

## TRANSMITTAL # 1

### MEMORANDUM

June 20, 2006

**TO:** Executive Committee  
Workforce Development Council

**FROM:** Roger B. Madsen, Director *Roger B Madsen*

**SUBJECT:** Incumbent Worker Revolving Loan Fund

**ACTION REQUESTED:** Recommend approval of proposed guidelines for the operation of the Incumbent Worker Revolving Loan Fund

#### BACKGROUND:

The 2006 Legislature approved H873 which directs the transfer of funds; creating the Incumbent Worker Training Revolving Loan Fund; and appropriating an additional \$2 million to the Department of Commerce & Labor for fiscal years 2007 and 2008 to assist businesses in training workers.

The legislative intent of the revolving loan fund is to assist businesses in training workers for high-growth, high demand occupations through financial assistance with tuition or other expenses that would not supplant or compete with financial assistance available through other state or federal training programs. This is a pilot program targeted to the nursing and commercial truck driving occupational fields. The Governor has designated the Idaho Workforce Development Council as the oversight policy making group for this program. Idaho Commerce & Labor will provide administrative support which will be paid out of the fund.

Idaho Commerce & Labor staff developed draft guidelines for review by an external advisory task force which included representatives from the trucking and nursing professions, hospitals, long term health care and education. The external committee met on June 13 and provided additional recommendations to the guideline for the council's consideration. These recommendations have been incorporated into the final document which is attached to this transmittal for the council's consideration.

#### Staff Recommendation:

Staff recommends the council approve the proposed Incumbent Worker Training Revolving Loan Fund guidelines attached to this transmittal.

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Attachment

## H873

Directs the transfer of funds; creating the Incumbent Worker Training Revolving Loan Fund; and appropriating an additional \$2 million to the Department of Commerce and Labor for fiscal years 2007 and 2008 to assist businesses in training workers.

### Legislative Intent from the Strengthening Idaho Act of 2006

This revolving loan program would assist businesses in training workers for high-growth, high-demand occupations through financial assistance with tuition or other expenses that would not supplant or compete with financial assistance available through other state or federal training programs. This is a business-driven program which will benefit Idaho businesses and workers. This proposal will begin as a pilot program targeted to the nursing and commercial truck driving occupational fields. It is legislative intent that the Department of Commerce and Labor draft rules to implement this program as a revolving loan program. Administrative costs are to be paid out of the fund. This appropriation shall be available for a two-year period through carry-over authority. The department will report back to the Joint Finance-Appropriations Committee during the 2007 legislative session on the impact of this pilot program.

### Objective

Establish an Incumbent Worker Training Loan Fund with priority funding targeted to training truck drivers and nurses.

### Eligibility Requirements

Idaho companies requiring commercial drivers and medical facilities that are:

1. Businesses incorporated in Idaho, registered with the Idaho Secretary of State or operated by an Idaho governmental entity, employing Idahoans and proposing to train Idaho residents.
2. Paying Idaho Unemployment Insurance Tax or being a cost reimbursement employer under the Idaho Employment Security Law.
3. Providing a starting entry wage of \$12 per hour plus employer-assisted medical benefits.
4. Establishing a contractual relationship with the trainee prior to the trainee receiving training. The employer cannot recover from the trainee any more than the actual loan amount plus the actual interest imposed under the revolving loan program, **which does not include penalty and increased interest due to late payments.**
5. Trainee must be an Idaho resident as defined by the Idaho State Board of Education for the purposes of eligibility for resident fees at state universities.

### Training Requirements

1. Must provide job skill training in trucking and nursing professions.
2. Training must anticipate full-time employment.
3. Training may be provided by Idaho state technical colleges, universities, other public or private training organizations – unless one is not available in the geographic area.

### **Funding Criteria**

Applicants must meet eligibility and training requirements and demonstrate

1. The ability to repay the loan based on a review of CPA-reviewed financial information and other documents,
2. Operating stability,
3. Reasonable training costs, and
4. Its credit history.

### **Budget Guidelines**

1. Training related expenses – tuition, living allowance, books, materials and uniforms, including hard hats and steel-toed boots.
2. Ineligible expenditures include trainee salaries and major equipment.
3. The maximum amount to be loaned to an individual employer is \$50,000 per year.
4. Companies will be required to sign a promissory note and must repay the loan with interest at the rate of 3.5% per annum in no less than equal monthly installments.
5. The repayment schedule will be as follows:
  - First 6 months—interest and payment free.
  - Training is 6 months or less, the repayment period is up to 18 months.
  - Training is 6 months or more, the repayment period is up to 42 months.
6. Failure to pay will result in assessing a penalty payment, which will increase the interest rate to prime plus four percentage points and \$50 per month penalty fee until loan is repaid in full. The department will have the right to recover any legal expenses involving delinquent loans.

### **Application Process**

1. Financial Application to establish credit worthiness.
2. Training Application identifying trainee, SSN, hire date, training institution, date of training and budget.

### **Contracting Process/Management**

1. The Idaho Workforce Development Council is responsible for policy direction and oversight of the program.
2. Idaho Commerce & Labor will approve all financial and training applications.
3. Idaho Commerce & Labor will develop contracts with companies that will address at a minimum Trainee Name, SSN, Hire Date, Training Provider and budget.
4. Idaho Commerce & Labor will be responsible for contract management, marketing, reporting, contract reimbursement and financial management.