

The InterMedium - Third Quarter 2005

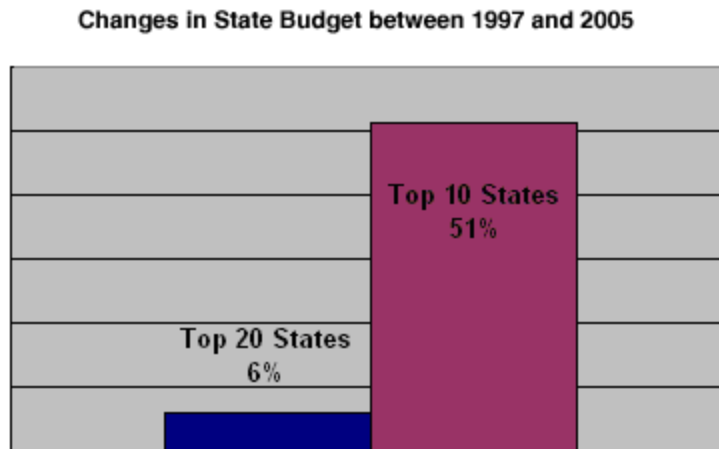
CHANGES IN STATES' BUSINESS TRAINING FUNDS — AND THE IMPLICATIONS FOR YOUR COMPANY

Editor's Note: The IM Group recently conducted a study of states' budgets for training funds awarded to companies. The study covers the period 1997 through 2005 (fiscal years ending June 30). Below are some of the highlights. The complete study is available to IM Group clients.

Training assistance funds from state government's help companies build more productive workforces and often lower their training costs. In recent years, however, financial pressures have caused many states to cut back on spending programs. So, how specifically did major the training assistance budgets fare?

Between 1997 and 2005, the 20 states with the largest business-training assistance funds increased their funding by a total of \$22 million. Even more impressive:, budgets in the top 10 states rose 51 percent over their 1997 levels (see Figure 1).

Figure 1.



The wide disparities between states can be directly attributed to differences in:

- State policies (that lead to the presence or growth of a pro-business climate), and
- Economic circumstances (whether a state is seeing growth in revenues versus growth in entitlement expenses).

Dramatic changes in spending

Following are some significant findings from the study:

Top states. California remained the largest spending state with an assistance budget of \$75 million. Louisiana came in second at \$52.5 million, followed by New Jersey at \$31.8 million.

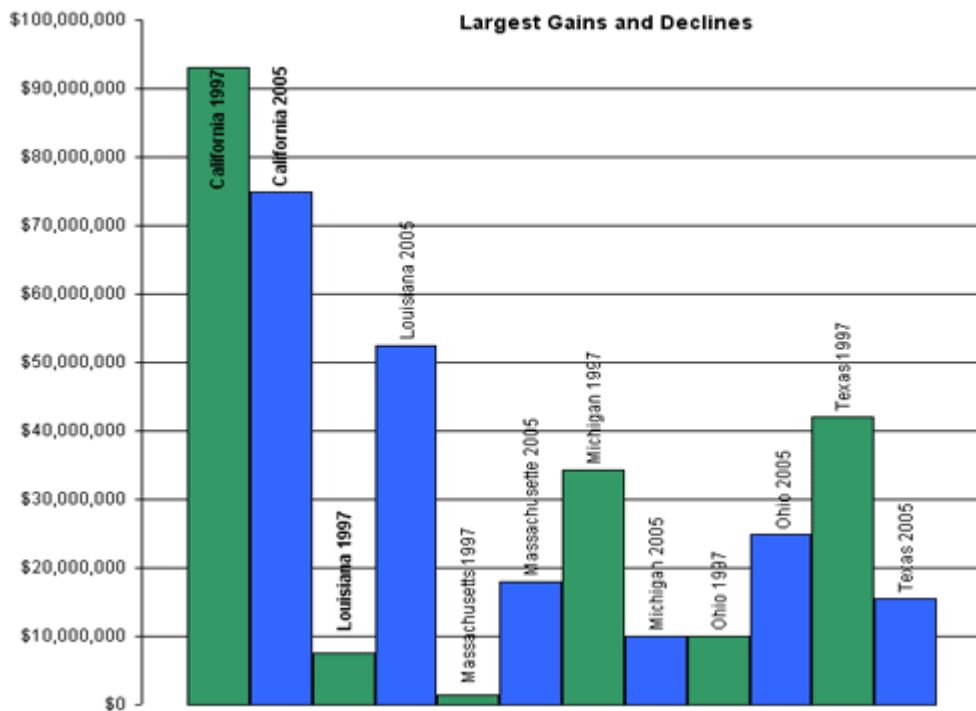
Per capita spending. Louisiana ranked #1, with a per capita spend of \$11.63. Others in the top three were New

Mexico at \$7.36, and Missouri at \$4.22.

Largest gains. Louisiana led the states in budget gains, soaring \$45.0 million from \$7.5 million in 1997 to \$52.5 million in 2005. Massachusetts and Ohio were next, adding \$16.5 million and \$15.0 million, respectively, to their 1997 budgets.

Largest declines. Texas had the steepest decline, its budget sinking by \$26.6 million between 1997 and 2005. Michigan was a close second with a \$24.2 million cutback, and California was third with an \$18.0 million reduction. (See Figure 2.)

Figure 2. States with the largest budget changes



Implications

The budget changes have important implications for corporations:

- If your firm has operations in the top 20 states, the overall potential for an attractive grant is very good, but does vary by state
- If your firm has operations in states other than the top 20, the potential is less consistently predictable.