

## TRANSMITTAL #6

### MEMORANDUM

May 4, 2006

**TO:** Workforce Development Council

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

**SUBJECT:** Workforce Development Training Fund

**ACTION REQUESTED:** Approval of WDTF Wage Increase and Definition of Medical Benefits

#### BACKGROUND:

The Workforce Development Training Fund is a valuable economic and workforce development tool designed to create jobs and train a quality work force. Since its inception, the training fund has been successful in creating approximately 17,000 new positions in Idaho at an average wage of \$10.86 per hour. Although the guidelines established by the Workforce Development Council in 1996 have served the program well, there are areas that need further discussion to ensure we meet the Governor's vision and goals for creating and retaining high-wage jobs that provide employee benefits such as health insurance.

Governor Kempthorne continues to advocate through various tax initiatives high wages and employee benefits such as health insurance.

- **New Jobs Income Tax Credit** allows employers to claim \$1,000 tax credit for every new employee whose annual earnings average \$15.50 or more per hour and who receives employer provided coverage under an accident or health plan.
- **Idaho Corporate Advantage** supports incentives for large companies that relocate headquarters or make a major administrative expansion in Idaho and create 500 new jobs at or above \$50,000 (\$24.40/hr.) a year or averaging \$60,000 (\$28.85/hr.) a year plus health benefits.
- **Idaho Business Advantage** supports smaller businesses that do not qualify for the Corporate Advantage but meet reduced requirements for new investment in plant and equipment and create at least 10 new jobs at \$40,000 (\$19.23/hr.) a year and any additional new jobs average \$32,240 (\$15.50/hr.) a year plus health benefits.

- **The Business and Jobs Development Fund** allows the director of Commerce & Labor to make last minute investments of up to \$200,000 in infrastructure to close the deal with an expanding or relocating business – if its payroll averages \$12 an hour.

The Workforce Development Training Fund currently stipulates that companies must have a starting entry/training wage of at least \$6 per hour plus employer-assisted benefits. The current Workforce Development guidelines are not aligned with Governor Kempthorne's goals of attracting high-wage jobs with benefits.

The original wage of \$6 was set in 1996 by the Workforce Development Council to ensure rural counties opportunities to participate. Currently, the rural companies that have received WDTF funding are reporting an average wage of approximately \$11.09 per hour, which is higher than the overall WDTF program average of \$10.86.

Employer-assisted benefits are not defined in the guidelines. All WDTF-funded employers are required to provide some level of benefits – medical, vacation, retirement programs and so forth. Approximately 10 percent of the companies funded to date, which are all rural, do not provide any medical benefits to their employees.

**Staff Recommendation:**

To align the program with the Governor's vision and allow continued support in rural counties, staff recommend that the starting entry/training wage be increased to \$12 per hour plus employer-assisted benefits to include a health benefit plan. A health benefit plan is defined in the state insurance law as follows:

"Health benefit plan" means any hospital or medical policy or certificate, any subscriber contract provided by a hospital or professional service corporation, or managed care organization subscriber contract. Health benefit plan does not include policies or certificates of insurance for specific disease, hospital confinement indemnity, accident-only, credit, dental, vision, Medicare supplement, long-term care, or disability income insurance, student health benefits only coverage issued as a supplement to liability insurance, workers compensation or similar insurance, automobile medical payment insurance or nonrenewable short-term coverage issues for a period of twelve (12) months or less.

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