



State Policy and Funding Models for Incumbent Worker Training

Lansing, MI
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Mission

The Workforce Alliance (TWA) is a diverse national coalition of local leaders advocating for federal policies that **invest in the skills of America's workers**— including those who are low-income, unemployed, or seeking advancement— so they can better support their families, and help American businesses better compete in today's economy.



The Context: Lack of Federal Investment in Incumbent Worker Training

- Most Federal employment and training programs are targeted to unemployed, dislocated or entry-level workers.
- Local WIA formula funds cannot be used for incumbent worker training, though Governor's discretionary statewide activities funds can be used for this purpose.

How is MI Supporting Incumbent Worker Training Currently?

- Economic Development Job Training Grants.
 - Administered by MEDC. Discretionary grant program. Projects must involve businesses and training providers and must maintain or attract permanent jobs for MI residents. Also targets consortia of manufacturers to increase their competitiveness.
- MI Works! Incumbent Worker Program
 - Administered by DLEG. \$3 million annually of WIA funds distributed by formula to all MWA's. Used for customized employee training for existing businesses that are experiencing difficulties in staying competitive.

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The Economic Development Job Training (EDJT) program seeks to ensure that Michigan has the training resources to retain and attract smart businesses and people.

Michigan is an active participant in maintaining a highly-trained, skilled work force. In recent years Michigan has developed trend-setting programs to deliver job training assistance to employers. The Economic Development Job Training (EDJT) program is a major feature of the state's economic development efforts.

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How is MI Supporting Incumbent Worker Training Currently?

- Michigan Regional Skills Alliances
 - Employer focused, locally managed partnerships formed to address workforce issues affecting firms operating in the same industry in a distinct geographic area. Training involves a mix of new and incumbent workers, but relies on existing funding sources.

Different State Models and Funding Sources for Incumbent Worker Training

- **The California Employment Training Panel**
 - Funding Source: Employer UI tax.
- **The Minnesota Job Skills Partnership**
 - Funding Source: State General Fund
- **The Iowa Jobs Training Program**
 - Funding Source: Local Bonding authority and state income tax withholding diversion.
- **Oregon's Workforce Response Teams**
 - Funding Source: WIA Governor's discretionary and rapid response (via waiver) funds.

The California Employment Training Panel

- 23 states use some form of employer tax to fund training.
- The **CA Employment Training Panel** is the nation's first and biggest employer tax-funded program, providing up to \$85 million annually in job training funds.
- The funds are generated by diverting .1% of UI payroll taxes paid by private for-profit businesses for every covered employee (up to \$7 per employee per year).

The California Employment Training Panel

- ETP was founded in 1983, and has provided almost \$800 million to train more than 600,000 workers and serve nearly 55,000 businesses.
- The majority of the funds are typically used to retrain employees in companies that face out-of-state competition. ETP can also fund projects to train and place unemployed workers and workers with barriers to full time employment.

The California Employment Training Panel

- The program requires a 1:1 match from employers, and training costs are only reimbursed if trainees retain employment for 90 days in a related job at a prescribed wage.
- Outcomes: According to 2004 CSU-Northridge evaluation, incumbent completers had earnings gains of \$4,272. New hire completers had gains of \$6,073.

The California Employment Training Panel

- Outcomes: Moore et al. (2003) conducted a more structured evaluation of ETP and found that ETP training led to significant positive outcomes for the worker, the employer, and the state economy. The total estimated impact of ETP on the California economy in the first year after training was \$413 million, with direct costs estimated at \$62.8 million.

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Employment Training Panel*Linking Business and Training Dollars***Next Panel Meeting**

The next Panel Meeting will be held on **April 26, 2007**, at 9:30 AM in San Diego. Please see [Dates and Locations](#) for more information.

What's New?**ETP's New Website**

Welcome to ETP's new website. The new user friendly design provides more concise information and allows first time and experienced users to easily find what they are looking for.

Take the time to familiarize yourself with the new site and [let us know what you think](#).

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The Iowa Jobs Training Program

- Iowa funds a range of workforce education programs by allowing community colleges to sell bonds to fund projects. Bonds are repaid through diversion of the state income tax withholding on trained employee wages.
- The **Iowa Jobs Training Program (260F)** was established in 1989 to support incumbent worker training, building off a similarly-funded program that supports training for new jobs (260E).

The Iowa Jobs Training Program

- Funds for IJTP are generated by the continued diversion of state income tax withholding from closed out 260E agreements for an additional ten-year period. IJTP is allocated \$3 million per year after funding cuts in the early '00's.
- Businesses with incumbent training needs contact their local community college who in turn assist the business with the development of the training programs that are funded by the IJTP program.

Minnesota Job Skills Partnership Program

- The **MJSPP** awards discretionary grants to educational institutions that partner with businesses to develop new-job training or retraining for existing employees.
- The program allocation is \$6.8 million per year from state general funds.
- Funds may be used for training-related costs or educational infrastructure improvements necessary to support businesses located or intending to locate in Minnesota.

Minnesota Job Skills Partnership Program

- Up to \$400,000 of Partnership funds per grant can be awarded for a project. There's a 1:1 cash or in-kind match required from the contributing business(es).
- In 2006 a total amount of \$8.6 million was allocated for 45 projects. Almost 10K workers were trained and over \$20 million of private funds were leveraged.

Oregon's Workforce Response Teams

- Oregon's **Workforce Response Teams** are organized in 15 of the state's regional economies, with the charge of proactively working with unions, training providers and employers in key industry sectors/clusters to address skilled worker shortages.
- WRT's are funded via the Employer Workforce Training Fund, established by Executive Order in 2003. Of the \$6 million currently in the fund, about 40 percent is WIA rapid response funds and 60 percent is WIA statewide activities funds.

Oregon's Workforce Response Teams

- To receive funding, businesses – or groups of businesses or worker organizations – apply to their local WRT for specific projects, putting up a one-to-one match for funds requested. To provide training, businesses partner with qualified training providers to deliver customized curricula to their workers. Projects must meet wage and career ladder standards
- In 2003-04, 240 projects were funded and over 13,000 workers were trained. Industry sectors targeted included manufacturing, health care, IT, and metals/transportation equipment.

Key Questions for Michigan Moving Forward

- Does Michigan finance sufficient incumbent worker training to meet demand?
- If no, can existing funding sources (federal, state) be expanded or do other funding sources be developed?
- If Michigan invests more in incumbent worker training, should it primarily target individual firms or key industry sectors?



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