

**Arkansas Existing Workforce Training Act  
(Act 791 of 1995, as amended)  
EWTP  
Rules and Regulations**

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**I. Introduction**

The primary purpose of the Existing Workforce Training Program (EWTP) is to provide financial assistance in the form of a direct grant or an income tax credit to Arkansas business and industry for the delivery of customized, industry specific training to upgrade the knowledge and skills of the existing workforce and to increase the capacity of state-supported educational institutions to supply the on-going training needs of Arkansas companies. See Arkansas Code Annotated § 6-50-701 et seq.

Eligible recipients of EWTP assistance are defined in the rules and regulations.

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**II. Definitions**

- A. “Basic skills training” means training in those math, reading, English, communication (listening, oral, and written), and computer literacy skills that a person can reasonably be expected to have attained by the end of the twelfth grade.
- B. “Classroom training” means instructor-led training that is provided outside of the process of the production of goods or the delivery of a service. It means the simultaneous delivery of training by a trainer to a group of trainees. Classroom training is usually delivered in an instructional setting removed from the plant floor or laboratory and does not include training delivered via on-the-job-training (OJT) or to training delivered via a self-paced mode.
- C. “Company” means a business currently operating in the state that has filed an Arkansas corporate income tax return for the year prior to the year in which the application was submitted and meets eligibility criteria.
- D. “Consortium” is a group of companies which includes at least three (3) eligible companies, as defined in “C” above, and for fiscal purposes is either a private, not-for-profit corporation or is an organized group that has a coordinating board or committee, a mission statement and has bylaws and a bank account requiring at least two (2)

consortium member signatures. Consortia may have members that are not eligible companies as long as at least three (3) of the consortium member companies are eligible companies. To receive the maximum amount of financial assistance, at least fifty percent (50%) of the participants completing each course must be employees of eligible companies.

- E. “Consumable materials and supplies” are training materials including textbooks which are provided to each student and trainer and will not be reused in future training sessions.
- F. “Customized industry-specific training” means training that is developed and/or customized to meet the specific needs of the company.
- G. “Eligible recipients” means a full-time permanent employee, of an Arkansas company or consortium, who is subject to the Arkansas personal income tax.
- H. “Full-time instructor or trainer” means a person who works a minimum of thirty (30) hours per week on at least a nine-month contract length and has the normal fringe benefit package available to any employee the institution considers to be a full-time employee.
- I. “Full-time, permanent employee” for the purposes of this program, means a person working at an Arkansas company, who has been working at the company for at least twenty-six (26) consecutive weeks and who works at least thirty (30) hours a week.
- J. “Governing council” means the directors, or their designees, of the Arkansas Department of Economic Development, the Arkansas Department of Higher Education, and the Arkansas Department of Workforce Education.
- K. “Instructional hour” means the unit of time devoted to the delivery of training to a group of trainees that is used in the calculation of the allowable reimbursement. An instructional hour is sixty (60) minutes in length, including breaks, and relates to training delivered in a classroom setting only. It is not relevant to training delivered via OJT or to training delivered via a self-paced mode.
- L. “Internal training” means classroom training provided to company employees by company trainers that may be either full-time employees of the company or consultants paid by the company. Support for internal training can only be in the form of an income tax credit.
- M. “No retail sales to the general public” means no walk-in, “point of sale” service to the public.
- N. “Partnership” means a group of eligible companies that identify a common training need and arrange for a class or series of classes to meet this need without forming a formal consortium. In this case, one company serves as the fiscal agent for the group

and a single application is submitted for the identified class(es) which meet the needs of the group. The fiscal agent would assume fiscal responsibility for collecting each participating company's share of the training cost, for paying the training provider, and for maintaining the required records and receipts required by the EWTP. Unlike consortia, partnerships cannot include ineligible companies.

- O. “Prerequisite literacy skills” means those basic skills needed in order to learn the content of a given training course. Necessary prerequisite skills will vary depending on the course and should generally be determined using a test suited to the purpose.
- P. “Skills upgrade training” means new skills and knowledge development necessary to enhance productivity, improve performance and make the company more competitive.
- Q. “State-supported educational institution” means a secondary or post-secondary Arkansas educational institution that receives the majority of its funding from state or local tax revenues except that, for purposes of this act, Texarkana College may be considered a state supported educational institution for the purpose of delivering training services to eligible companies located in Miller County, Arkansas, provided if Texarkana College continues to waive out-of-state tuition for residents of Arkansas.
- R. “Training consultant” means a person whose primary source of income comes from charging clients for the delivery of customized training or a person who has formed a business, is a partner in a business, or works for a business whose primary purpose is to provide customized training to clients. **The use of training consultants in this program is to be initiated only by a state-supported educational institution or a Customized Training Coordinator from the Arkansas Department of Economic Development.**

### **III. To Qualify for the Program a Business Must**

- A. Be classified in one of the following:
  - 1. Manufacturers classified in North American Industry Classification System (NAICS) codes 31-33, including semiconductor and microelectronic manufacturers;
  - 2. Computer firms primarily engaged in providing computer programming services; the design and development of prepackaged software; businesses engaged in digital content production; computer processing and data preparation services; information retrieval services; computer and data processing consultants and developers. All firms in this group must derive at least seventy-five percent (75%) of their revenue from out-of-state sales and not be engaged in retail sales to the general public; or

3. Firms primarily engaged in commercial physical and biological research (NAICS) code 541710, as in effect January 1, 2003.
- B. Submit a valid application to the Arkansas Department of Economic Development at least ten (10) business days before training begins;
- C. Provide assurance that the participants involved in the proposed training program possess the prerequisite literacy skills;
- D. Clearly tie the proposed training to specific business goals and performance objectives (reduction of cycle time, scrap, rework, inventory, various other quality objectives). The application must state the specific business goals and how the proposed training program will assist in meeting these goals; and
- E. Provide assurance that EWTP funds will not be used for training that is authorized under another state or federal program.

#### **IV. Powers and Duties of the Department of Economic Development**

The Existing Workforce Training Program will be jointly administered by the Department of Economic Development, the Department of Workforce Education, and the Department of Higher Education.

- A. All decisions regarding the eligibility of an applicant an individual application, or parts of an application, will be made by a governing council, comprised of the directors of the three administering agencies or their designees.
- B. All day-to-day administrative functions required to operate the program will be carried out by the Department of Economic Development.

#### **V. Terms of Financial Assistance**

**EWTP applications, whether for tax credits, or for direct assistance, will only be accepted and considered for approval when completed by coordinators who have completed Economic Development's EWTP application training process. These are designated coordinators from a state supported educational institution, Customized Training Coordinator from the Department of Economic Development, or a designated coordinator from an established training consortium.**

- A. Classroom Training
  1. For companies or consortia that use state supported educational institutions to deliver classroom training to their employees, the amount of support, whether in the form of a grant or tax credit, a company or consortium receives shall be the lesser of:

- a) One-half (1/2) of the amount paid by the company/consortia to the state supported educational institution for the training, **or**;
  - b) Sixty dollars (\$60) per instructional hour, times the number of instructional hours delivered by a **full-time instructor or trainer**; at least fifty percent (50%) of the participants completing each course must be from eligible companies.
  - c) Fifty dollars (\$50) per instructional hour, times the number of instructional hours delivered by **adjunct or part-time instructors or trainers**; at least fifty percent (50%) of the participants completing each course must be from eligible companies.
  - d) Thirty-five dollars (\$35) per instructional hour, times the number of instructional hours for **safety-related training (regardless of instructor status)**.
  - e) Thirty-five dollars (\$35) per instructional hour, times the number of instructional hours for all courses if less than fifty percent (50%) of the participants completing each course are from eligible companies.
2. For companies that use **their own employees or company-paid consultants** to deliver classroom training to their employees, the amount of the Arkansas income tax credit, set by the governing council, shall not exceed fifteen dollars (\$15) per instructional hour.
  3. The minimum class size needed to receive full benefits is five (5) trainees. For classes smaller than five (5), the amount of support will be reduced proportionally.

**B. Training Delivered by Means Other Than Classroom Training**

1. Computer-based training, training delivered via interactive videos, or distance learning has variable costs. Applications involving these types of training will be evaluated on a case-by-case basis.
2. Applicants must include, at a minimum, but not limited to, the following information to be considered:
  - (a) the number of students to be trained;
  - (b) number of training hours per student; and
  - (c) the cost per instructional hour to deliver the training.

**C. Determination of Benefits**

1. Using an internal trainer or training consultant paid by the company - (Arkansas Income Tax Credit Only)
  - (a) For companies that use an internal trainer to deliver classroom training to their employees, the amount of the tax credit shall be based on a rate, set by the governing council, not to exceed \$15 per instructional hour times the number of instructional hours delivered. The company's cost per instructional hour is determined by adding the company's cost for the instructor while in class (salary plus fringe), including the company's cost for expendable materials and supplies for the course.
  - (b) For companies that use a training consultant to deliver classroom training to their employees, the amount of the tax credit shall be based on a rate, set by the governing council, not to exceed \$15 per instructional hour, times the number of instructional hours delivered. The company's cost per instructional hour is determined by dividing the training consultant's fees for the eligible training by the number of instructional hours delivered.
  - (c) If fewer than five (5) trainees attend a course, the instructional hour rate will be reduced proportionally.

D. Restrictions

1. The maximum combined EWTP support in the form of financial assistance and/or tax credits for any one-company site (including a company's participation in a consortium) cannot exceed \$50,000 per calendar year.
2. The total amount of tax credits that can be approved per calendar year cannot exceed \$450,000 for all applicants. Tax credits will be reserved on a tax year basis, but total tax credits approved will not exceed \$450,000 during any calendar year. Tax credits will be reserved on a first come / first served basis.
3. An individual application will not be accepted if the financial assistance or tax credit is less than \$400. Neither tax credits nor financial assistance checks will be issued for an amount less than \$400.
4. Courses that contain less than two (2) instructional hours in length will not be eligible for reimbursement.
5. The EWTP does not financially support, directly or indirectly, wages paid by the company to trainees.
6. Neither grant funds nor tax credits shall be used to support any training that is mandated by any state or federal law or regulation unless approved by a unanimous vote of the EWTP Governing Council. Certain safety training courses will be allowed. The governing council will determine allowable

courses. It is not the intent of this program to support training that does not raise the skills of the workers and increase their earning potential.

7. The EWTP, as a customized industry-specific training program, does not pay tuition costs for company employees who enroll in regular educational institution programs and/or apprenticeship training programs.
8. One of the primary objectives of the EWTP is to develop the capacity within our state-supported institutions to meet the customized training needs of businesses and industries. Trainers who meet the definition of full time instructors or trainers meet this objective; persons in the private business of delivering training do not. Therefore, EWTP does not allow training consultants to sell their training services to business and industry and then have the training channeled through a state-supported educational institution after-the-fact in order to gain a higher rate of reimbursement for the company. Therefore, if the instructor is hired in this way, the company will only qualify for a rate, set by the governing council, not to exceed \$15 per instructional hour.
9. In situations where full-time employees of an eligible company are also adjunct faculty of a state-supported educational institution and are delivering training to their primary employer, the company cannot claim the higher rate of financial support. The internal trainer rate applies in this instance.
10. Tax credits are earned in the tax year in which the training is completed and the Final Report is received. Because tax credits cannot be carried forward, a Final Report for training that concludes within a company's tax year must be received at the Department of Economic Development no later than 10 days following the end of the company's tax year in order to earn the tax credit. There is an annual limit of \$450,000 on the total tax credits that can be issued to all companies. Therefore, tax credits are issued when the Final Report is received.
11. Financial assistance is earned in the year in which the training is completed and the Final Report is received. Final Reports for financial assistance must be mailed in and received at the Department of Economic Development no later than one (1) month following the completion of training in order to earn financial assistance. Final Reports that are not received within this time frame will not be accepted and no financial assistance will be earned. For applications containing more than one course, the ending date of the last course to be completed will be used as the ending training date. The Department of Economic Development must approve any extension of the ending training date(s).

12. For companies requesting an income tax credit, a single tax credit certificate will be issued within 30 day following the end of the company's tax year for all projects submitted during that tax year.

E. Eligibility of Training Consortia

1. A training consortium is a formal organization of businesses and industries, organized to identify common training needs in the community and to arrange customized business/industry-specific training to meet the identified training needs. The role of a consortium is to "broker" training for its members. It is not the role of a consortium to be a training provider. A training provider's primary function is to provide educational or training services.
2. A consortium may have members that are not eligible companies as long as at least three (3) of the consortium member companies are eligible companies. Companies participating in training which are not eligible companies must be joined in the training and complete the training with an equal or greater number of eligible company participants to receive the higher rate of reimbursement. If the number of eligible participants in a class falls below 50%, the amount of assistance is reduced to thirty-five (\$35) per instructional hour.
3. In order to be recognized as a training consortium, the following conditions must be met:
  - (a) The consortium must possess a federal tax ID number assigned by the Internal Revenue Service.
  - (b) The consortium must have officers, elected by the membership, and the person serving as president (director, chairperson, etc.) must sign the application.
  - (c) The person signing the application for assistance on behalf of the consortium must be willing to assume fiscal responsibility for expending the assistance funds for the purpose stated in the application. If the consortium is a not-for-profit corporation, the board of directors would be the responsible party.
  - (d) A consortium must maintain and provide a current list to the EWTP Governing Council of the consortium officers, their company affiliation, consortium responsibilities, and designate which officers are fiscally responsible to sign EWTP applications and Final Reports.



- (e) A consortium must provide a list of all the participating businesses, their NAICS codes, and the proportion of the total financial assistance allocated to each business following the completion of a training project in order for payment to be made.
- (f) When an eligible consortium uses a state-supported educational institution to provide their classroom training, financial support can only be in the form of a grant.
- (g) When training is conducted for one company only, the individual company shall submit the EWTP application.

F. Eligibility of Partnerships

- 1. Two or more eligible companies may join together to develop a minimum class size of at least five (5) trainees in order to receive the full financial benefit of EWTP, and avoid having the amount of support reduced proportionally and assure most efficient use of training opportunities.
- 2. A partnership must provide a list of all the participating businesses, their NAICS codes, and the proportion of the total financial assistance allocated to each business following the completion of a training project in order for payment to be made.
- 3. Unlike consortia, partnerships cannot include ineligible companies. Financial support for eligible partnerships can only be in the form of a grant.

G. Eligibility of State Supported Institutions for Train-the-Trainer Assistance

- 1. In most cases, the reasonable costs of training a regular or adjunct faculty member of a state-supported educational institution to deliver company specific training will be up to fifty percent (50%) of the cost to the educational institution for the training. The following conditions apply:
  - i. The costs of upgrading the skills of regular or adjunct faculty (not including the faculty member's salary) of a state-supported educational institution may be allowed when the skills upgrade is directly related to an industry-specific training project, if a documented need exists and no qualified instructor can be found.
  - ii. The maximum amount allowed for Train-the-Trainer will depend on the current and anticipated future demands for training in the subject area and cannot exceed 50% of the institution's cost.
  - iii. Train-the-Trainer will not be approved for an educational institution's faculty or adjunct faculty to gain the skills needed exclusively to teach a

college credit course. Assistance for training trainers will be paid directly to the educational institution.

## **VI. Administration of Benefits**

### **A. Company Responsibility**

Participating companies are responsible for all costs associated with the training of company employees. A portion of the costs incurred by the company may be offset by the EWTP, subject to funds and tax credit availability, limitations set forth in these rules and regulations and the approval of the Governing Council.

### **B. Payments**

1. Payments will be made or tax credits will be credited after the training is completed and the Final Report is received at the Department of Economic Development.
2. All payments to companies, consortia or educational institutions and all tax credits to companies by the EWTP will be on a cost reimbursement basis, supported by auditable documentation.