

TRANSMITTAL # 2

MEMORANDUM

March 26, 2002

TO: Workforce Development Council

FROM: Roger B. Madsen, Director, Department of Labor
Gary Mahn, Director, Department of Commerce

SUBJECT: Workforce Development Training Fund—Guideline Modification

ACTION REQUESTED: Approval of the proposed modification to the WDTF Guidelines

BACKGROUND:

The Workforce Development Training Fund (WDTF) Program has proven to be a highly effective tool in encouraging companies to create new, high quality jobs in Idaho. Since its inception in 1996, the program has assisted over 61 companies create 9,747 jobs. The average hourly wage for these jobs is \$10.32 plus benefits. The program has helped existing Idaho companies expand and has been an effective tool in recruiting new companies to our State.

The current WDTF guidelines have provided sound direction for the implementation of the program. The current guidelines (outlined in the attached brochure) include provisions for the Directors of Labor and Commerce to approve projects and commit funding for companies who are deciding where to expand, contingent upon the receipt of a successful application. The timely and upfront commitment of WDTF funding has been a valuable tool to help influence companies to locate and expand in Idaho.

The current guidelines include flexibility for the Directors to exceed normal program guidelines for funding level and contract length when conditions warrant. Recently Idaho's state and local economic development teams were involved in an intense effort to recruit Dell Computers to Idaho. In light of the economic conditions and the growing aggressiveness of other states' economic development strategies, this was an extremely competitive process. To compete successfully in this effort, state and local officials needed to maximize the benefits of available programs and services. Fortunately, as a result of a well-coordinated and competent effort, Dell Computers decided to locate in Twin Falls.

As part of the effort to recruit Dell Computers to Idaho, the Directors of Commerce and Labor committed WDTF funds contingent upon a successful application for funding. Throughout the discussions with Dell, it was apparent the level and duration of WDTF funding for the proposed job creation were pivotal factors in Dell's decision-making on whether to locate in Idaho. In order to provide sufficient incentive to Dell and to fully support the local economic development efforts, the Directors, in consultation with the Governor's office, committed funding above the normal \$2,000 per trainee, and committed to a three to four year contract period to allow for full employment expansion. The Directors felt it was important to make every reasonable effort to attract Dell to Magic Valley, and that this offer was essential to convince Dell to locate in Idaho.

These actions are fully compliant with the WDTF legislation and the current guidelines; however, we believe it is prudent to add a modification to the guidelines to clarify the discretion granted to the Directors. Thus, we are recommending effective state fiscal year 2002 the Council approve the following modification to the WDTF guidelines.

RECOMMENDATION: The Council approve the following modification to the WDTF guidelines:

When there is a compelling economic benefit to the state and the community where the new or expanded business will be located, the Directors of the Department of Labor and the Department of Commerce have joint authority to make program guideline modifications.

We believe that at times there are compelling economic reasons to make limited modifications to the guidelines in order to secure business development in Idaho. Economic development is becoming more competitive and if Idaho is going to be successful in attracting new businesses, we need to utilize all our tools and resources, including the WDTF, to their fullest potential. The above guideline modification will enable us to maximize the benefit of the WDTF as an economic development tool and will ensure the Directors' discretionary negotiations are within the Council's intent and the program's guidelines.

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Attachment