

Instructions for Incumbent Worker Training Grant Applications

Montana Department of Labor and Industry

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Grants

- Grant awards are for payment of training costs for eligible workers in an eligible business. Those costs are categorized as **direct training costs** and **travel costs** required to attend the training.
- Direct training costs include tuition and fees charged by the training vendor, required books and other instructional materials, and other required costs such as equipment and supplies.
- Travel costs may include mileage and lodging. Travel costs for the incumbent workers may be paid by the grant if they are directly related to and necessary for the training to take place. Meals are not an allowable cost. Mileage costs from the home city to the training site and return shall be paid at the current State mileage rate. Lodging at the training site shall be paid at the current State lodging rate. Air fare or other commercial travel to the training site is allowed if it is the most reasonable means of transportation.
- There is an annual grant limit of \$2000 per full time job and \$1000 per part time job. If less than the limit is used in one grant for a full time employee, for example \$1500, then the remaining \$500 may be used later in the same program year. In the following program year that \$500 is forfeited, but a new \$2000 could be applied. Prior use of funds in the same program year will have to be assessed as part of the evaluation process by the recommending entity.
- The employer must contribute a matching amount to cover training costs at the rate of at least one dollar of match for every four dollars of grant. The employer's ability to make the match is a requirement of eligibility.
- Proposals that exceed the annual limit may be funded if the recommending entity and the employer can demonstrate that the training will result in a job for the worker that pays significantly higher wages and benefits than the worker's current job.

Matching Funds

A) Match Requirement

The employer is required to match at least one dollar of business funds for every four dollars of grant funds. Ability to make the match payment is a condition of eligibility. There are several options for the employer to satisfy the match, depending on the details of the

training proposal. These details must be arranged by the employer with the assistance of the recommending entity.

B) Allowed Match Options

There are three kinds of cost items that may serve as match. One is that the employer may pay a portion of the direct training costs to the training vendor. Direct payment for lodging and/or mileage is a second option. Third, the employer may use wages and benefits paid to the trainees while in training or travelling to or from the training. As one can readily see, each situation will be unique because of the variability between businesses and training situations. The recommending entity should work with the employer to find the best option that fits the circumstances.

C) Calculating Match Amounts

1. **Payment of Direct Training Costs** The employer may pay a portion of the training costs directly to the vendor. This would be the only option in a case where there were no travel costs and no wages and benefits. A straightforward example is a training cost of \$1000. The employer's match requirement would then be to pay \$200, to the vendor ($\$1000 \times 0.2 = \200). The grant would then be \$800. Note that the match amount is in the ratio of one dollar of match for four dollars of grant.

2. **Payment of Travel Costs** Mileage for use of a vehicle or public transportation is an allowable cost if the travel is necessary for the training to occur, and if it is the most reasonable means of travel. The recommending entity should work with the employer to find the most economical travel plan. For example, if three employees have to travel to another city to attend the same training, it is reasonable to expect them to travel together in one vehicle. If the employer insists on a less economical arrangement, the recommending entity has the option of only recommending a grant or match amount for travel based on the more economical plan. The rate for mileage shall be the Montana state rate, which is currently \$0.50 per mile. Lodging shall also be at the state rate, which corresponds to the federal rate. The link to this site is http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA_BASIC Mileage using a company vehicle is allowed, as is the use of an employee's vehicle.

When the training is located outside Montana, the match requirement for transportation and lodging is one dollar for every grant dollar, up to the amount of the transportation and lodging costs. All other match is at the one to four ratio.

3. **Wages and Benefits** Wages and benefits paid for the time of training and travel to and from the training may meet the match requirement. This type of match is different from direct training and travel, in that wages and benefits cannot be included in allowable costs the grant may cover, and therefore they do not subtract from the grant amount.

For example, the direct training cost is \$1000 and there is no travel cost, but the employer paid wages of \$100 for 8 hours of training. If there were no wages, the match calculation would simply be $.2 \times \$1000 = \200 , and the grant would be \$800. This would establish a ratio of one match dollar for every four grant dollars. But with wages of \$100 being contributed as match, the employer now only has to pay the other \$100 as direct

training costs, and the grant will be \$900. The same principle applies to benefits, or to a combination of wages and benefits.

4. Calculation of Wages and Benefits

Wages shall be calculated by counting the number of allowable hours that the employer will pay for and multiplying that number by the base wage (required on the application). Overtime premiums or other payments than the base wage cannot be used. If the employee is paid in a different way than hourly wages, such as salary or commission, derive a base wage by converting annual pay to hourly. Keep in mind that only hours when the employee is engaged in the training and travelling to or from the training are allowed hours for this purpose.

There are many kinds of benefits that may come with employment. To keep the process simple and to stay within the intent of the law, the Department has determined that only health premiums and pension contributions will count toward the match. Payroll taxes and other mandatory assessments are not allowed, including unemployment insurance, worker compensation insurance, social security payments, and other similar costs. To calculate the match for employee benefits, multiply the monthly premium or contribution by 12 then divide the result by 2080 to obtain the hourly benefit rate. Apply this rate in the same way as wages.

D) Match Worksheet

The purpose of the match worksheet is to document how the match was calculated and to provide a consistent set of directions for applying the match. This is a required document that must be attached to the application and becomes part of the application. The back side of the worksheet has basic directions for match calculation standards. That side has free space where the calculations must be written. Please be clear and orderly in your presentation so it is obvious to a reviewer how you arrived at the match amounts. The possible match arrangements are numerous, and that makes it impractical to use a template. So free hand will have to work for us.

The front side of the worksheet allows a clear delineation of who costs what. Notice that the second column is labeled FT/PT. This refers to the employee's status as either full time or part time, as defined. This provides a reminder of the \$1000 grant limitation for part time workers and \$2000 for full time workers. That makes an obvious difference in the grant and match amounts. Columns A through D itemize the allowable types of costs in the grant proposal. These numbers should be the entire cost for each item, regardless of grant limits or match requirements. Column E is the amount in column D that is above the allowed grant limit, if any. This refers to the annual grant limitation mentioned above for full time and part time workers, and to any previous payments made for that worker within the current program year. Column F, the maximum allowable grant, is the difference between columns E and D. This is the total amount of the allowable costs that can be covered by a grant. If there are extra costs above the allowed amount, that entire cost must be paid by the employer. However, the additional costs above the grant limit may serve as match.

NOTE: There have been questions about how to calculate the match. The law requires that the employer contribute at least one dollar for every four grant dollars. There is no one straightforward way to determine these numbers. One match dollar is one fourth (25%) of

the four grant dollars, but when the grant and match are combined to cover the entire project cost, the match is at least one fifth (20%) of the total. If there are costs above the grant limit and the minimum match amount, the employer will have to pay them, effectively raising the match to a higher proportion of the total project cost. If the total project cost is within grant limits, then the minimum match is effectively one fifth of that amount, which results in a ratio of one to four, match to grant. If wages or benefits are paid as match, the grant amount will increased, since it cannot pay for wages or benefits.

Grant Award Criteria

There are six criteria listed in the law that must be used when deciding whether or not to recommend a grant award. They are:

- Prospects for enhancing the incumbent worker's productivity, efficiency or wages.
- Prospects for reducing worker turnover.
- A direct relationship between the training and an added benefit to the worker's occupation or craft.
- A demonstrated need by the employer for upgrading skills of workers through training as a way to improve the employer's ability to remain competitive in the industry or the economy.
- A demonstration that the training is not normally provided or required by the employer and, as far as may be determined, by the employer's competitors.
- Ability to provide matching funds.

Except for the last two, it is not expected that each of the above items will apply to every application, but they should all be examined. Any that do apply should be addressed in the application narrative.

Eligibility

A) Employers

1. **Employers eligible for a grant must have no more than 50 employees statewide, and no more than 20 employees in one location in the state.**

The program is intended to assist small businesses in Montana, and this is how the legislature defines a small business for the IWT program. According to the Research and Analysis Bureau, there are about 28,200 private businesses in Montana with 20 or less employees, with an average of 4.5 employees. These businesses represent 77% of all businesses in Montana.

2. **The employer must be a business entity that is a sole proprietor, a corporation, a partnership, a limited liability company, or an association.**

Corporations include all forms of incorporated entities, such as non-profits or for-profits.

Public agencies are not eligible unless they are incorporated or are another one of the business types listed above.

3. **The business must be registered with the Secretary of State.**

Sole proprietors may be exempt from registration with the Secretary of State if they have no other employees and if they do business under their own name.

4. **The business must have been in existence in Montana for at least one year.**
5. **The employer must have a demonstrated need for incumbent worker training.**

The intent of the IWT program is to enhance the business's efficiency, capacity, productivity, competitiveness or other business measures through training workers in knowledge and skills that will directly result in those outcomes. The grant proposal must be expressed in these terms. The BEAR team, SBDC and MMEC have the task of assisting the applicants with this aspect of the application, using that entity's usual business practices. The first page of the application asks for a narrative response to three items. This will record the demonstrated need for the IWT services.

6. The employer must be an existing client of one of the recommending entities.

Employers cannot develop an application for an IWT grant without the involvement of the recommending entity. The Department will only accept applications and act on recommendations that come from one of the three entities.

B) Workers

1. Workers eligible to receive training must be permanent employees who are past their probationary period.
2. The probationary period is defined by either the business's own policy, or by State policy if the business does not have its own policy. The State probationary period is 6 months.
3. Eligible workers are classified as either full time or part time. Full time workers work an average of at least 35 hours per week, predominantly year round. Part time workers work an average of at least 20 hours per week, up to 34 hours, predominantly year round.
4. In many cases, the sole proprietor, owner, partner or other principle of the business engages directly in the production of goods and services, or actively manages the business. These individuals can be considered as workers for the purpose of the IWT program, as long as all other eligibility requirements are met.

C) Training Providers

Schools and other entities eligible to provide training with IWT funds include:

1. Any unit of the Montana University System.
2. Any tribal college in Montana.
3. A Montana community college.
4. A Montana registered apprenticeship program.
5. Any other training organization that is approved by a BEAR, SBDC or MMEC. This will be a decision that the employer and the recommending entity will have to make based on evidence of ability to deliver and reasonableness of the training in relation to the training proposal. Other entities could include private training vendors, out of state schools, public agencies, etc.

D) Disallowed Training

Training should be part of an overall plan to improve the business's productivity, efficiency, or other business measures. There must be a clearly demonstrated need for the IWT training as a means to business improvement. This would disallow training that does not demonstrate that need. So a business may be eligible in all other respects, but if they cannot demonstrate a need for the service to foster business improvements, there should not be a recommendation for funding.

A specific type of training that is prohibited by rule is continuing education or training for maintenance of a license. The law states that criteria for grant awards include, among other items, "a demonstration that the training is not normally provided or required by the employer, and, as far as may be determined, by the employer's competitors." (Sec. 4, 3(f)) The Department is interpreting this to disallow continuing education for occupational licenses.

Application Procedure

A) Recommending Entities

The Incumbent Worker Training law is written so that any application that the Department would fund must first have the recommendation of approval from one of three organizations named in the law. These are the Montana Manufacturing Extension Center (MMEC) at MSU Bozeman, the Small Business Development Centers (SBDC) located around the state and funded in part through the Montana Department of Commerce, and the Business Expansion and Retention (BEAR) teams located in various communities and sponsored by the Montana Economic Developers Association.

These three entities have the capacity to engage a business applicant for IWT services and to determine if the training proposal is appropriate. It is the expectation of the Department that the entity and the employer will develop an incumbent worker training plan that is an integral part of a more comprehensive business improvement plan.

B) Application Form

The application has three parts. The block of fields at the top of the front page is necessary to determine the employer's basic eligibility and to register and track the business in MTWorks. Below this block is a section with a set of directions for addressing the benefits the IWT grant would provide to the business and the worker, and a description of the training. The second page has a set of fields describing each employee who would be trained, which provides eligibility information and allows each person to be registered and tracked in MTWorks.

The two page application, the narrative responses to the three items, the match worksheet, the financial agreement and any supporting documents become the total application package.

C) Verification and Documentation

There are three kinds of documentation, eligibility, training completion, and financial. When determining eligibility of the employer and the workers, seek verification if an item is unknown or questionable.

Facts of eligibility that are common knowledge in the community do not need to be verified, but they should be documented in notes. For example, if a business has been operating in the community for many years, it is unnecessary to verify that they have been in business for at least a year. Similarly, if it is widely known that a business has only a few employees, it is unnecessary to document that they have 20 or less employees in one location and no more than 50 statewide. As a contrary example, if a business has close to 20 employees, documentation should be obtained to verify there are 20 or less. Any other eligibility items that are not obvious need to be documented, such as if the business is registered with the Secretary of State. The first section of the application form requests

information to determine the employer's eligibility, including items that are not for determining eligibility, such as address, FEIN or SSN, etc. These extra items do not need to be verified.

Training completion must be verified by documentation, such as the certificate of completion, for each individual being trained. Photocopies are sufficient.

Financial documentation is required for all expenses, including match. This must be original invoices or receipts and other documentation for training, lodging, and transportation.

Wages and benefits paid by the employer as match must also be documented, using copies of payroll records.

D) Department of Labor and Industry

The role of the Department is to administer the IWT program.

When an application for an IWT grant is received by the Department with a recommendation to fund the proposal, the Department will review the application for completeness. Those applications that are deemed to be incomplete will be returned to the recommending entity for completion. The Department will not routinely attempt to reconstruct the application process completed by the recommending entity and the employer, but applications that appear prima facie to be not eligible will be questioned. The Department will have an individual at each Job Service Workforce Center who is the designated Department contact for that community. This individual will serve as a liaison and contact for the IWT program. In practice, several BEAR teams have Job Service employees who participate. This is a local Job Service and community decision, and the local contact may or may not be on the BEAR team. The designated contact can provide general information to employers about the IWT program and refer to the appropriate recommending entity. A completed application may be submitted to the contact, who will then forward it to the Department administrative office, although the application may be mailed or FAXed directly to the Workforce Services Division office from the recommending entity.

Applications received at the administrative office will be processed in the order they are received. The application will be reviewed for completeness, and the information will be transcribed into MTWorks. The grant payment will be issued according to the terms of the financial agreement.

Financial Agreement

The law requires that the grant recipient enter into a "... properly executed agreement ... that outlines the terms of the grant." This agreement will be between the employer and the Department. A standard form has been developed, called a financial agreement, that satisfies this requirement. It must be signed by the employer and attached to the application. When the application is approved by the Department, a Department authorized representative will sign it and send a copy back to the employer.

Example #1

Proposal Costs $A + B + C = D$

See Directions

Match H

$+ J + K = L$

A B C D E F G H J

K L

Name of Employee	FT/ PT	Trainin g	Travel	Lodgin g	Total A+B+C	Above Grant Limit	Maximu m Grant D - E	Minimu m Match	Trainin g (tuition , books, etc.)	Travel/ Lodjin g	Wages/ Benefits	Total H+J+K Must Equal or Exceed G
A	FT	\$2500	0	0	\$2500	\$500	\$2000	\$500	\$500	0	0	\$500
B	PT	\$2500	0	0	\$2500	\$1500	\$1000	\$250	\$1500	0	0	\$1500
Total												
Totals		\$5000	0	0	\$5000	\$2000	\$3000	\$750	\$2000	0	0	\$2000

Two workers are to be trained at a cost of \$2500 each. The training is offered locally, and no wages or benefits are to be paid. One worker is full time, and one is part time. There have been no previous grants for these positions. The total training costs for each worker are in columns A - C, summed in column D. Since the full time worker has a \$2000 limit, \$500 of the allowable cost is above the limit. The part time worker has a \$1000 limit, so \$1500 is above the limit. The above the limit amounts are in column E. The maximum grant amount is in column F. It is the difference between the total cost of the training in column D and the amount above the grant limit in column E. The amount in column F is what the minimum match amount in column G is calculated from. The \$2000 cost above the grant limit more than covers the minimum match. The grant will be for the maximum allowed \$3000.

Calculations

Worker A: training cost \$2500 – limit \$2000 = \$500 over limit \$2000 maximum grant Minimum match $0.25 \times \$2000 = \500

Worker B: training cost \$2500 – limit \$1000 = \$1500 over limit \$1000 maximum grant Minimum match 0.25 x \$1000 = \$250
 Grant \$3000 Match \$750 Additional costs to employer \$1250

Example #2

Proposal Costs **A + B + C = D**

See Directions

Match **H**

+ J + K = L

A B C D E F G H J K L

Name of Employee	FT/PT	Training	Travel	Lodging	Total A+B+C	Above Grant Limit	Maximum Grant D - E	Minimum Match	Training (tuition, books, etc.)	Travel/Lodging	Wages/Benefits	Total H+J+K Must Equal or Exceed G
A	FT	\$500	\$175	0	\$675	0	\$675	\$135	0	175	0	\$175
B	FT	\$500	0	0	\$500	0	\$500	\$100	\$60	0	0	\$60
Totals		\$1000	\$175	0	\$1175	0	\$1175	\$235	\$60	\$175	0	\$235

Two full time workers are to be trained at a cost of \$500 each. The training is in another city, but it is a day trip, so there will be no lodging cost. One of the workers is driving his personal car, and the employer will reimburse him for mileage at the allowed rate. There will be no wages or benefits paid.

The employer can use the \$175 mileage payment to his worker as match, but that falls \$60 short of the total match. The employer would then have to pay that amount to the training vendor to complete the match requirement. The grant would then be \$940.

Calculations

Worker A: mileage 350 miles round trip x \$0.50/mile = \$175 Training \$500 Total \$175 + \$500 = \$675 Match 0.2 x \$675 = \$135

Worker B: Training \$500 Match 0.2 x \$500 = \$100

Match \$135 + \$100 = \$235 Grant \$1175 - \$235 = \$940

Example #3

Proposal Costs A + B + C = D

See Directions

Match H

+ J + K = L

A B C D E F G H J

K L

Name of Employee	FT/PT	Training	Travel	Lodging	Total A+B+C	Above Grant Limit	Maximum Grant D - E	Minimum Match	Training (tuition, books, etc.)	Travel/Lodging	Wages/Benefits	Total H+J+K Must Equal or Exceed G
A	FT	\$650	\$150	\$75	\$875	\$375	\$500	\$100			\$192	\$192
B	FT	750	0	75	825	0	825	165			\$192	\$192
Totals		\$1400	\$150	\$150	\$1700	\$375	\$1325	\$265			\$384	\$384

B	FT	\$765	\$585	\$320	\$1670	0	\$1670	\$605.50	227.50		378	605.50
Totals		\$1530	\$1170	\$640	\$3340	0	\$3340	\$1211	\$455		\$756	\$1211

Two workers are being trained together in Seattle. The direct training cost is \$765 each. The trip requires air travel and two nights in Seattle. Wages will be paid for 24 hours for each worker at base wage of \$15.75/hour. No benefits are paid. Since this is out of Montana training, the match must be at least 50% for travel and lodging. The wages are allowed for match, but there is \$455 remaining to be assigned. A simple way to do this would be for the employer to pay \$455 of the direct training cost to the vendor. The grant would then pay the balance of \$1075 to the vendor, and it would reimburse the employer for the travel and lodging at \$1810. The total grant would be \$2885.

Calculations

Match calculation: Travel \$1170 + lodging \$640 = \$1810 $\$1810 \times 0.5 = \905 (out of state match) Training \$1530 $\times 0.2 = \$306$ (in state match) Total match: $\$905 + \$306 = \$1211$ Wages: $\$15.75/\text{hr.} \times 24 \text{ hr.} \times 2 = \756 $\$1211 - \$756 \text{ wages} = \$455$ remaining match.

Grant $\$3340$ total proposal - $\$455$ remaining match = $\$2885$ grant