.5 years ago. MEP and GTI have been outstanding.

The Foreside Company, LLC, Gorham

The process went smoothly. The incentives moved us to invest in our people and technology to become competitive internationally. We created 10 new jobs, invested over \$35,000 in new technology, \$70,000 in equipment and \$120,000 in training.

Formed Fiber Technologies, LLC, Auburn

GTI allowed us to support employee educational efforts and continue to offer critical quality programs, such as six-sigma.

Georgia Pacific Corp., Old Town

The incentives have helped us be more competitive within GPC, helping us achieve the same production and staffing levels as the prior year. We completed detailed training on operation of our new bio-mass boiler. Had this not been covered under GTI we likely would have curtailed or postponed other training efforts throughout the mill.

Great Works Internet, Biddeford

Application for GTI would be more efficient if it was automated; otherwise okay. Our employees have a much more customer focused approach since receiving the training. Our sales reps produced 30% more sales than forecasted prior to training. Customer support and sales reps were hired to fill new positions. GWI also contributed to the training expense and ongoing training needs.

Huhtamaki Packaging, Waterville *(Not required to report, received less than \$10,000 - not included in agency report).*

Most documentation is clear and easy to use. Support from KVCOG and DECD is strong. (GTI funds) allowed us to do better training of new employees; (the incentives) provided incentive for our company to invest in Waterville.

Irving Forest Products, Inc., St. John NB

We created new jobs and invested in value added facilities.

Irving Woodlands, LLC, St. John Plantation *(Not required to report, received less than \$10,000 - not included in agency report).*

The process has been fairly smooth...it allows us to train employees without taking such a big hit on the cost. We accomplished all of our employment goals.

Interface Fabrics, Inc., Guilford

Our company cannot depend upon these programs when planning capital expenditures because these programs are continually up for discussion to be eliminated. It is important that we be able to count on receiving these incentives in order for us to continue to invest in a high-tax state like Maine. These incentives have allowed us to keep our mill open, without these incentives it is likely that jobs currently located in Maine would be moved to other Interface Fabrics locations in the US and abroad.

Lee Auto Mall, Auburn

There is no question that these incentives have helped in a very significant way. 1) Created the ability to do company-wide management development training; for the first time we have trained 50 managers at all locations. 2) We were able to provide supplemental sales training that has helped our sales force with both effectiveness and retention.

Microdyne Outsourcing, Orono

Incentives help to reduce the high cost; although adds an admin layer that is costly for both state and businesses.

Penmore Lithographers, Lewiston

The process for both incentive programs was very smooth from application to receipt of benefits. The incentives (BETR and GTI) allowed us to install a new digital press which expanded our services and improved the skills of our employees to use the new technology. We also upgraded our management system and the training provided help to improve the skills of our employees; without the incentives advances may have been impossible. By investing in new technology and training our company has been more competitive in the market place which has allowed us to maintain our employment and sales levels.

Performance Food Group-Northcenter, Augusta *(Not required to report, received less than \$10,000 - not included in agency report).*

We appreciate the opportunity to receive incentive funds...which helped our company grow in central Maine rather than considering a move out of state... the incentives allowed us to invest in new warehouse equipment and technology and to conduct associate training programs.

Saunders Brothers, Inc., Westbrook

GTI was very easy from my view point from start to finish. The personnel that I dealt with were very cooperative and helpful. (GTI) provided a very positive impact during the start up of Saunders Brothers' Locke Mills, manufacturing plant.

Sisters of Charity Health System, Lewiston

GTI allowed us to try some innovative training ideas we may not otherwise have been able to justify. We have been able to provide mentoring for new RNs who are most at risk of job change. This has improved retention of key resources in healthcare.

UniTel, Inc., Unity

We found the process of receiving funding through GTI to be extremely effective and easy to manage. All contacts with the state in regard to the application process and questions about the invoice submission process were handled in a courteous and professional manner. Because of GTI we were able to enhance our training opportunities. With the increase of competition in our service territory, it is imperative that we continue to train our employees because of this we have been able to add new revenue possibilities. These increases have attributed to our ability to retain our existing employee base and continue the process of training in order to remain competitive.

Vortechnics, Inc., Scarborough

The GTI program is well defined and executed...support staff is excellent. Training has allowed individual employees to better manage their jobs during growth and change within the company. Training also improved the overall self-esteem and morale of our workers.

The final page lists the 39 GTI recipients required to complete the EDIR Report for Calendar Year 2004

| Company Name | Location | Program Year 02 | Program Year 03 | Program Year 04 | Full GTI Obligation | Paid out in Calendar Year 2004 |
|-----------------------------------|--------------|-----------------|-----------------|-----------------|---------------------|--------------------------------|
| Aroostook Mental Health Services | Caribou | 02-84 | | | \$24,000.00 | ↓ |
| Aroostook Mental Health Services | Caribou | | 03-05 | | \$83,863.00 | \$65,647.60 |
| ATX II, LLC | Caribou | 02-71 | | | \$143,200.00 | \$137,800.00 |
| Bedard Pharmacy | Lewiston | 02-13 | | | \$36,918.00 | \$11,443.81 |
| Cousineau Wood | North Anson | | | 04-17 | \$54,490.00 | \$20,258.54 |
| Creative Apparel | Belmont | | 03-19 | | \$37,200.00 | \$32,400.00 |
| Cyro Industries | Sanford | 02-06 | | | \$39,337.00 | \$13,138.00 |
| Daigle Oil Company | Fort Kent | 02-15 | | | \$38,000.00 | ↓ |
| Daigle Oil Company | Fort Kent | | | 04-01 | \$44,306.00 | \$71,511.00 |
| Fairport New England | Standish | | 03-72 | | \$99,691.00 | \$16,537.50 |
| First Technology -Control Devices | Standish | 02-59 | | | \$22,510.00 | ↓ |
| First Technology -Control Devices | Standish | | 03-57 | | \$32,715.00 | \$48,978.00 |
| The Foreside Company | Gorham | | 03-62 | | \$35,516.00 | \$30,553.96 |
| Formed Fiber Technology | Auburn | | | 04-35 | \$81,450.00 | \$44,118.00 |
| Georgia Pacific Corporation | Old Town | | 03-66 | | \$124,437.00 | \$96,000.00 |
| Great Works Internet | Biddeford | | 03-13 | | \$24,006.00 | \$23,575.00 |
| Interface Fabrics | Guilford | | 03-09 | | \$34,382.00 | \$61,345.00 |
| Irving Forest Products | Dixfield | | 03-63 | | \$10,000.00 | \$10,000.00 |
| Jotul USA | Portland | 02-50 | | | \$20,500.00 | \$17,509.34 |
| Keane Incorporated | Scarborough | | 03-04 | | \$22,847.00 | ↓ |
| Keane Incorporated | Scarborough | | 03-76 | | \$45,266.00 | \$17,509.34 |
| Keiser Industries | Oxford | 02-83 | | | \$24,321.00 | \$24,277.00 |
| Lincoln Paper & Tissue | Lincoln | | 03-73 | | \$422,400.00 | \$422,400.00 |
| Livebridge, Incorporated | Lewiston | 02-35 | | | \$83,490.00 | \$38,020.00 |
| Louisiana Pacific Corp. | Baileyville | | 03-25 | | \$25,000.00 | \$11,800.00 |
| Maine Machine Products Company | So. Paris | 02-41 | | | \$80,500.00 | \$80,500.00 |
| Maine Public Service | Presque Isle | | 03-52 | | \$85,742.00 | \$21,041.00 |
| Maine Wood Turning | New Vineyard | | 03-20 | | \$67,400.00 | \$27,500.00 |
| Microdyne Outsourcing | Orono | 02-80 | | | \$81,000.00 | \$41,499.00 |
| Nichols Portland | Portland | 02-39 | | | \$69,995.00 | \$40,712.58 |
| Oxford Telephone | Buckfield | | 03-28 | | \$33,523.00 | \$17,032.76 |
| Penmor Lithographers | Lewiston | | 03-24 | | \$13,950.00 | \$13,950.00 |
| Planet Ventures | Portland | | 03-64 | | \$17,000.00 | \$13,689.38 |
| Ranor, Incorporated | Jay | | 03-29 | | \$75,597.00 | \$52,520.00 |
| Rich Tool & Die | Scarborough | | 03-54 | | \$63,600.00 | \$29,973.31 |
| Sappi Fine Paper | Skowhegan | 02-11 | | | \$132,615.00 | \$61,146.45 |
| Saunders Brothers | Westbrook | 02-79 | | | \$77,710.00 | \$77,686.00 |
| Sisters of Charity | Lewiston | 02-54 | | | \$60,024.00 | \$11,722.50 |
| Tri-County Mental Health | Lewiston | | 03-47 | | \$26,870.00 | \$23,970.67 |
| Unitel | Unity | | 03-56 | | \$40,180.00 | \$18,431.43 |
| Vortechinics | Scarborough | 02-33 | | | \$33,251.00 | \$33,251.00 |
| Wahlcometroflex | Lewiston | | | 04-20 | \$500.00 | ↓ |
| Wahlcometroflex | Lewiston | 02-12 | | | \$92,250.00 | \$13,472.00 |
| Windham Millworks | Windham | | | 04-02 | \$105,394.00 | \$79,510.00 |