

**NOTICE OF ADOPTION**

**RULE NO. 18-03**

**1. Rule.**

Job Training Program: Program Rules and Guidelines (the Rule)

**2. Date of Posting Notice of Rule Making.**

April 6, 2018

**3. Public Comment Period.**

April 6, 2018 through May 6, 2018

**4. Hearing Date**

none

**5. The deadline for the Authority to file a Notice of Adoption.**

October 3, 2018

**6. Notice of Adoption Posting Date.**

May 7, 2018

**7. Preamble**

**An explanation of the agency's action pertaining to the Rule**

No comments regarding the Rule, which was proposed on April 6, 2018, were received.

**8. Amendments**

The Arizona Commerce Authority hereby gives notice that Rule 18-03 has been adopted and governs Job Training Program grants issued on or after May 7, 2018.



Michael Kellis  
Associate Counsel



# ARIZONA JOB TRAINING PROGRAM

## PROGRAM RULES & GUIDELINES (RULES)<sup>1</sup>

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### Section 1. Overview

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The Arizona Job Training Program (Program), administered pursuant to A.R.S. § 41-1544 (effective August 9, 2017; *see* SB1524/HB2539) by the Arizona Commerce Authority (Authority), offers grants to assist eligible Arizona employers in maintaining or exceeding employee training expenditures. By supporting the design and delivery of customized employee training programs that increase the skill and wage levels of employee-trainees, the Program stimulates economic growth in Arizona.

Program grants are payable on a cost reimbursement basis. Grants cover up to 75 percent of the eligible costs for New Employee training and up to 50 percent of the eligible costs for Incumbent Employee training.

In respect to grants issued on or after October 8, 2017, grants for both New Employee training and Incumbent Employee training (if applicable): (i) will provide (a) up to \$8,000 of eligible training costs per employee-trainee in the case of rural employers and employers with fewer than 100 employees and (b) up to \$5,000 of eligible training costs per employee-trainee in the case of all other employers, and (ii) the maximum grant amount for an employer in all cases will be \$1.3 million and (iii) the maximum grant term in all cases will be determined by the Authority.

Grants for New Employee training will be awarded on the basis of a competitive application process to the extent that the aggregate New Employee training grant amounts applied for exceed the amount of funds allocated to each funding round by the Authority. Grants for Incumbent Employee training may be awarded to eligible employers on the basis of a random blind drawing. The Authority will provide notice of certain elements of each funding round via email to those requesting updates regarding the Program, as well as on its website consistent with Section 4(A)(1) below.

The Program was initially funded by the Arizona Job Training Tax (the “JTT”), which financed the Arizona Job Training Fund. The JTT expired on December 31, 2015 (collections in arrearages of JTT liabilities arising through December 31, 2015 are continuing), but the Arizona Job Training Fund continues to operate with other monies that were initially funded by the JTT. The Program terminates on December 31, 2020, after which time no new grants

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<sup>1</sup> These Rules are issued under the authority of A.R.S. § 41-1005(A) (28) to govern the administration of the Arizona Job Training Program. These Rules supersede and replace Rules 14-01, 15-01, 15-03, 16-02 and 17-03 which superseded and replaced the rules set forth in Title 20, Chapter 1, Article 2 of the Arizona Administrative Code. In the case of any conflict between these Rules and governing statutes, the statutes will prevail. Section 8 of these Rules provides a glossary of capitalized terms used in these Rules.

will be issued; grants issued on or before, and terminating after, December 31, 2020 will remain in effect through their respective contractual end date.

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## **Section 2. Grant Eligibility**

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- A. Eligible Employers. Subject to all additional requirements set forth in these Rules, an Employer or a Consortium is eligible for a Program grant if the Employer or each member of the Consortium:
1. Is registered with and participating in the federal E-verify program as required by A.R.S. § 23-214(B);
  2. Pays Employee-trainees compensation as prescribed in Rules Section 2(b)(1); and
  3. In the case of an application for Incumbent Employee training, at least 12 months have elapsed since completion of any prior Incumbent Employee training grant awarded the Employer.
- B. Eligible Employees. Subject to all additional requirements of these Rules, Employees are eligible to be included in an Employer's approved Training Plan if:
1. The average wage payable to all Employee-trainees throughout the term of the Training Plan is at least equal to the Qualifying Wage Rate as established as follows:
    - a. Employers in Maricopa or Pima Counties with 100 or more employees: 1.0 x County Median Wage
    - b. Employers in Maricopa or Pima Counties with 1 – 99 employees: 0.8 x County Median Wage
    - c. All Counties outside of Maricopa and Pima: 0.8 x Balance of State Median Wage
  2. In the case of an application for New Employee training, the Employee-trainees are hired in employment positions qualifying as Net New Jobs *after* the date of submission of the Program grant application.

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## **Section 3. Grants – Types of Grants, Amounts of Grants, Other Considerations**

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- A. Training Type. Grants may be issued *either* for New Employee training or Incumbent Employee training. New Employee training and Incumbent Employee training cannot be combined within the same grant. An Employer may have only one grant for each type of training at any point in time.
- B. Term. The maximum period will be determined by the Authority and disclosed pursuant to Section 4(A)(1) below prior to each funding round.
- C. Training Plans and Budgets. Grants are based on an Employer's approved Training Plan, which will include an approved training budget. Grant funds are paid to reimburse a specified percentage of eligible training expenses incurred by an Employer in accordance with the approved Training Plan. The expenses must be incurred or contracted for *after* the date of submission of a Program grant application in the case of New Employee training (though such training is done at the Employer's risk of non-reimbursement unless or until an award is made) and *after* the start of the grant training period in the case of Incumbent Employee training.
- D. Eligible Training Expense. Generally speaking, allowable training expenses must relate to job skill instruction that upgrades specific employee skills either for an Employee's current job performance or an Employee's performance following a job promotion.

- E. Section 1 of Schedule 1 to these Rules enumerates the specific allowable training expenses that qualify as expenses eligible for reimbursement by the Program. Section 2 of Schedule 1 to these Rules enumerates, for illustrative purposes, certain (but not all) training expenses that expressly do not qualify as reimbursable expenses.
- F. Grant Amount. Grant amounts are determined as follows:
1. Maximum Grant Amount.
    - a. The maximum Program grant amount for any single grant will be determined by the Authority and disclosed in the notice set forth in Section 4(A)(1).
    - b. If an Employer with an existing Program grant qualifies for a second grant at the same time (i.e., including, for example, if an Employer with a grant for Incumbent Employee training qualifies for a grant for New Employee training before the Incumbent Employee training is completed), the *combined* grant amounts cannot exceed the maximum amount set forth in the disclosure provided pursuant to Section 4(A)(1).
  2. Maximum Per-Employee Grant Allocation. Grants cannot exceed the following limits in terms of training dollars per Employee-trainee:
    - a. New Employee Training:
      - i. Employers other than Small Employers:
        - (A) Urban Employers: \$5,000 per Employee-trainee filling a Net New Job.
        - (B) Rural Employers: \$8,000 per Employee-trainee filling a Net New Job.
      - ii. Small Employers: \$8,000 per Employee-trainee filling a Net New Job irrespective of the location of the Employer.
    - b. Incumbent Employee Training:
      - i. Employers other than Small Employers:
        - (A) Urban Employers: \$5,000 per Employee-trainee filling an Incumbent Employee job.
        - (B) Rural Employers: \$8,000 per Employee-trainee filling an Incumbent Employee job.
      - ii. Small Employers: \$8,000 per Employee-trainee filling an Incumbent Employee job irrespective of the location of the Employer.
  3. Grants as a Percentage of Training Costs. Grants may not exceed the following limits in terms of the grant as a percentage of total eligible training costs under an approved Training Plan:
    - a. New Employee Training: 75 percent, with the Employer responsible for the remaining 25 percent. Accordingly, for an approved Training Plan for Employee-trainees filling Net New Jobs, the Employer must provide an Employer Match in cash or other resources, including qualified expenditures and authorized in-kind contributions at least equal to 25 percent of the eligible training costs included in the approved Training Plan.
    - b. Incumbent Employee Training: 50 percent, with the Employer responsible for the remaining 50 percent (the Employer Match in such case).
    - c. Employer Match. Section 3 of Schedule 1 to these Rules enumerates those expenditures and in-kind contributions that qualify as an Employer Match. Such expenditures must be incurred or contracted for (or in-kind contributions made) *after* the date of submission of an application for a Program grant application in the

case of New Employee training and *after* the start of the grant training period in the case of Incumbent Employee training.

4. Relationship to Prior Year Training Budget. Grant funding can be provided only when an Employer's training budget in the year of the grant application is equal to or in excess of the Employer's training budget in the preceding year.

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#### **Section 4. Applications, Review, and Awards**

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##### **A. Time for Filing Applications/Description of the Funding Round**

1. Prior to each funding round, the Authority will indicate via email and on its website, [www.azcommerce.com](http://www.azcommerce.com):
  - a. the date by which applications for Program grants must be submitted for each type of Program grant (i.e., New Employee training or Incumbent Employee training),
  - b. the total amount of allocated funds made available for the funding round,
  - c. the maximum amount available for each grant offered during the funding round, and
  - d. the maximum term of the grant associated with each funding round.

- B. Forms for Filing Applications. The Authority maintains two (2) distinct forms for use in applying for Program grants: one for New Employee training and another for Incumbent Employee training. Each applicant must use the form specifically designated for use in each case. Links to the application forms are available on the Authority's website referenced in subsection (A) above.

- C. Content of Application Forms. An Employer must provide all information, including supporting documents, required by the application form.

- D. Method of Filing Applications. Applications for Program grants must be submitted electronically through the Authority's Electronic Application System (EASY). EASY automatically dates and time stamps each Program application thereby establishing that the application was submitted in advance of the deadline for accepting such applications.

##### **E. Review of Applications**

1. Only applications that are Substantially Complete in the Authority's determination will be reviewed for funding. An application will not be regarded as Substantially Complete if, among other matters, the Employer-applicant fails to adequately respond to the questions in the application form and/or states that required information will be provided at a later date.
2. During its review of an application, the Authority may request additional information, conduct a site visit, or otherwise discuss with the Employer any issue related to or arising from the application.
3. If an Employer fails to provide any requested additional information by the earlier of (i) 14 calendar days after request by the Authority (or up to the number of additional days that may be expressly granted by the Authority if the Employer seeks and receives an extension within the initial 14 day period – a taxpayer may receive an extension for good cause upon a showing of extreme hardship or undue burden being experienced by the taxpayer (extreme hardship or undue burden experienced by a third-party consultant or other representative of taxpayer shall not constitute adequate basis for an extension)) or (ii) the deadline for final submission of Substantially Complete applications for a competitive round (as applicable), the application will be considered withdrawn. If an

application is considered withdrawn, the application is treated as if it had not been submitted. As a result, any priority or timeliness associated with the application date will be lost.

F. Priority. With respect to establishing priority among otherwise eligible applications for Program funding, the Authority will award grants as follows:

1. New Employee Training. Grants for New Employee training will be awarded on the basis of a competitive process to the extent that the aggregate New Employee training grant amounts applied for exceed the amount of funds allocated to each funding round by the Authority. For each competitive round of applications, the ACA will provide at least 30 days' notice of the application due date and all necessary information regarding the process, selection criteria, and other applicable details as contemplated pursuant to Section 4(A)(1). As noted above, EASY automatically dates and time stamps each application thereby establishing that an application for New Employee training has been submitted in advance of the deadline for the applicable competitive round (subject to Authority review for determination that the application is Substantially Complete).
2. Incumbent Employee Training. Grants for Incumbent Employee training, if applicable, are awarded through the random, blind draw process described in Section 5 of these Rules.

G. Awards.

1. With respect to qualifying applications for which funding is available, the Authority will determine the amount of the Program grant in accordance with Rules Section 3. Based on the application of the criteria in these Sections, the grant amount may be lower than requested in an application.
2. The Authority will notify a successful Employer of a Program grant award and provide a Grant Agreement for the Employer-applicant's signature.

H. Processing Fee. Following the notification of award, the successful Employer-applicants must remit to the Authority a non-refundable application fee equal to one percent (1%) of the maximum grant amount awarded prior to execution of a Grant Agreement. The processing fee must be paid by check or wire transfer.

I. Grant Agreements.

1. Grant Agreements will set forth the specific terms governing a Program grant.
2. In addition to the Program requirements set forth by statute and these Rules, Grant Agreements may set forth terms that, in the Authority's discretion, ensure that Program funds are used appropriately and that the interests of the Authority and the State of Arizona are otherwise adequately protected and advanced.
3. Except in extraordinary circumstances, as determined by the Authority, the terms of Grant Agreements are not negotiable.
4. A sample grant agreement may be furnished by the Authority upon request by an Employer after an Employer has submitted a Program grant application. Such sample will be provided for the review of the Employer, but the terms thereof may change through the selection and award process.
5. Within 15 calendar days after receipt of the Grant Agreement, the Employer-applicant must sign the document and return the document and a completed "Substitute Form W-9" to the Authority. If an Employer-applicant fails to comply in a timely manner, the Authority may consider the application as withdrawn.

J. Protests and Appeals.

1. If the Authority denies an application, the Employer-applicant may appeal the decision within 30 days by submitting a timely written request for a hearing or a notice of appeal with an administrative law judge or the CEO pursuant to A.R.S. § 41-1092 *et seq.* The denial of a grant prohibits the Employer-applicant from receiving an award under the Program unless the appeal is successful.

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**Section 5. Random Blind Drawings for Incumbent Employee Training Awards**

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- A. As noted, if applicable, the Authority will award Program grants for Incumbent Employee training on the basis of random blind drawings.
- B. Consistent with Rules Section 4(A), the Authority will provide notice on its website when applications for Program grants for Incumbent Employee training will be accepted. Such notice will also: (i) identify the date and time established for the next random blind drawing, which will be at least 30 days from the date of the notice and (ii) specify the deadline by which expressions of Employer interest in participating in a forthcoming drawing must be submitted.
- C. An Employer can evidence its interest in participating in a forthcoming drawing by (i) completing the “Election to Participate” form that will be available on the Authority’s website for this purpose and (ii) submitting such form to the Authority electronically via EASY by the deadline established therefor. The length of such form will not exceed two (2) pages. An Employer is not required to submit the formal application for Incumbent Employee training at the same time as submission of the “Election to Participate” form.
- D. Each random blind drawing will be conducted at the offices of the Authority at the date and time referenced therefor in the Authority’s notice.
- E. In carrying out each random, blind drawing:
  1. A single drawing ticket will be assigned to each Employer who has submitted an “Election to Participate” form in a timely manner.
  2. All tickets for a drawing will be placed in an opaque container and stirred. The Authority will read the applicant’s name on each drawing ticket as the ticket is placed in the container.
  3. The Authority will hand pick each drawing ticket from the container one at a time until all tickets have been drawn from the container. The order in which the drawing tickets are removed from the container represents the order in which Incumbent Employee grant awards will be made subject to review of grant applications, final qualification and availability of funding.
  4. Following the drawing, the Authority will notify each Employer that submitted an “Election to Participate” form of the Employer’s position in the order established by the drawing.
  5. Further, following the drawing, the Authority will review actual Incumbent Employee applications, in the order established by the drawing, to determine their respective eligibility. For this purpose, Employers will be required to submit formal Incumbent Employee applications in accordance with the method described by Rules Section 4(D) not later than the date specified by the Authority. Failure to submit an application in a timely manner will result in a cancellation of the priority established by the drawing.
  6. Review of Incumbent Employee applications will be conducted in the manner described

- by Rules Section 4(E).
7. In the event funds are insufficient to fully fund an otherwise eligible application in the drawing, the Authority will offer the then available funds to the Employer- applicant. The Employer-applicant may then either accept the *funds* or withdraw its application. If a post-drawing application is withdrawn from the drawing process, the Authority will offer the otherwise allocable amount to the Employer-applicant next in rank.
  8. If funding is fully absorbed, the Authority will provide notice thereof to the remaining applicants in the drawing that have not been previously approved or denied a grant.

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## **Section 6. Competitive Process for New Employee Training Awards**

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- A. As noted, the Authority will award Program grants for New Employee training on the basis of a competitive application process to the extent that the aggregate New Employee training grants applied for exceed the amount of funds allocated to each funding round by the Authority.
- B. Recommendations regarding priority for awards in the competitive process will be established by a panel of judges, which may include Authority staff and non-Authority staff, who will review grant applications and establish such recommendations. The judges will evaluate grant applications based on the factors set forth in Schedule 2 to these Rules. Final decisions regarding priority for awards will be determined by the Authority's CEO.
- C. The Authority may adopt more detailed administrative procedures, outside its Rules process, consistent with these Rules and applicable law, to implement the provisions of this Section. Such procedures will be posted on the Authority's website.
- D. If an application is withdrawn from the competitive process, or if lesser funds are allocated in Grant Agreements than were allowed in awards, the Authority will offer the otherwise allocable amounts to the Employer-applicant(s) next in rank.

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## **Section 7. Reporting and Reimbursements**

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- A. Reporting.
  1. General. On forms and in the manner determined by the Authority, Grantees must submit through EASY: (i) quarterly progress reports throughout the term of the Program grant and (ii) a final progress report not later than the time established by the Grant Agreement. The Authority may terminate a grant or demand repayment of prior grant payments for failure to comply with these reporting requirements.
  2. Requests for Reimbursement. Grantees must request reimbursement for approved training expenses on a form and in the manner determined by the Authority. At the Authority's discretion, such requests may be required to be signed by all employees receiving training and/or training providers including in-house training providers.
- B. Site Visit. The Authority may conduct one or more site visits of the Grantee's place of business during the term of the grant or before the Authority makes the final disbursement of funds to the Grantee.
- C. Final Reimbursement. Upon a Grantee's request, the Authority will determine the amount of a final grant disbursement.
  1. If the Authority determines that the Grantee has met all Program and Grant Agreement terms and conditions, the Authority will make the final grant disbursement due.

2. If the Authority determines that the Grantee has not met all Program and Grant Agreement terms and conditions, the Authority may:
  - a. Make no payment or make a reduced final payment; or
  - b. Send written notification to the Grantee requiring full or partial repayment of any amounts previously paid to the Grantee.

The Authority retains the discretion to require full or partial repayment of any amounts previously paid to the Grantee if the Grantee has failed to comply with all Program and Grant Agreement terms and conditions irrespective of whether the Grantee formally requests a final grant disbursement.

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## **Section 8. Definitions**

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The following definitions, which are used in the preceding provisions of the Rules or in the Schedules, have the following meanings unless the context otherwise dictates:

“Affiliate” means, in respect to a specified person or entity, a person or entity that, directly or indirectly, controls, is controlled by, or is under common control with such specified person or entity. In the context of an Employer, a parent entity owning at least 51 percent of the ownership interests of the Employer is deemed an “Affiliate” of the Employer. Similarly, in the context of an Employer, a subsidiary entity at least 51 percent of the ownership interests of which are owned by the Employer is deemed an “Affiliate” of the Employer.

"Authority" means the Arizona Commerce Authority.

"CEO" means as the term “Chief Executive Officer” is defined under A.R.S. § 41-1501(3) and may also include the CEO’s designee.

"Cluster Industry" means, concentrations of firms across several industries that share common economic foundation needs.

"Consortium" means:

- a) A group of at least two Employers (excluding any contracted Qualified Training Provider) that combine efforts to meet common training needs according to a specific occupational category or current industrial trend; or
- b) A professional or trade association or a joint apprenticeship training committee that is composed of a majority of businesses eligible to participate under the Program; or
- c) A small business development center encompassing a partnership between the State's ten community college districts and the U.S. Small Business Administration.

“EASY” means the Authority’s “Electronic Application System” used for transmitting documentation to the Authority electronically.

"Employee" means a full-time, permanent (non-seasonal, non-contract) Arizona employee (including an employee of a professional employment organization) who performs services (in an employment position in respect to which the normal work week is at least 35 hours) for an Employer that applies for or otherwise obtains a Program grant and for whom such Employer is required to remit Federal Insurance Contributions Act (FICA) taxes. The term “Employee,” in the context of a Small Employer, includes an Owner who otherwise qualifies as an “Employee.” An Owner in the context of any other Employer is not considered an “Employee” irrespective of whether such Owner otherwise qualifies as an “Employee.”

"Employer" means an entity (and any one or more Affiliates) that:

- a) Have at least one business location in Arizona;

- b) Are not public agencies as defined under A.R.S. § 11-951; and
- c) Are not public service corporations as defined under Arizona Constitution Article 15, Section 2.

Any reference in these Rules to the term “Employer” shall also include, as the context indicates, a Consortium that is awarded a Program grant.

"Equipment" means the following items the value of which for purposes of the Employer Match will be prorated during the time used for training under a grant:

- a) Machinery that has verifiable annual depreciation; or
- b) Computer hardware or software purchased after a training plan start date.

"Employer Match" means costs incurred in meeting the Employer's contribution requirement and used in determining the total grant amount.

"Export-Oriented Business" means an Employer that derives more than fifty percent of its gross receipts from sales outside of the State of Arizona.

“Grantee” means an Employer who has entered into a Grant Agreement.

“Grant Agreement” means the agreement between the Employer and the Authority setting forth the terms of a Program grant.

"Headquarters” means an Employer’s principal central administrative office where primary headquarters functions and services are performed, including financial, personnel, administrative, legal, planning and similar business functions and services.

"Incumbent Employees" means an Employer’s Employees as of the date of a Program grant application (and successors to such Employees) as well as the Employer’s Employees who during a Training Plan period fill employment positions that existed as of the date of a Program grant application but which such employment positions were unfilled as of such date.

“Mandatory Training” means training required in order to prepare an employee to fulfill job duties and adhere to company policies, including, for example, new hire orientation in which the employer explains company policies.

"Net New Jobs" means in the context of New Employee training:

- a) The number of New Employees that is in excess of the number of existing Arizona Employees (if any) specified on the Program grant application or otherwise established at the time of the Grant Agreement; or
- b) The number of Employees that is in excess of the number of Arizona Employees before any layoffs or force reductions occurring during the 12-month period preceding the date of a Program grant application.

“New Employees” means Employees of a new or expanding business who are employed in Arizona by an Employer in Net New Jobs following submission of a Program grant application.

"On-The-Job Training" means training provided to a registered apprentice participating in a program registered with the Arizona Apprenticeship Office.

"Owner" means the owner of an equity interest in the Employer.

“Professional Services” means services an individual, business or organization provides to an employer to assess, review, design, develop, customize and update an employer’s business processes for a fee.

"Program" means the Arizona Job Training Program established pursuant to A.R.S. § 41-1544.

- “Qualified Training Provider” means an educational institution or an individual or entity has a written statement from the Employer attesting to the trainer's competence to provide training for job-specific skills. The term “Qualified Training Provider” may include a Grantee.
- "Qualifying Wage Rate" means as described in Section 2(B)(1).
- “Research and Development Facility” means an Employer if more than fifty per cent of the Employer’s business activity is qualifying research and development as defined under section 41 of the Internal Revenue Code.
- "Rural Employer" means an Employer located within a “rural area” as defined under A.R.S. § 41-1544(J)(1).
- “Skill Certificate” means an educational credit, certification or award issued by a Qualified Training Provider in recognition of an employee attaining a measurable technical or occupational skill necessary to gain employment or advancement within the employee’s occupation or profession.
- "Small Employer" means an Employer that, as of date of submission of a Program grant application, employs fewer than one hundred employees at all locations within and without Arizona.
- “Substantially Complete” means, in respect to a Program grant application, that the application materials are sufficient for the Authority to determine the applicant’s eligibility and the amount of the requested grant.
- “Target Industry” means the industries targeted by the Authority, including Aerospace & Defense, Technology & Innovation, Advanced Manufacturing, Bioscience & Health Care, Advanced Business Services and Film & Digital Media
- "Training Plan" means the information submitted to the Authority relating to the Employees proposed to be trained and the nature, timing and cost of the proposed training.
- "Urban Employer" means an Employer that is not a Rural Employer.

- Schedule 1 Allowable Training Expenses, Permissible Employer Match Contributions
- Schedule 2 Criteria for Evaluating Net New Training Applications

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**Schedule 1**  
**Allowable Training Expenses, Permissible Employer Match Contributions**

1. Program grant funds may be paid to reimburse only allowable training expenses. The following are allowable training expenses:
  - a. Charges assessed by unaffiliated Qualified Training Providers;
  - b. Training material purchases and productions;
  - c. External training facility rental expenses not to exceed 25 percent of a total grant award;
  - d. Hourly wages of in-house Arizona Qualified Training Providers for allowable in-house training;
  - e. On-The-Job Training costs not to exceed 25 percent of the base wage of an Employer's employee who provides On-The-Job Training to a registered apprentice under a grant;
  - f. Travel costs (exclusive of food and beverage) not to exceed five percent of a total grant award;
  - g. Other expenses that, in the Authority's determination, comport with the intent of the Program with respect to the use of grant funds.
  
2. The following, without limitation, are not allowable training expenses:
  - a. Any expense that is not incurred directly with an instructional cost;
  - b. Trainee wages or fringe benefits including tuition reimbursement;
  - c. Trainer fringe benefits;
  - d. Employer costs to complete a Program application or manage a Program grant;
  - e. Expenses for recruiting an Employee;
  - f. Training expenses for an Employer officer or partner, except for an Owner in the context of a Small Employer;
  - g. A signing bonus;
  - h. Food and beverage expenses;
  - i. Expenses for relocating an employee;
  - j. Professional Services;
  - k. Expenses for assessing the training needs of an Employer's employees;
  - l. Drug or other testing for employee screening or prescreening purposes;
  - m. Conference, online training, or seminar expenses not resulting in a Skill Certificate;
  - n. Trade show expenses;
  - o. On-The-Job training costs for an Employee that is not a registered apprentice;
  - p. Expenses associated with staff meetings that are not exclusively training sessions, or with onboarding activities, such as orientation classes;
  - q. Regulatory continuing education training required to retain an Employee's certification or degree;
  - r. Training that is not specifically related to the requirements of the position for which training is provided;
  - s. Any expense that is not incurred and paid for directly by the Employer with the exception of travel costs paid by an Employee and reimbursed by the Employer; or
  - t. Training that is mandated by state or federal law.

**Schedule 1**  
**Allowable Training Expenses, Permissible Employer Match Contributions**

3. An Employer receiving Program funding must provide at least 25 percent of the cost of training in the case of New Employee training or at least 50 percent of the cost of training in the case of Incumbent Employee training. These amounts are referred to as the Employer Match. The following are expenditures (including in-kind expenditures) that qualify as an Employer Match if paid or contributed by the Employer:
  - a. Allowable training expenses set forth in Section 1 of this Schedule 1 the costs of which are not reimbursed by Program funds;
  - b. The pro-rated value of Equipment used in training activities;
  - c. The pro-rated value of space at an Employer's place of business used during training activities;
  - d. Employee-trainee wages (excluding fringe benefits) paid during training by a Small Employer or a Rural Employer;
  - e. Federally or state mandated programs, training, or annual recertification, such as EEO or OSHA.

## Schedule 2

### Criteria for Evaluating Net New Training Applications

New Employee training applications will be evaluated based on the following factors:

1. Quality of proposed training program, taking into consideration the following:
  - a. Higher priority will be given for the following types of training:
    - i. Training resulting in the employee-trainee receiving a Skill Certificate reflective of value for other employers
    - ii. Training resulting in wage increases
    - iii. Training for advanced jobs skills, such as, without limitation, Lean manufacturing; 6 Sigma; Advanced information technology skills such as SQL, HTML and Java; Advanced financial analysis; Quality management; and Welding
  - b. Lower priority will be given for the following types of training:
    - i. In-house training unless resulting in clearly measurable technical or occupational skills
    - ii. Conferences, seminars, and online training unless resulting in a Skill Certificate
    - iii. Training for basic job skills, such as, without limitation, Microsoft Office or comparable proficiencies, customer-service, and time management
  - c. For training that utilizes third-party training vendors, lower priority will be given to training that utilizes out-of-state vendors, with the degree of priority adjustment corresponding directly to the extent to which the budget is dedicated to out-of-state vendor costs
  - d. Higher priority will be given for training budgets in which a greater percentage of costs is dedicated to actual training expenses (as opposed to incidental expenses, such as travel and facility rentals)
2. Efficient use of state training dollars, with consideration of the following:
  - a. Employer match percentage
  - b. Grant amount per Net New Employee to be trained
  - c. Other job training resources leveraged, such as community college training
  - d. Overall economic impact to the state
3. Business, Industry or Facility, with priority for the following:
  - a. A Small Employer
  - b. A Rural Employer
  - c. An Export-Oriented Business or operations
  - d. Headquarters operations
  - e. A Research and Development Facility
  - f. A business in a Target Industry
  - g. A business in a Cluster Industry
  - h. A business undergoing economic conversion
  - i. A business increasing economic diversity
4. The quality of the Net New Jobs, with consideration of the following:
  - a. Payment of average wages in excess of the Qualifying Wage Rate
  - b. Health insurance coverage and percentage paid by employer-company
  - c. Other employment-related benefits provided
5. Efforts made to employ dislocated workers (as defined under the Workforce Innovation and

## **Schedule 2**

### **Criteria for Evaluating Net New Training Applications**

Opportunity Act), the chronically unemployed (those experiencing long-term unemployment, generally considered to be six months or longer) and other special employee populations, including persons with disabilities, veterans, and individuals with criminal records.